

COMSYS Holdings Corporation

Consolidated Financial Results for the Second Quarter Ended September 30, 2018 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
 For Inquiry: Hidehiko Ozaki, Director and General Manager of Finance & Accounting Department (Telephone:81-3-3448-7000)
 Scheduled Filing of Quarterly Securities Report: November 8, 2018
 Scheduled Commencement of Dividend Payment: December 5, 2018
 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, 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 (%)
Six months ended September 30, 2018	¥177,854	16.9%	¥10,974	12.5%	¥11,232	12.5%	¥7,129	4.6%
Six months ended September 30, 2017	152,188	15.1	9,754	54.8	9,982	54.6	6,814	65.1

Notes: 1. Comprehensive income: Six months ended September 30, 2018: ¥7,870 million [2.6%] Six months ended September 30, 2017: ¥7,674 million [84.8%]
 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, 2018	¥62.45	¥62.20
Six months ended September 30, 2017	60.39	60.18

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2018	¥302,968	¥233,413	76.5%
As of March 31, 2018	325,042	231,767	70.8

(Reference) Shareholders' Equity: As of September 30, 2018: ¥231,756 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) starting with the Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019. 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	—	30.00			
Year ending March 31, 2019 (Forecast)			—	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
Year ending March 31, 2019	¥470,000	23.7%	¥34,000	12.0%	¥34,500	12.4%	¥27,000	32.4%	¥221.42

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.

***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)

	As of September 30, 2018	As of March 31, 2018
a) Number of shares issued (including treasury stock)	141,000,000 shares	141,000,000 shares
b) Number of treasury stock	27,571,386 shares	26,422,771 shares
	Six months ended September 30, 2018	Six months ended September 30, 2017
c) Average number of shares issued in the period	114,160,725 shares	112,832,772 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.*
- The impact of the reduction in the number of shares of treasury stock as a result of the share exchange implemented on October 1, 2018 was taken into account for the calculation of the forecast figure for Net Income per Share.*
- COMSYS Holdings Corporation plans to hold an IR presentation on its financial results for institutional investors and analysts on Friday, November 9, 2018. Other materials distributed during the IR presentation will be posted on the Company's website in a timely manner after the presentation.*

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, 2018 to September 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. There is also a need to sufficiently monitor the economic impact of the succession of natural disasters.

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 second quarter period decreased 1.5% year on year to ¥190,184 million, and net sales rose 16.9% year on year to ¥177,854 million. From a profit perspective, operating income increased by 12.5% year on year to ¥10,974 million, while net income attributable to owners of the parent increased 4.6% year on year to ¥7,129 million.

(2) Discussion of Financial Position

Total assets as of September 30, 2018 amounted to ¥302,968 million, down ¥22,073 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 ¥23,719 million compared with the end of the previous fiscal year, to ¥69,555 million. This was largely attributable to a decrease in accounts payable – trade.

Net assets increased by ¥1,645 million compared with the end of the previous fiscal year, to ¥233,413 million. This was primarily attributable to the increase in retained earnings due to net income attributable to the owners of the parent and the acquisition of treasury stock.

In accordance with each of the aforementioned factors, the equity ratio stood at 76.5%, compared with 70.8% at the end of the previous fiscal year.

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

The consolidated earnings forecast for the full fiscal year ending March 31, 2019 was revised on November 6, 2018.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2018	As of September 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	29,144	23,664
Notes and accounts receivable—trade	121,826	90,714
Inventories:		
Accumulated cost of construction in progress	24,607	34,826
Other	803	896
Other current assets	5,919	8,281
Less: Allowance for doubtful receivables	(54)	(42)
Total current assets	182,246	158,339
Fixed assets:		
Property and equipment:		
Buildings and structures, net	30,591	31,372
Land	47,592	48,839
Other, net	24,564	24,165
Total property and equipment	102,748	104,377
Intangible fixed assets		
Goodwill	5,969	5,418
Other intangible fixed assets	4,094	3,712
Total intangible fixed assets	10,063	9,130
Investments and other assets:		
Investment securities	12,956	14,202
Other assets	17,194	17,075
Less: Allowance for doubtful receivables	(166)	(157)
Total investments and other assets	29,983	31,119
Total fixed assets	142,796	144,628
Total assets	325,042	302,968

