

COMSYS Holdings Corporation

Consolidated Financial Results for the First Quarter Ended June 30, 2018 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: Takashi Kagaya, 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: August 6, 2018
 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, 2018) (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, 2018	¥82,270	28.7%	¥4,043	15.7%	¥4,248	16.0%	¥2,785	6.6%
Three months ended June 30, 2017	63,936	10.7	3,494	162.6	3,662	149.7	2,611	127.6

Notes: 1. Comprehensive income: Three months ended June 30, 2018: ¥3,383 million [4.9%] Three months ended June 30, 2017: ¥3,225 million [268.0%]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)
Three months ended June 30, 2018	¥24.33	¥24.23
Three months ended June 30, 2017	23.93	23.82

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2018	¥301,076	¥230,757	76.1%
As of March 31, 2018	325,042	231,767	70.8

(Reference) Shareholders' Equity: As of June 30, 2018: ¥229,125 million As of March 31, 2018: ¥230,119 million

Note: The Company applied Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) at the beginning of the first quarter of the current fiscal year. Figures relating to the previous fiscal year are shown after the retrospective application of the said accounting standard.

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, 2018	¥ —	¥25.00	¥ —	¥25.00	¥50.00
Year ending March 31, 2019	—				
Year ending March 31, 2019 (Forecast)		30.00	—	30.00	60.00

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending March 31, 2019)

(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, 2018	¥170,000	11.7%	¥10,500	7.6%	¥10,700	7.2%	¥7,000	2.7%	¥61.15
Year ending March 31, 2019	400,000	5.3	32,000	5.4	32,200	4.9	21,000	3.0	183.45

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: 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, 2018</u>	<u>As of March 31, 2018</u>
a) Number of shares issued (including treasury stock)	141,000,000 shares	141,000,000 shares
b) Number of treasury stock	26,963,617 shares	26,422,771 shares
	<u>Three months ended June 30, 2018</u>	<u>Three months ended June 30, 2017</u>
c) Average number of shares issued in the period	114,471,349 shares	109,128,216 shares

**This Quarterly Consolidated Financial Results report has not been subjected to quarterly review procedures by certified public accountants or an audit corporation.*

****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, 2018 to June 30, 2018) of the current fiscal year ending March 31, 2019, the Japanese economy maintained a moderate recovery, including improvements in corporate earnings and the employment environment, backed by the effects of various policies implemented by the Japanese government and the Bank of Japan, along with economic recovery overseas, primarily in Europe and the U.S. However, it is necessary to monitor such factors as the impact that trends in trade issues have on the global economy, the uncertainty in the economy overseas and fluctuations in financial and capital markets.

In the information and communications field, the COMSYS Group's principal area of activity, there was expansion in value-added services such as content provision amid an intensification in the competition among telecom carriers over services. The upgrading of the mobile network was promoted to accommodate the sharply increasing, higher-volume traffic accompanying the growth of today's mobile society. 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 cloud technology, the internet of things (IoT), and artificial intelligence (AI), 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 expansions, which included entering the renewable energy business, particularly solar power and biomass power construction projects. It also ventured into new business domains in response to the rise in public-sector and ICT investment aimed at the development of a smart society, and it implemented M&A activities. Moreover, the Group worked to improve profit by transferring personnel to growth businesses and implementing measures such as increasing construction efficiency and cutting costs by promoting workstyle innovation.

Under these circumstances, orders received in the first quarter period increased 23.0% year on year to ¥97,711 million, and net sales rose 28.7% year on year to ¥82,270 million. From a profit perspective, operating income increased by 15.7% year on year to ¥4,043 million, while net income attributable to owners of the parent increased 6.6% year on year to ¥2,785 million.

(2) Discussion of Financial Position

Total assets as of June 30, 2018 amounted to ¥301,076 million, down ¥23,965 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 by ¥22,955 million compared with the end of the previous fiscal year, to ¥70,319 million. This was largely attributable to a decrease in accounts payable – trade.

Net assets decreased by ¥1,010 million compared with the end of the previous fiscal year, to ¥230,757 million. This was primarily attributable to the acquisition of treasury stock.

