

COMSYS Holdings Corporation

Consolidated Financial Results for the Third Quarter Ended December 31, 2015 Under Japanese GAAP

Head Office: 17-1, Higashigotanda 2-chome, Shinagawa-ku, Tokyo 141-8647, Japan
 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: February 9, 2016
 Scheduled Commencement of Dividend Payment: —
 Supplementary Materials on Quarterly Results: Attached
 IR Presentation on Quarterly Results: Not scheduled

Amounts less than one million yen have been omitted.

1. Consolidated Financial Results (for the nine months ended December 31, 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 (%)
Nine months ended December 31, 2015	¥201,457	(8.6)%	¥11,351	(33.1)%	¥11,676	(32.7)%	¥7,294	(30.4)%
Nine months ended December 31, 2014	220,303	0.9	16,960	(4.5)	17,344	(4.5)	10,485	(2.3)

Notes: 1. Comprehensive income: Nine months ended December 31, 2015: ¥7,781 million [(31.1)%] Nine months ended December 31, 2014: ¥11,285 million [(4.4)%]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)
Nine months ended December 31, 2015	¥64.46	¥64.19
Nine months ended December 31, 2014	88.93	88.39

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of December 31, 2015	¥244,650	¥193,656	78.7%
As of March 31, 2015	264,019	194,038	73.0

(Reference) Shareholders' Equity: As of December 31, 2015: ¥192,538 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	35.00

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%	¥150.22

Notes: 1. Most recently announced revisions to consolidated earnings forecast: No
 2. 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 December 31, 2015</u>	<u>As of March 31, 2015</u>
a) Number of shares issued (including treasury stock)	141,000,000 shares	145,977,886 shares
b) Number of treasury stock	29,118,077 shares	31,414,907 shares
	<u>Nine months ended December 31, 2015</u>	<u>Nine months ended December 31, 2014</u>
c) Average number of shares issued in the period	113,170,089 shares	117,901,945 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*

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.

Accompanying Materials

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

(1) Discussion of Operating Results

During the cumulative third quarter period (April 1, 2015 to December 31, 2015) of the fiscal year ending March 31, 2016, the Japanese economy trended toward a moderate recovery, showing improvements in corporate performance and the employment environment due to the effects of economic policies taken by the Japanese government and monetary easing carried out by the Bank of Japan. Nevertheless, the outlook remained uncertain, with concerns rising about the economic slowdown in China and emerging countries and the ongoing slump in crude oil prices.

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 third quarter period decreased 1.2% year on year to ¥246,964 million, and net sales were down 8.6% year on year to ¥201,457 million, mainly due to the decrease in capital expenditures of telecommunications carriers. Contract backlogs were up 20.2% year on year to ¥143,668 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 33.1% year on year to ¥11,351 million, and net income attributable to owners of the parent company declined by 30.4% year on year to ¥7,294 million.

(2) Discussion of Financial Position

Total assets as of December 31, 2015 amounted to ¥ 244,650 million, down ¥19,368 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 ¥18,986 million compared with the end of the previous fiscal year, to ¥50,994 million. This was largely attributable to a decrease in accounts payable – trade. Despite an increase in retained earnings, net assets decreased by ¥381 million compared with the end of the previous fiscal year, to ¥193,656 million. This was primarily attributable to the acquisition of treasury stock.

In accordance with each of the aforementioned factors, the equity ratio improved 5.7 percentage points compared with the end of the previous fiscal year to 78.7%.

(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 December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	33,496	26,855
Notes and accounts receivable—trade	93,513	60,793
Inventories:		
Accumulated cost of construction in progress	15,215	32,059
Other	687	628
Other current assets	9,021	9,451
Less: Allowance for doubtful receivables	(55)	(34)
Total current assets	151,878	129,754
Fixed assets:		
Property and equipment:		
Buildings and structures, net	26,133	28,421
Land	39,770	39,769
Other, net	6,391	5,468
Total property and equipment	72,295	73,658
Intangible fixed assets		
Goodwill	3,394	3,083
Other intangible fixed assets	4,249	3,937
Total intangible fixed assets	7,643	7,021
Investments and other assets:		
Investment securities	12,700	12,330
Other assets	21,751	24,000
Less: Allowance for doubtful receivables	(2,250)	(2,113)
Total investments and other assets	32,201	34,216
Total fixed assets	112,140	114,896
Total assets	264,019	244,650

	Millions of yen	
	As of March 31, 2015	As of December 31, 2015
LIABILITIES		
Current liabilities:		
Accounts payable—trade	44,675	30,117
Short-term bank loans	100	109
Income taxes payable	3,852	215
Advances received on construction in progress	1,540	3,294
Allowances	273	207
Other current liabilities	10,349	7,053
Total current liabilities	60,791	40,999
Long-term liabilities:		
Deferred tax liabilities for unrealized gains on land revaluation	1,508	1,508
Net defined benefit liability	3,784	3,997
Allowance for directors' retirement benefits	222	200
Other long-term liabilities	3,673	4,288
Total long-term liabilities	9,189	9,995
Total liabilities	69,980	50,994
NET ASSETS		
Shareholders' equity:		
Common stock	10,000	10,000
Additional paid-in capital	56,615	51,246
Retained earnings	164,836	168,721
Treasury stock, at cost	(34,852)	(34,073)
Total shareholders' equity	196,599	195,895
Accumulated other comprehensive loss:		
Unrealized gain on other securities	2,638	2,910
Unrealized loss on land revaluation	(7,936)	(7,936)
Remeasurements of defined benefit plans	1,473	1,669
Total accumulated other comprehensive loss	(3,824)	(3,356)
Subscription rights to shares	500	503
Non-controlling interests	762	613
Total net assets	194,038	193,656
Total liabilities and net assets	264,019	244,650

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

	Millions of yen	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net sales	220,303	201,457
Cost of sales	188,075	175,526
Gross profits	32,227	25,930
Selling, general and administrative expenses	15,267	14,579
Operating income	16,960	11,351
Other income:		
Interest income	37	46
Dividend income	204	159
Reversal of allowance for doubtful receivables	—	103
Foreign exchange gains	143	—
Other	204	192
Total other income	590	500
Other expenses:		
Interest expenses	5	7
Foreign exchange losses	—	102
Provision for allowance for doubtful receivables	148	4
Other	52	61
Total other expenses	206	175
Recurring profit	17,344	11,676
Extraordinary income:		
Gain on sales of investment securities	46	4
Gain on payback of insurance payments	31	4
Gain on negative goodwill	—	386
Other	49	82
Total extraordinary income	127	477
Extraordinary loss:		
Loss on disposal of fixed assets	83	75
Loss on impairment of fixed assets	20	425
Other	184	150
Total extraordinary loss	288	651
Income before income taxes and other adjustments to net income	17,182	11,503
Income taxes:		
Current	4,456	2,103
Deferred	2,291	2,085
Total income taxes	6,747	4,189
Net income	10,435	7,314
Net income (loss) attributable to non-controlling interests	(50)	19
Net income attributable to owners of parent	10,485	7,294

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Income before minority interests	10,435	7,314
Other comprehensive income:		
Unrealized gain on other securities	554	270
Remeasurements of defined benefit plans	295	196
Total other comprehensive income	850	467
Comprehensive income	11,285	7,781
(Breakdown)		
Comprehensive income attributable to owners of the parent	11,329	7,764
Comprehensive income (loss) attributable to non-controlling interests	(43)	16