	Millions of yen	
	As of March 31, 2018	As of September 30, 2018
LIABILITIES		
Current liabilities:		
Accounts payable—trade	59,749	42,039
Short-term bank loans	106	103
Income taxes payable	7,815	1,767
Advances received on construction in progress	2,873	4,063
Allowances	724	898
Other current liabilities	11,563	9,337
Total current liabilities	82,832	58,209
Long-term liabilities:		
Deferred tax liabilities for unrealized gains on land revaluation	1,369	1,369
Net defined benefit liability	7,263	7,388
Allowance for directors' retirement benefits	271	226
Other long-term liabilities	1,537	2,361
Total long-term liabilities	10,441	11,345
Total liabilities	93,274	69,555
NET ASSETS		
Shareholders' equity:		
Common stock	10,000	10,000
Additional paid-in capital	60,883	61,019
Retained earnings	201,329	205,775
Treasury stock, at cost	(38,014)	(41,716)
Total shareholders' equity	234,199	235,078
Accumulated other comprehensive loss:		
Unrealized gain on other securities	3,795	4,644
Unrealized loss on land revaluation	(7,905)	(7,905)
Remeasurements of defined benefit plans	30	(60)
Total accumulated other comprehensive income loss	(4,079)	(3,322)
Subscription rights to shares	513	541
Non-controlling interests	1,134	1,115
Total net assets	231,767	233,413
Total liabilities and net assets	325,042	302,968

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

	Millions of yen	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	152,188	177,854
Cost of sales	131,326	155,099
Gross profits	20,862	22,755
Selling, general and administrative expenses	11,107	11,780
Operating income	9,754	10,974
Other income:		
Interest income	7	6
Dividend income	143	176
Rent income on noncurrent assets	70	84
Other	131	79
Total other income	352	347
Other expenses:		
Interest expenses	3	3
Rent expenses	33	40
Provision for allowance for doubtful receivables	49	3
Other	36	42
Total other expenses	124	89
Recurring profit	9,982	11,232
Extraordinary income:		
Gain on sales of fixed assets	7	8
Gain on sale of investment securities	0	44
Reversal of allowance for doubtful receivables	594	—
Other	3	4
Total extraordinary income	606	58
Extraordinary loss:		
Loss on disposal of fixed assets	26	18
Loss on impairment of fixed assets	30	214
Compensation for damage	—	90
Special payments on employees' retirement benefits	61	60
Other	48	8
Total extraordinary loss	165	391
Income before income taxes and other adjustments to net income	10,422	10,899
Income taxes:		
Current	2,706	2,727
Deferred	900	1,060
Total income taxes	3,607	3,787
Net income	6,815	7,111
Net income (loss) attributable to non-controlling interests	1	(18)
Net income attributable to owners of parent	6,814	7,129

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Net income	6,815	7,111
Other comprehensive income:		
Unrealized gain on other securities	824	851
Remeasurements of defined benefit plans	34	(91)
Total other comprehensive income	858	759
Comprehensive income	7,674	7,870
(Breakdown)		
Comprehensive income attributable to owners of the parent	7,670	7,886
Comprehensive income (loss) attributable to non-controlling interests	4	(15)

(3) Notes on the Quarterly Consolidated Financial Statements

(Notes on Premise of a Going Concern)

Not applicable

(Notes on a Significant Change in Shareholders' Equity)

The balance of treasury stock as of September 30, 2018 increased by ¥3,701 million compared with the end of the previous fiscal year to ¥41,716 million. The main factor was as outlined below.

Acquisition of Treasury Stock

In accordance with the resolution of the meeting of the Board of Directors held on May 8, 2018, the Company acquired a total of 1,352,000 shares of treasury stock over the period from May 9, 2018 to September 30, 2018. As a result, treasury stock increased by ¥3,999 million during the cumulative second quarter period (April 1, 2018 to September 30, 2018) of the current fiscal year ending March 31, 2019.

(Additional Information)

The Company applied Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) starting with the Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019. As a result, deferred tax liabilities are included in investments and other assets, and deferred tax liabilities are presented in long-term liabilities.

(Significant Subsequent Event)

(Acquisition of Treasury Stock)

The meeting of the Board of Directors held on November 6, 2018 resolved as follows on the matters related to the acquisition of treasury stock in accordance with Article 156 of Japan's Companies Act, as applied pursuant to paragraph 3, Article 165 of the Act.

(1) Reason for Acquisition

The Company will acquire treasury stock in order to facilitate enhancement of shareholder returns and the execution of flexible capital policies that respond to changes in the corporate environment.

(2) Details of the Acquisition

1) Type of Shares to be Acquired	Shares of common stock of the Company
2) Total Number of Shares to be Acquired	Up to 1,200,000 shares (Percentage of acquired treasury stock to outstanding shares, excluding treasury stock: 1.06%)
3) Total Acquisition Price	Up to ¥3,000,000,000
4) Acquisition Period	From November 7, 2018 to March 31, 2019
5) Method of Acquisition	Market purchase on the Tokyo Stock Exchange

(Creation of Wholly Owned Subsidiaries through Share Exchange)

At the meeting of the Board of Directors held on May 8, 2018, a resolution was taken to approve a share exchange in which (I) the Company will become the sole parent company and NDS Co., Ltd. the wholly owned subsidiary; (II) the Company will become the sole parent company and SYSKEN Corporation the wholly owned subsidiary; and (III) the Company will become the sole parent company and Hokuriku Denwa Kouji Co., Ltd. the wholly owned subsidiary. The respective share exchange agreements were concluded on the same date. All of the share exchanges were implemented with an effective date of October 1, 2018.

