

COMSYS Holdings Corporation

Consolidated Financial Results for the First Quarter Ended June 30, 2016 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
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 Scheduled Filing of Quarterly Securities Report: August 8, 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 three months ended June 30, 2016)

(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 (%)
Three months ended June 30, 2016	¥57,741	1.3%	¥1,330	(20.0)%	¥1,466	(20.8)%	¥1,147	6.9%
Three months ended June 30, 2015	57,010	(14.3)	1,664	(63.2)	1,851	(60.4)	1,072	(61.8)

Notes: 1. Comprehensive income: Three months ended June 30, 2016: ¥876 million [(32.1)%] Three months ended June 30, 2015: ¥1,290 million [(59.7)%]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)
Three months ended June 30, 2016	¥10.16	¥10.12
Three months ended June 30, 2015	9.39	9.34

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2016	¥254,090	¥198,265	77.6%
As of March 31, 2016	266,066	196,543	73.4

(Reference) Shareholders' Equity: As of June 30, 2016: ¥197,117 million As of March 31, 2016: ¥195,379 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, 2016	¥ —	¥15.00	¥ —	¥20.00	¥35.00
Year ending March 31, 2017	—				
Year ending March 31, 2017 (Forecast)		20.00	—	20.00	40.00

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending March 31, 2017)

(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
Six months ending September 30, 2016	¥138,000	7.2%	¥ 6,800	4.0%	¥ 7,200	4.9%	¥ 4,600	1.2%	¥ 40.73
Year ending March 31, 2017	340,000	6.0	25,000	4.8	25,500	5.3	16,000	3.8	141.66

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. For first-half figures, percentages indicate the percentage change from the corresponding half of 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: Yes
 - 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 June 30, 2016</u>	<u>As of March 31, 2016</u>
a) Number of shares issued (including treasury stock)	141,000,000 shares	141,000,000 shares
b) Number of treasury stock	27,970,655 shares	30,248,743 shares
	<u>Three months ended June 30, 2016</u>	<u>Three months ended June 30, 2015</u>
c) Average number of shares issued in the period	112,943,498 shares	114,265,210 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 first quarter period (April 1, 2016 to June 30, 2016) of the fiscal year ending March 31, 2017, the Japanese economy experienced a tone of moderate recovery, including improvements in corporate earnings and the employment environment, backed by a range of policies being advanced by the Japanese government and the Bank of Japan. Nevertheless, the outlook remained uncertain, with appreciation in the value of the yen and falling stock prices in addition to economic uncertainty overseas, including the slowdown in emerging countries in Asia, particularly China, together with the decision by the U.K to leave the European Union.

In the information and communications field, the COMSYS Group's principal area of activity, the construction of a mobile network environment was promoted to accommodate the sharply increasing, higher-volume traffic accompanying the diversification and added functionality of smartphones and tablets. Moreover, in both the public and private sectors, expansion was anticipated in social infrastructure investment aimed at developing the internet of things (IoT) linking goods and services in areas such as healthcare, disaster prevention, and e-government based on advanced information and communication technology (ICT), as well as 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 expansions, which included entering the ecological innovation business, making efforts to enter the electricity retail business utilizing solar power generation, particularly solar power construction projects, venturing into new business domains in response to the rise in public sector and ICT investment aimed at the development of a smart society, and acquiring a subsidiary (Tokyo Hosoh Kogyo Co., Ltd.) through M&A activities. Moreover, the Group worked to transfer personnel to growth businesses and improve profit through such means as increasing construction efficiency and cutting costs.

Under these circumstances, orders received in the first quarter period increased 5.0% year on year to ¥84,865 million, and net sales rose 1.3% to ¥57,741 million.

From a profit perspective, although the COMSYS Group worked to increase profitability through structural reforms, operating expenses increased due to the consolidation of a subsidiary. As a result, operating income fell by 20.0% year on year to ¥1,330 million while net income attributable to owners of the parent company increased 6.9% to ¥1,147 million.

(2) Discussion of Financial Position

Total assets as of June 30, 2016 amounted to ¥ 254,090 million, down ¥11,975 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 ¥13,697 million compared with the end of the previous fiscal year, to ¥55,824 million. This was largely attributable to a decrease in accounts payable – trade. Net assets increased by ¥1,721 million compared with the end of the previous fiscal year, to ¥198,265 million. This was primarily attributable to a decrease in treasury stock accompanying a share exchange.

