

COMSYS Holdings Corporation

Consolidated Financial Results for the Second Quarter Ended September 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
 For Inquiry: Hidehiko Ozaki, Director and General Manager of Finance & Accounting Department (Telephone:81-3-3448-7000)
 Scheduled Filing of Quarterly Securities Report: November 10, 2016
 Scheduled Commencement of Dividend Payment: December 5, 2016
 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, 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 (%)
Six months ended September 30, 2016	¥132,209	2.7%	¥6,301	(3.6)%	¥6,456	(5.9)%	¥4,128	(9.2)%
Six months ended September 30, 2015	128,720	(10.8)	6,540	(41.3)	6,862	(39.3)	4,545	(33.8)

Notes: 1. Comprehensive income: Six months ended September 30, 2016: ¥4,152 million [(5.7)%] Six months ended September 30, 2015: ¥4,401 million [(42.0)%]
 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, 2016	¥36.63	¥36.51
Six months ended September 30, 2015	40.00	39.83

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2016	¥251,328	¥197,624	78.2%
As of March 31, 2016	266,066	196,543	73.4

(Reference) Shareholders' Equity: As of September 30, 2016: ¥196,521 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	—	20.00			
Year ending March 31, 2017 (Forecast)			—	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
Year ending March 31, 2017	¥340,000	6.0%	¥25,000	4.8%	¥25,500	5.3%	¥16,000	3.8%	¥141.97

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: 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)

	As of September 30, 2016	As of March 31, 2016
a) Number of shares issued (including treasury stock)	141,000,000 shares	141,000,000 shares
b) Number of treasury stock	29,964,156 shares	30,248,743 shares
	Six months ended September 30, 2016	Six months ended September 30, 2015
c) Average number of shares issued in the period	112,697,853 shares	113,628,380 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, quarterly financial statement review procedures based on the Financial Instruments and Exchange Act had 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. The Company plans to hold a financial results briefing for institutional investors and analysts on Friday, November 11, 2016. The materials distributed at the briefing will be posted promptly on the Company website after the meeting.*

Accompanying Materials

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

(1) Discussion of Operating Results

During the cumulative second quarter period (April 1, 2016 to September 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 new innovations utilizing information and communication technology (ICT). This includes the internet of things (IoT), wherein everything is connected to the internet, and artificial intelligence (AI), which has the capacity to learn and make high-level decisions by itself, as well as policies for building national resilience, the 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 ecological innovation 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 implementing 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 second quarter period increased 9.8% year on year to ¥178,611 million, and net sales rose 2.7% to ¥132,209 million.

Nevertheless, 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 3.6% year on year to ¥6,301 million while net income attributable to owners of the parent company decreased 9.2% to ¥4,128 million.

(2) Discussion of Financial Position

Total assets as of September 30, 2016 amounted to ¥251,328 million, down ¥14,737 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 ¥15,818 million compared with the end of the previous fiscal year, to ¥53,704 million. This was largely attributable to a decrease in accounts payable – trade. Net assets increased by ¥1,080 million compared with the end of the previous fiscal year, to ¥ 197,624 million. This was primarily attributable to an increase in retained earnings.

In accordance with each of the aforementioned factors, the equity ratio stood at 78.2%, compared with 73.4% at the end of the previous fiscal year.

(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 September 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	28,930	37,209
Notes and accounts receivable—trade	102,559	62,478
Inventories:		
Accumulated cost of construction in progress	15,261	28,215
Other	502	631
Other current assets	8,349	8,655
Less: Allowance for doubtful receivables	(51)	(38)
Total current assets	155,551	137,152
Fixed assets:		
Property and equipment:		
Buildings and structures, net	27,902	29,248
Land	39,265	40,180
Other, net	5,710	13,850
Total property and equipment	72,878	83,279
Intangible fixed assets		
Goodwill	2,935	3,312
Other intangible fixed assets	4,055	3,978
Total intangible fixed assets	6,990	7,291
Investments and other assets:		
Investment securities	10,460	10,249
Other assets	22,205	15,278
Less: Allowance for doubtful receivables	(2,020)	(1,922)
Total investments and other assets	30,645	23,605
Total fixed assets	110,514	114,176
Total assets	266,066	251,328

	Millions of yen	
	As of March 31, 2016	As of September 30, 2016
LIABILITIES		
Current liabilities:		
Accounts payable—trade	49,191	35,072
Short-term bank loans	114	114
Income taxes payable	3,296	969
Advances received on construction in progress	710	2,612
Allowances	223	254
Other current liabilities	7,689	5,177
Total current liabilities	61,225	44,199
Long-term liabilities:		
Deferred tax liabilities for unrealized gains on land revaluation	1,428	1,369
Net defined benefit liability	3,726	4,427
Allowance for directors' retirement benefits	219	269
Other long-term liabilities	2,921	3,438
Total long-term liabilities	8,296	9,504
Total liabilities	69,522	53,704
NET ASSETS		
Shareholders' equity:		
Common stock	10,000	10,000
Additional paid-in capital	51,264	52,442
Retained earnings	176,847	178,058
Treasury stock, at cost	(36,008)	(37,141)
Total shareholders' equity	202,104	203,358
Accumulated other comprehensive income (loss):		
Unrealized gain on other securities	2,350	2,131
Unrealized loss on land revaluation	(7,856)	(7,990)
Remeasurements of defined benefit plans	(1,219)	(977)
Total accumulated other comprehensive income (loss)	(6,724)	(6,837)
Subscription rights to shares	542	482
Non-controlling interests	621	620
Total net assets	196,543	197,624
Total liabilities and net assets	266,066	251,328

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

	Millions of yen	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	128,720	132,209
Cost of sales	112,594	115,674
Gross profits	16,126	16,534
Selling, general and administrative expenses	9,586	10,233
Operating income	6,540	6,301
Other income:		
Interest income	32	8
Dividend income	106	115
Reversal of allowance for doubtful receivables	208	82
Other	142	104
Total other income	489	310
Other expenses:		
Interest expenses	5	4
Foreign exchange losses	116	82
Other	45	69
Total other expenses	167	156
Recurring profit	6,862	6,456
Extraordinary income:		
Gain on payback of insurance payments	4	161
Gain on exchange from business combination	—	84
Gain on negative goodwill	386	—
Other	35	27
Total extraordinary income	426	274
Extraordinary loss:		
Loss on disposal of fixed assets	48	29
Loss on impairment of fixed assets	—	378
Special payments on employees' retirement benefits	83	51
Other	22	84
Total extraordinary loss	154	544
Income before income taxes and other adjustments to net income	7,134	6,186
Income taxes:		
Current	1,113	1,520
Deferred	1,463	534
Total income taxes	2,577	2,055
Net income	4,556	4,130
Net income attributable to non-controlling interests	11	2
Net income attributable to owners of parent	4,545	4,128

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Income before minority interests	4,556	4,130
Other comprehensive income:		
Unrealized loss on other securities	(286)	(219)
Remeasurements of defined benefit plans	131	241
Total other comprehensive income (loss)	(154)	21
Comprehensive income	4,401	4,152
(Breakdown)		
Comprehensive income attributable to owners of the parent	4,394	4,150
Comprehensive income attributable to non-controlling interests	7	2