

COMSYS Holdings Corporation

Consolidated Financial Results for the First Quarter Ended June 30, 2017 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: Takashi Kagaya, President and Representative Director
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 Scheduled Filing of Quarterly Securities Report: August 7, 2017
 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, 2017)

(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, 2017	¥63,936	10.7%	¥3,494	162.6%	¥3,662	149.7%	¥2,611	127.6%
Three months ended June 30, 2016	57,741	1.3	1,330	(20.0)	1,466	(20.8)	1,147	6.9

Notes: 1. Comprehensive income: Three months ended June 30, 2017: ¥3,225 million [268.0%] Three months ended June 30, 2016: ¥876 million [(32.1)%]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)
Three months ended June 30, 2017	¥23.93	¥23.82
Three months ended June 30, 2016	10.16	10.12

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2017	¥261,380	¥203,177	77.3%
As of March 31, 2017	284,367	202,943	70.9

(Reference) Shareholders' Equity: As of June 30, 2017: ¥202,005 million As of March 31, 2017: ¥201,717 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, 2017	¥ —	¥20.00	¥ —	¥20.00	¥40.00
Year ending March 31, 2018	—				
Year ending March 31, 2018 (Forecast)		25.00	—	25.00	50.00

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending March 31, 2018)

(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, 2017	¥150,000	13.5%	¥ 8,500	34.9%	¥ 8,700	34.7%	¥ 6,000	45.3%	¥ 54.98
Year ending March 31, 2018	380,000	13.7	28,500	13.8	29,100	14.8	20,000	38.1	183.27

Notes: 1. Most recently announced revisions to consolidated earnings forecast: Yes

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: No
 - 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 June 30, 2017</u>	<u>As of March 31, 2017</u>
a) Number of shares issued (including treasury stock)	141,000,000 shares	141,000,000 shares
b) Number of treasury stock	32,096,454 shares	31,865,224 shares
	<u>Three months ended June 30, 2017</u>	<u>Three months ended June 30, 2016</u>
c) Average number of shares issued in the period	109,128,216 shares	112,943,498 shares

**This Consolidated Financial Results report is not subject to quarterly review procedures.*

****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, 2017 to June 30, 2017) of the fiscal year ending March 31, 2018, the Japanese economy maintained a moderate recovery, including improvements in corporate earnings and the employment environment, due in part to the effects of various policies implemented by the Japanese government and the Bank of Japan. However, due to uncertainty in the economy overseas, such as the economic outlook for emerging countries in Asia, particularly China, and the effect of policy trends in the U.S., there continued to be concerns over the impact these issues will have on the Japanese economy.

In the information and communications field, the COMSYS Group's principal area of activity, the construction of mobile networks 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 innovation utilizing information and communication technology (ICT), including IoT and AI, 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, 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 conducting 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 decreased 6.4% year on year to ¥79,468 million, and net sales rose 10.7% to ¥63,936 million.

From a profit perspective, the COMSYS Group worked to increase productivity through structural reforms. As a result, operating income increased by 162.6% year on year to ¥3,494 million while net income attributable to owners of the parent increased 127.6% to ¥2,611 million.

(2) Discussion of Financial Position

Total assets as of June 30, 2017 amounted to ¥ 261,380 million, down ¥22,987 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 ¥23,220 million compared with the end of the previous fiscal year, to ¥58,203 million. This was largely attributable to a decrease in accounts payable – trade. Net assets increased by ¥233 million compared with the end of the previous fiscal year, to ¥203,177 million. This was primarily attributable to an increase in unrealized gain on other securities.

In accordance with each of the aforementioned factors, the equity ratio stood at 77.3%, compared with 70.9% 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, 2018, please see “COMSYS HD Announces Revision of Earnings Forecasts” published on August 4, 2017 (Available in Japanese only).

