

COMSYS Holdings Corporation

Consolidated Financial Results for the Third Quarter Ended December 31, 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: February 13, 2019
 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 nine months ended December 31, 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 (%)
Nine months ended December 31, 2018	¥304,303	24.9%	¥19,764	17.4%	¥20,436	19.4%	¥18,272	55.4%
Nine months ended December 31, 2017	243,610	18.9	16,838	53.0	17,115	52.3	11,755	63.8

Notes: 1. Comprehensive income: Nine months ended December 31, 2018: ¥16,229 million [24.0%] Nine months ended December 31, 2017: ¥13,091 million [69.4%]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)
Nine months ended December 31, 2018	¥153.11	¥152.51
Nine months ended December 31, 2017	103.28	102.87

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of December 31, 2018	¥412,738	¥293,257	70.3%
As of March 31, 2018	325,042	231,767	70.8

(Reference) Shareholders' Equity: As of December 31, 2018: ¥290,260 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: No

2. 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): Yes

Newly consolidated: One company (Company name) NDS Co., Ltd., Excluded from consolidation: Nil, (Company name) —

(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 December 31, 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	11,685,642 shares	26,422,771 shares
	<u>Nine months ended December 31, 2018</u>	<u>Nine months ended December 31, 2017</u>
c) Average number of shares issued in the period	119,340,113 shares	113,822,640 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*

- 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 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.*

Accompanying Materials

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

(1) Discussion of Operating Results

During the cumulative third quarter period (April 1, 2018 to December 31, 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, due in part to the effects of various policies implemented by the Japanese government and the Bank of Japan. However, there is a need to monitor such factors as the impact that the outcome of trade issues has on the global economy, uncertainty in the economies 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 expansion, 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 business integration with NDS Co., Ltd., SYSKEN Corporation, and Hokuriku Denwa Kouji Co., Ltd., effective October 1, 2018. Moreover, in addition to seeking to generate synergies from integration as early as possible, 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 third quarter period increased 24.4% year on year to ¥362,134 million, and net sales rose 24.9% year on year to ¥304,303 million. From a profit perspective, operating income increased by 17.4% year on year to ¥19,764 million, while net income attributable to owners of the parent increased 55.4% year on year to ¥18,272 million.

(2) Discussion of Financial Position

Total assets as of December 31, 2018 amounted to ¥412,738 million, up ¥87,696 million compared with the end of the previous fiscal year. This was mainly attributable to an increase in property and equipment. Liabilities increased by ¥26,206 million compared with the end of the previous fiscal year, to ¥119,481 million. This was largely attributable to an increase in short-term bank loans.

Net assets increased by ¥61,490 million compared with the end of the previous fiscal year, to ¥293,257 million. This was primarily attributable to the increase in additional paid-in capital and a decrease in treasury stock associated with a share exchange for the acquisition of a consolidated subsidiary.

In accordance with each of the aforementioned factors, the equity ratio stood at 70.3%, compared with 70.8% at the end of the previous fiscal year.

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

There are no changes in the consolidated earnings forecast for the full fiscal year ending March 31, 2019 published in "COMSYS Holdings Announces Revision to Earnings Forecast" dated November 6, 2018.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2018	As of December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	29,144	38,900
Notes and accounts receivable—trade	121,826	114,631
Inventories:		
Accumulated cost of construction in progress	24,607	46,514
Other	803	5,287
Other current assets	5,919	17,561
Less: Allowance for doubtful receivables	(54)	(110)
Total current assets	182,246	222,784
Fixed assets:		
Property and equipment:		
Buildings and structures, net	30,591	40,583
Land	47,592	66,109
Other, net	24,564	28,101
Total property and equipment	102,748	134,795
Intangible fixed assets		
Goodwill	5,969	5,354
Other intangible fixed assets	4,094	4,342
Total intangible fixed assets	10,063	9,697
Investments and other assets:		
Investment securities	12,956	26,001
Other assets	17,194	19,806
Less: Allowance for doubtful receivables	(166)	(346)
Total investments and other assets	29,983	45,461
Total fixed assets	142,796	189,954
Total assets	325,042	412,738

