

COMSYS Holdings Corporation

Consolidated Financial Results for the Second Quarter Ended September 30, 2015 Under Japanese GAAP

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 Stock Exchange Listings: First Section of Tokyo Stock Exchange (Securities code: 1721)
 URL: <http://www.comsys-hd.co.jp>
 Representative: Hajime Takashima, President and Representative Director
 For Inquiry: Hidehiko Ozaki, Director and General Manager of Finance & Accounting Department (Telephone:81-3-3448-7000)
 Scheduled Filing of Quarterly Securities Report: November 12, 2015
 Scheduled Commencement of Dividend Payment: December 4, 2015
 Supplementary Materials on Quarterly Results: Attached
 IR Presentation on Quarterly Results: Scheduled (For Institutional Investors and Analysts)

Amounts less than one million yen have been omitted.

1. Consolidated Financial Results (for the six months ended September 30, 2015)

(1) Consolidated Operating Results

(Millions of yen, except per share data and percentages)

	Net Sales		Operating Income		Recurring Profit		Net Income Attributable to Owners of Parent	
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)
Six months ended September 30, 2015	¥128,720	(10.8)%	¥6,540	(41.3)%	¥6,862	(39.3)%	¥4,545	(33.8)%
Six months ended September 30, 2014	144,287	2.6	11,144	4.9	11,308	3.1	6,865	11.4

Notes: 1. Comprehensive income: Six months ended September 30, 2015: ¥4,401 million [(42.0)%] Six months ended September 30, 2014: ¥7,588 million [13.1%]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)
Six months ended September 30, 2015	¥40.00	¥39.83
Six months ended September 30, 2014	58.32	57.94

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2015	¥242,513	¥192,644	79.0%
As of March 31, 2015	264,019	194,038	73.0

(Reference) Shareholders' Equity: As of September 30, 2015: ¥191,577 million As of March 31, 2015: ¥192,774 million

2. Cash Dividends for Shareholders of Common Stock

(Yen)

	Cash Dividends per Share over the Fiscal Year				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-End	Annual
Year ended March 31, 2015	¥ —	¥15.00	¥ —	¥15.00	¥30.00
Year ending March 31, 2016	—	15.00			
Year ending March 31, 2016 (Forecast)			—	20.00	30.00

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending March 31, 2016)

(Millions of yen, except per share data and percentages)

	Net Sales		Operating Income		Recurring Profit		Net Income Attributable to Owners of Parent		Net Income per Share
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount
Year ending March 31, 2016	¥331,000	0.7%	¥28,000	1.2%	¥28,500	1.3%	¥17,000	1.4%	¥149.61

Notes: 1. Most recently announced revisions to consolidated earnings forecast: No
 2. For fiscal-year figures, percentages indicate the percentage change from the previous fiscal year.

***Notes:**

(1) Changes in significant subsidiaries during the period under review (changes to subsidiaries that would alter the scope of consolidation): No

(2) Adoption of accounting methods specific to quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements due to error correction

a) Changes in accounting policies due to revisions of accounting standards: Yes

b) Changes in accounting policies due to other reasons: No

c) Changes in accounting estimates: No

d) Restatements of prior period financial statements due to error correction: No

(4) Number of shares issued (common stock)

	<u>As of September 30, 2015</u>	<u>As of March 31, 2015</u>
a) Number of shares issued (including treasury stock)	145,977,886 shares	145,977,886 shares
b) Number of treasury stock	33,679,665 shares	31,414,907 shares
	<u>Six months ended September 30, 2015</u>	<u>Six months ended September 30, 2014</u>
c) Average number of shares issued in the period	113,628,380 shares	117,729,022 shares

**Statement regarding the Implementation Status of Quarterly Review Procedures*

This Consolidated Financial Results report is not subject to the quarterly review procedures prescribed under the Financial Instruments and Exchange Act. At the time of disclosing the quarterly consolidated financial results report, however, quarterly financial statement review procedures have not been completed.