In accordance with each of the aforementioned factors, the equity ratio stood at 76.1%, compared with 70.8% 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, 2019, there have been no changes from the earnings forecasts published on May 8, 2018.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2018	As of June 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	29,144	40,124
Notes and accounts receivable—trade	121,826	78,838
Inventories:		
Accumulated cost of construction in progress	24,607	29,826
Other	803	866
Other current assets	5,919	7,977
Less: Allowance for doubtful receivables	(54)	(38)
Total current assets	182,246	157,595
Fixed assets:		
Property and equipment:		
Buildings and structures, net	30,591	31,217
Land	47,592	47,787
Other, net	24,564	24,052
Total property and equipment	102,748	103,057
Intangible fixed assets		
Goodwill	5,969	5,694
Other intangible fixed assets	4,094	4,012
Total intangible fixed assets	10,063	9,707
Investments and other assets:		
Investment securities	12,956	13,686
Other assets	17,194	17,194
Less: Allowance for doubtful receivables	(166)	(164)
Total investments and other assets	29,983	30,716
Total fixed assets	142,796	143,481
Total assets	325,042	301,076

	Millions of yen	
	As of March 31, 2018	As of June 30, 2018
LIABILITIES		
Current liabilities:		
Accounts payable—trade	59,749	41,801
Short-term bank loans	106	104
Income taxes payable	7,815	678
Advances received on construction in progress	2,873	3,480
Allowances	724	866
Other current liabilities	11,563	12,860
Total current liabilities	82,832	59,791
Long-term liabilities:		
Deferred tax liabilities for unrealized gains on land revaluation	1,369	1,369
Net defined benefit liability	7,263	7,411
Allowance for directors' retirement benefits	271	214
Other long-term liabilities	1,537	1,532
Total long-term liabilities	10,441	10,527
Total liabilities	93,274	70,319
NET ASSETS		
Shareholders' equity:		
Common stock	10,000	10,000
Additional paid-in capital	60,883	60,980
Retained earnings	201,329	201,430
Treasury stock, at cost	(38,014)	(39,813)
Total shareholders' equity	234,199	232,597
Accumulated other comprehensive loss:		
Unrealized gain on other securities	3,795	4,445
Unrealized loss on land revaluation	(7,905)	(7,905)
Remeasurements of defined benefit plans	30	(12)
Total accumulated other comprehensive loss	(4,079)	(3,472)
Subscription rights to shares	513	509
Non-controlling interests	1,134	1,122
Total net assets	231,767	230,757
Total liabilities and net assets	325,042	301,076

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

	Millions of yen	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	63,936	82,270
Cost of sales	55,367	72,236
Gross profits	8,568	10,034
Selling, general and administrative expenses	5,073	5,990
Operating income	3,494	4,043
Other income:		
Interest income	2	8
Dividend income	131	149
Other	72	90
Total other income	207	248
Other expenses:		
Interest expenses	1	1
Rent expenses	10	23
Depreciation of idle assets	7	9
Other	18	8
Total other expenses	38	43
Recurring profit	3,662	4,248
Extraordinary income:		
Gain on sales of fixed assets	4	5
Reversal of allowance for doubtful receivables	330	—
Other	1	0
Total extraordinary income	336	5
Extraordinary loss:		
Loss on disposal of fixed assets	21	11
Loss on impairment of fixed assets	30	—
Compensation for damage	—	5
Special payments on employees' retirement benefits	35	—
Other	6	8
Total extraordinary loss	94	26
Income before income taxes and other adjustments to net income	3,904	4,228
Income taxes:		
Current	1,149	1,335
Deferred	146	116
Total income taxes	1,296	1,451
Net income	2,608	2,776
Net loss attributable to non-controlling interests	(3)	(9)
Net income attributable to owners of parent	2,611	2,785

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Net income	2,608	2,776
Other comprehensive income:		
Unrealized gain on other securities	596	650
Remeasurements of defined benefit plans	20	(43)
Total other comprehensive income	616	607
Comprehensive income	3,225	3,383
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,226	3,391
Comprehensive loss attributable to non-controlling interests	(0)	(8)