	Millions of yen	
	As of March 31, 2018	As of December 31, 2018
LIABILITIES		
Current liabilities:		
Accounts payable—trade	59,749	53,271
Short-term bank loans	106	19,349
Income taxes payable	7,815	326
Advances received on construction in progress	2,873	5,252
Allowances	724	1,140
Other current liabilities	11,563	15,434
Total current liabilities	82,832	94,774
Long-term liabilities:		
Deferred tax liabilities for unrealized gains on land revaluation	1,369	1,369
Net defined benefit liability	7,263	13,678
Allowance for directors' retirement benefits	271	619
Other long-term liabilities	1,537	9,039
Total long-term liabilities	10,441	24,706
Total liabilities	93,274	119,481
NET ASSETS		
Shareholders' equity:		
Common stock	10,000	10,000
Additional paid-in capital	60,883	91,515
Retained earnings	201,329	213,515
Treasury stock, at cost	(38,014)	(18,626)
Total shareholders' equity	234,199	296,403
Accumulated other comprehensive income (loss):		
Unrealized gain on other securities	3,795	1,871
Deferred gains or losses on hedges	—	(2)
Unrealized loss on land revaluation	(7,905)	(7,905)
Remeasurements of defined benefit plans	30	(106)
Total accumulated other comprehensive loss	(4,079)	(6,143)
Subscription rights to shares	513	600
Non-controlling interests	1,134	2,396
Total net assets	231,767	293,257
Total liabilities and net assets	325,042	412,738

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

	Millions of yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	243,610	304,303
Cost of sales	209,923	263,926
Gross profits	33,686	40,377
Selling, general and administrative expenses	16,848	20,612
Operating income	16,838	19,764
Other income:		
Interest income	11	14
Dividend income	215	428
Rent income on noncurrent assets	113	166
Other	193	224
Total other income	533	833
Other expenses:		
Interest expenses	5	20
Rent expenses	54	81
Provision for allowance for doubtful receivables	122	3
Other	74	56
Total other expenses	256	161
Recurring profit	17,115	20,436
Extraordinary income:		
Gain on sales of investment securities	0	44
Gain on sales of fixed assets	10	22
Gain on negative goodwill	—	5,159
Reversal of allowance for doubtful receivables	913	—
Other	9	20
Total extraordinary income	933	5,246
Extraordinary loss:		
Loss on disposal of fixed assets	29	28
Loss on impairment of fixed assets	30	329
Special payments on employees' retirement benefits	79	60
Other	58	176
Total extraordinary loss	197	595
Income before income taxes and other adjustments to net income	17,850	25,087
Income taxes:		
Current	4,534	4,835
Deferred	1,531	1,951
Total income taxes	6,066	6,786
Net income	11,784	18,301
Net income attributable to non-controlling interests	28	28
Net income attributable to owners of parent	11,756	18,273

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net income	11,784	18,301
Other comprehensive income (loss):		
Unrealized gain on other securities	1,258	(1,930)
Deferred gains or losses on hedges	—	(2)
Remeasurements of defined benefit plans	48	(137)
Total other comprehensive income (loss)	1,306	(2,071)
Comprehensive income	13,091	16,229
(Breakdown)		
Comprehensive income attributable to owners of the parent	13,057	16,208
Comprehensive income attributable to non-controlling interests	33	21

(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 additional paid-in capital as of December 31, 2018 increased by ¥30,631 million compared with the end of the previous fiscal year to ¥91,515 million. The balance of treasury stock as of December 31, 2018 decreased by ¥19,387 million compared with the end of the previous fiscal year to ¥18,626 million. The main factor was as outlined below.

(1) Share Exchange

The Company implemented share exchanges effective October 1, 2018 in which (I) the Company became the sole parent company and NDS Co., Ltd. a wholly owned subsidiary; (II) the Company became the sole parent company and SYSKEN Corporation a wholly owned subsidiary, and (III) the Company became the sole parent company and Hokuriku Denwa Kouji Co., Ltd. a wholly owned subsidiary, and delivered a total of 16,509 thousand shares of treasury stock. As a result, additional paid-in capital during the third quarter period ended December 31, 2018 increased by ¥30,313 million and treasury stock decreased by ¥24,501 million.

(2) Acquisition of Treasury Stock

Based on the resolution of the meeting of the Board of Directors held on May 8, 2018, the Company acquired 1,702 thousand shares of treasury stock during the period from May 9, 2018 until November 27, 2018. In addition, based on the resolution of the meeting of the Board of Director's held on November 6, 2018, the Company acquired 361 thousand shares of treasury stock during the period from November 7, 2018 until December 31, 2018. As a result, treasury stock during the third quarter period ended December 31, 2018 increased by ¥5,999 million.

(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.