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2017	As of June 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	20,961	43,795
Notes and accounts receivable—trade	114,322	58,626
Inventories:		
Accumulated cost of construction in progress	19,617	27,742
Other	595	581
Other current assets	11,703	11,998
Less: Allowance for doubtful receivables	(34)	(20)
Total current assets	167,166	142,724
Fixed assets:		
Property and equipment:		
Buildings and structures, net	28,942	28,602
Land	40,186	40,388
Other, net	17,840	19,451
Total property and equipment	86,968	88,442
Intangible fixed assets		
Goodwill	666	830
Other intangible fixed assets	4,002	3,836
Total intangible fixed assets	4,669	4,667
Investments and other assets:		
Investment securities	11,154	11,216
Other assets	15,994	15,581
Less: Allowance for doubtful receivables	(1,585)	(1,251)
Total investments and other assets	25,563	25,546
Total fixed assets	117,201	118,655
Total assets	284,367	261,380

	Millions of yen	
	As of March 31, 2017	As of June 30, 2017
LIABILITIES		
Current liabilities:		
Accounts payable—trade	55,577	34,310
Short-term bank loans	113	111
Income taxes payable	2,088	629
Advances received on construction in progress	1,291	3,397
Allowances	504	352
Other current liabilities	11,712	8,891
Total current liabilities	71,289	47,693
Long-term liabilities:		
Deferred tax liabilities for unrealized gains on land revaluation	1,369	1,369
Net defined benefit liability	4,355	4,446
Allowance for directors' retirement benefits	257	240
Other long-term liabilities	4,152	4,453
Total long-term liabilities	10,134	10,509
Total liabilities	81,423	58,203
NET ASSETS		
Shareholders' equity:		
Common stock	10,000	10,000
Additional paid-in capital	52,525	52,612
Retained earnings	186,195	186,534
Treasury stock, at cost	(41,028)	(41,782)
Total shareholders' equity	207,692	207,365
Accumulated other comprehensive loss:		
Unrealized gain on other securities	2,666	3,260
Unrealized loss on land revaluation	(7,990)	(7,990)
Remeasurements of defined benefit plans	(650)	(629)
Total accumulated other comprehensive loss	(5,974)	(5,360)
Subscription rights to shares	578	527
Non-controlling interests	647	644
Total net assets	202,943	203,177
Total liabilities and net assets	284,367	261,380

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

	Millions of yen	
	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	57,741	63,936
Cost of sales	51,126	55,367
Gross profits	6,614	8,568
Selling, general and administrative expenses	5,284	5,073
Operating income	1,330	3,494
Other income:		
Interest income	3	2
Dividend income	103	131
Reversal of allowance for doubtful receivables	75	—
Other	52	72
Total other income	235	207
Other expenses:		
Interest expenses	2	1
Rent expenses	12	10
Foreign exchange losses	75	—
Other	9	25
Total other expenses	99	38
Recurring profit	1,466	3,662
Extraordinary income:		
Gain on sales of investment securities	161	—
Reversal of allowance for doubtful receivables	—	330
Gain on exchange from business combination	84	—
Other	6	6
Total extraordinary income	253	336
Extraordinary loss:		
Loss on disposal of fixed assets	8	21
Loss on impairment of fixed assets	—	30
Write-down on investments in securities	30	—
Special payments on employees' retirement benefits	31	35
Other	19	6
Total extraordinary loss	90	94
Income before income taxes and other adjustments to net income	1,629	3,904
Income taxes:		
Current	715	1,149
Deferred	(228)	146
Total income taxes	487	1,296
Net income	1,142	2,608
Net loss attributable to non-controlling interests	(4)	(3)
Net income attributable to owners of parent	1,147	2,611

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended June 30, 2016	Three months ended June 30, 2017
Net income	1,142	2,608
Other comprehensive income:		
Unrealized gain (loss) on other securities	(390)	596
Remeasurements of defined benefit plans	124	20
Total other comprehensive income (loss)	(265)	616
Comprehensive income	876	3,225
(Breakdown)		
Comprehensive income attributable to owners of the parent	880	3,226
Comprehensive loss attributable to non-controlling interests	(3)	(0)