**Disclaimer concerning the Proper Use of Business Results Forecasts and Other Relevant Specific Items*

- 1. Forward-looking statements including earnings forecasts contained in this document are based on certain reasonable assumptions and beliefs in light of information currently available to management. Readers are advised that actual results may differ materially from forecasts due to a variety of factors. With respect to the conditions that underpin earnings forecasts as well as cautionary statements regarding the proper use of earnings forecasts, please refer to "(3) Discussion of Forward-Looking Information, including Consolidated Earnings Forecasts" under "1. Qualitative Information Regarding Consolidated Financial Results for the Period under Review" of this Consolidated Financial Results report in the Accompanying Materials section on page 3.*
- 2. COMSYS Holdings Corporation plans to hold an IR presentation on its financial results for institutional investors and analysts on Friday, November 13, 2015. Other materials distributed during the IR presentation will be posted on the Company's website in a timely manner after the presentation.*

Accompanying Materials

1. Qualitative Information Regarding Consolidated Financial Results for the Period under Review

(1) Discussion of Operating Results

During the first half (April 1, 2015 to September 30, 2015) of the fiscal year ending March 31, 2016, the Japanese economy maintained a tone of moderate recovery, including a recovery in corporate performance and the employment environment, backed by the fiscal and monetary policies of the Japanese government and the Bank of Japan. Nevertheless, the outlook remained uncertain with concerns about a slowdown in the Chinese economy and the impact of shrinking growth in emerging countries in Asia.

In the information and communications field, the COMSYS Group's principal area of activity, there were significant changes in the content of services and market conditions. These changes included new expansion in demand due to the wholesaling of optical access services (the optic fiber collaboration model), and technical innovation aimed at diversifying and adding functionality to smartphones and tablets taking advantage of the expansion of service areas for high-speed wireless broadband, such as LTE. Moreover, in the public and private sectors, further growth was anticipated in social infrastructure investment related to various endeavors, including innovation in areas such as healthcare, disaster prevention, and e-government using ICT to link goods and services, policies for building national resilience, development of the environment and energy business, and preparation for the Tokyo Olympics and Paralympic Games.

The COMSYS Group took initiatives for top-line expansion, which included entering the solar and other ecological innovation businesses, and engaging in activities to obtain orders in response to rising public sector and ICT investment. In addition, efforts in new business domains focused on the smart society. Moreover, the Group worked to transfer personnel to growth businesses and to improve profit through such means as increasing construction efficiency and cutting costs.

Under these circumstances, orders received in the first half of the fiscal year were down 6.2% year on year to ¥162,671 million, and net sales were down 10.8% year on year to ¥128,720 million, mainly due to the decrease in capital expenditures of telecommunications carriers. Orders received were firm compared to forecasts, and contract backlogs were up 11.0% year on year to ¥132,111 million.

From a profit perspective, the COMSYS Group worked to make cost reductions through structural reforms, but this was insufficient to offset the decline in net sales. As a result, operating income fell by 41.3% year on year to ¥6,540 million, and net income attributable to owners of the parent company declined by 33.8% year on year to ¥4,545 million.

(2) Discussion of Financial Position

Total assets as of September 30, 2015 amounted to ¥242,513 million, down ¥21,505 million compared with the end of the previous fiscal year. This was mainly attributable to a decrease in notes and accounts receivable – trade. Liabilities decreased ¥20,111 million compared with the end of the previous fiscal year, to ¥49,869 million. This was largely attributable to a decrease in accounts payable – trade. Despite an increase in retained earnings, net assets decreased by ¥1,393 million compared with the end of the previous fiscal year, to ¥192,644 million. This was primarily attributable to the acquisition of treasury stock.

In accordance with each of the aforementioned factors, the equity ratio improved 6.0 percentage points compared with the end of the previous fiscal year to 79.0%.