In addition, NDS Co., Ltd., SYSKEN Corporation, and Hokuriku Denwa Kouji Co., Ltd. were delisted on September 26, 2018 as a result of the share exchanges.

(1) Overview of Business Acquisitions

1) Name of Company to be Acquired and Content and Scale of its Business

Name of Company Acquired: NDS Co., Ltd.

Business Lines: Multidiscipline engineering business, ICT solution business, and housing and real estate business

Name of Company Acquired: SYSKEN Corporation

Business Lines: Information and communications construction business, infrastructure construction business and other

Name of Company Acquired: Hokuriku Denwa Kouji Co., Ltd.

Business Lines: Telecommunications construction business and information systems business

2) Main Reason for Business Acquisition

The NDS Group engages in telecommunications infrastructure and network construction for telecom carriers, primarily the NTT Group, in the Tokai and Hokuriku areas. In these areas as well as in the Tokyo metropolitan and Kansai areas, the NDS Group is also concentrating its efforts on expanding the contracting of construction business from government agencies and private companies, as well as telecommunications facilities construction, electrical and civil engineering, ICT-related business, semi-conductor manufacturing equipment installation and maintenance, information systems development, and settlement services of transport-related e-money systems.

The SYSKEN Group has pursued business in diverse fields centered on the NTT infrastructure construction business and the general facilities construction business. It contributes to regional revitalization and development as a company that operates primarily in Kyushu in the telecom infrastructure sector, primarily for the NTT Group, and the general facilities sector, which includes electrical and air-conditioning installation.

The Hokuriku Denwa Kouji Group is mainly based in the Hokuriku area, and its core business is telecommunications infrastructure and network construction for telecom carriers, primarily the NTT Group. It is also concentrating efforts on the communications construction business, including network construction, electrical wire undergrounding projects and solar power facility construction for public- and private-sector clients, as well as information systems-related business including software development and data broadcasting.

Through the share exchange, the Company will pursue the maximization of synergies by operating a greater scope of business, leveraging the respective strengths of the COMSYS Holdings Group and the consolidated companies in the NDS, SYSKEN, and Hokuriku Denwa Kouji groups. This includes expanding the service range in infrastructure and facility construction, including communications, electricity, gas, and water supply, as the technical capabilities possessed by the Company and the consolidated companies complement each other. Another benefit is increasing efficiency through personnel exchange and the sharing and utilization of construction, safety and quality management know-how, along with IT platforms. This share exchange will surely help achieve the stable and sustainable development of the Company and the consolidated companies targeted for acquisition with the aim of further enhancing COMSYS corporate value by powerfully implementing the Group's growth strategy.

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|--|---|
| 3) Date of Business Acquisition | October 1, 2018 for all acquisitions |
| 4) Legal Form of Business Acquisition | Share exchange for all acquisitions |
| 5) Company Name after Acquisition | NDS Co., Ltd., SYSKEN Corporation, Hokuriku Denwa Kouji Co., Ltd. |
| 6) Percentage of Voting Rights to be Acquired | 100% for all acquisitions |
| 7) Main Grounds for Determining the Company to Acquire | |

The Company will acquire 100% of the voting rights through the share exchange, making all of the companies into wholly owned subsidiaries of the Company.

(2) Acquisition Costs for Acquired Companies and Breakdown

Price of Acquisition

Market price of the Company's common stock delivered on the date of business acquisition: ¥55,554,000,000

(3) Exchange Ratio by Type of Shares, Method of Calculation, and Number of Shares to Be Exchanged

The Company's common stock was allotted and delivered in exchange for the common stock of each company as shown below.

1) Exchange Ratio by Type of Shares

NDS Co., Ltd.	2.07 shares
SYSKEN Corporation	1.04 shares
Hokuriku Denwa Kouji Co., Ltd.	0.178 shares

2) Method of Calculating Share Exchange Ratio

In order to ensure fairness and appropriateness, the calculation of the share exchange ratio was determined through individual consultation and negotiation between the Company and each target company, based on the results of calculations and analysis made by the independent third-party appraisers engaged by the Company and each target company respectively, in reference to the results of due diligence performed by the Company and each target company, and taking full consideration of such factors as the respective financial position, assets, and future outlook of the Company and each of the companies targeted for acquisition.

3) Number of Shares Delivered

NDS Co., Ltd.	12,352,269 shares
SYSKEN Corporation	2,637,277 shares
Hokuriku Denwa Kouji Co., Ltd.	1,519,943 shares

(4) Main Acquisition-Related Costs and Amount

Advisory expenses, etc.	¥423,000,000
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Note: Matters yet to be finalized are omitted.