In accordance with each of the aforementioned factors, the equity ratio improved 4.1 percentage points compared with the end of the previous fiscal year to 77.6%.

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

Turning to the consolidated earnings forecast for the full fiscal year ending March 31, 2017, there are no changes to data and information announced on May 10, 2016.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2016	As of June 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	28,930	47,500
Notes and accounts receivable—trade	102,559	57,023
Inventories:		
Accumulated cost of construction in progress	15,261	24,653
Other	502	574
Other current assets	8,349	10,161
Less: Allowance for doubtful receivables	(51)	(35)
Total current assets	155,551	139,878
Fixed assets:		
Property and equipment:		
Buildings and structures, net	27,902	29,639
Land	39,265	40,428
Other, net	5,710	13,230
Total property and equipment	72,878	83,298
Intangible fixed assets		
Goodwill	2,935	3,498
Other intangible fixed assets	4,055	4,059
Total intangible fixed assets	6,990	7,558
Investments and other assets:		
Investment securities	10,460	10,016
Other assets	22,205	15,279
Less: Allowance for doubtful receivables	(2,020)	(1,941)
Total investments and other assets	30,645	23,355
Total fixed assets	110,514	114,212
Total assets	266,066	254,090

	Millions of yen	
	As of March 31, 2016	As of June 30, 2016
LIABILITIES		
Current liabilities:		
Accounts payable—trade	49,191	33,777
Short-term bank loans	114	114
Income taxes payable	3,296	563
Advances received on construction in progress	710	2,275
Allowances	223	204
Other current liabilities	7,689	9,373
Total current liabilities	61,225	46,308
Long-term liabilities:		
Deferred tax liabilities for unrealized gains on land revaluation	1,428	1,428
Net defined benefit liability	3,726	4,358
Allowance for directors' retirement benefits	219	272
Other long-term liabilities	2,921	3,457
Total long-term liabilities	8,296	9,516
Total liabilities	69,522	55,824
NET ASSETS		
Shareholders' equity:		
Common stock	10,000	10,000
Additional paid-in capital	51,264	52,457
Retained earnings	176,847	174,943
Treasury stock, at cost	(36,008)	(33,291)
Total shareholders' equity	202,104	204,109
Accumulated other comprehensive loss:		
Unrealized gain on other securities	2,350	1,959
Unrealized loss on land revaluation	(7,856)	(7,856)
Remeasurements of defined benefit plans	(1,219)	(1,094)
Total accumulated other comprehensive loss	(6,724)	(6,991)
Subscription rights to shares	542	533
Non-controlling interests	621	614
Total net assets	196,543	198,265
Total liabilities and net assets	266,066	254,090

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

	Millions of yen	
	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	57,010	57,741
Cost of sales	50,384	51,126
Gross profits	6,625	6,614
Selling, general and administrative expenses	4,961	5,284
Operating income	1,664	1,330
Other income:		
Interest income	10	3
Dividend income	89	103
Reversal of allowance for doubtful receivables	43	75
Other	93	52
Total other income	237	235
Other expenses:		
Interest expenses	2	2
Foreign exchange losses	22	75
Rent expenses	12	12
Other	12	9
Total other expenses	50	99
Recurring profit	1,851	1,466
Extraordinary income:		
Gain on sales of investment securities	—	161
Gain on exchange from business combination	—	84
Gain on negative goodwill	56	—
Other	4	6
Total extraordinary income	61	253
Extraordinary loss:		
Loss on disposal of fixed assets	22	8
Write-down on investments in securities	10	30
Special payments on employees' retirement benefits	38	31
Other	10	19
Total extraordinary loss	82	90
Income before income taxes and other adjustments to net income	1,831	1,629
Income taxes:		
Current	614	715
Deferred	137	(228)
Total income taxes	751	487
Net income	1,079	1,142
Net income (loss) attributable to non-controlling interests	6	(4)
Net income attributable to owners of parent	1,072	1,147

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended June 30, 2015	Three months ended June 30, 2016
Net income	1,079	1,142
Other comprehensive income:		
Unrealized gain (loss) on other securities	145	(390)
Remeasurements of defined benefit plans	64	124
Total other comprehensive income (loss)	210	(265)
Comprehensive income	1,290	876
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,283	880
Comprehensive income (loss) attributable to non-controlling interests	7	(3)