(3) Discussion of Forward-Looking Information, including Consolidated Earnings Forecasts

Turning to the consolidated earnings forecast for the full fiscal year ending March 31, 2016, there are no changes to data and information announced on May 8, 2015.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2015	As of September 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	33,496	38,381
Notes and accounts receivable—trade	93,513	56,367
Inventories:		
Accumulated cost of construction in progress	15,215	25,696
Other	687	671
Other current assets	9,021	7,621
Less: Allowance for doubtful receivables	(55)	(25)
Total current assets	151,878	128,711
Fixed assets:		
Property and equipment:		
Buildings and structures, net	26,133	27,919
Land	39,770	40,006
Other, net	6,391	5,801
Total property and equipment	72,295	73,727
Intangible fixed assets		
Goodwill	3,394	3,232
Other intangible fixed assets	4,249	4,073
Total intangible fixed assets	7,643	7,306
Investments and other assets:		
Investment securities	12,700	11,290
Other assets	21,751	23,481
Less: Allowance for doubtful receivables	(2,250)	(2,003)
Total investments and other assets	32,201	32,768
Total fixed assets	112,140	113,802
Total assets	264,019	242,513

	Millions of yen	
	As of March 31, 2015	As of September 30, 2015
LIABILITIES		
Current liabilities:		
Accounts payable—trade	44,675	30,762
Short-term bank loans	100	109
Income taxes payable	3,852	796
Advances received on construction in progress	1,540	2,553
Allowances	273	229
Other current liabilities	10,349	5,827
Total current liabilities	60,791	40,279
Long-term liabilities:		
Deferred tax liabilities for unrealized gains on land revaluation	1,508	1,508
Net defined benefit liability	3,784	3,914
Allowance for directors' retirement benefits	222	186
Other long-term liabilities	3,673	3,980
Total long-term liabilities	9,189	9,590
Total liabilities	69,980	49,869
NET ASSETS		
Shareholders' equity:		
Common stock	10,000	10,000
Additional paid-in capital	56,615	56,944
Retained earnings	164,836	167,657
Treasury stock, at cost	(34,852)	(39,045)
Total shareholders' equity	196,599	195,555
Accumulated other comprehensive income:		
Unrealized gain on other securities	2,638	2,354
Unrealized loss on land revaluation	(7,936)	(7,936)
Remeasurements of defined benefit plans	1,473	1,604
Total accumulated other comprehensive income	(3,824)	(3,978)
Subscription rights to shares	500	461
Non-controlling interests	762	605
Total net assets	194,038	192,644
Total liabilities and net assets	264,019	242,513

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

	Millions of yen	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	144,287	128,720
Cost of sales	122,853	112,594
Gross profits	21,434	16,126
Selling, general and administrative expenses	10,289	9,586
Operating income	11,144	6,540
Other income:		
Interest income	28	32
Dividend income	100	106
Reversal of allowance for doubtful receivables	—	208
Other	183	142
Total other income	312	489
Other expenses:		
Interest expenses	3	5
Foreign exchange losses	—	116
Provision for allowance for doubtful receivables	118	—
Other	25	45
Total other expenses	147	167
Recurring profit	11,308	6,862
Extraordinary income:		
Gain on payback of insurance payments	17	4
Gain on reversal of subscription rights to shares	24	—
Gain on negative goodwill	—	386
Other	21	35
Total extraordinary income	63	426
Extraordinary loss:		
Loss on disposal of fixed assets	67	48
Special payments on employees' retirement benefits	23	83
Other	107	22
Total extraordinary loss	198	154
Income before income taxes and other adjustments to net income	11,174	7,134
Income taxes:		
Current	2,921	1,113
Deferred	1,434	1,463
Total income taxes	4,356	2,577
Net income	6,817	4,556
Net income (loss) attributable to non-controlling interests	(47)	11
Net income attributable to owners of parent	6,865	4,545

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Income before minority interests	6,817	4,556
Other comprehensive income:		
Unrealized gain (loss) on other securities	573	(286)
Remeasurements of defined benefit plans	197	131
Total other comprehensive income	770	(154)
Comprehensive income	7,588	4,401
(Breakdown)		
Comprehensive income attributable to owners of the parent	7,630	4,394
Comprehensive income (loss) attributable to non-controlling interests	(42)	7