

COMSYS Holdings Corporation

Consolidated Financial Results for the First Quarter Ended June 30, 2019 Under Japanese GAAP

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 Stock Exchange Listings: First Section of Tokyo Stock Exchange (Securities code: 1721)
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 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 8, 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 three months ended June 30, 2019)

(1) Consolidated Operating Results

(Millions of yen, except per share data and percentages)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Three months ended June 30, 2019	¥111,906	36.0%	¥4,976	23.1%	¥5,511	29.7%	¥3,509	26.0%
Three months ended June 30, 2018	82,270	28.7	4,043	15.7	4,248	16.0	2,785	6.6

Notes: 1. Comprehensive income: Three months ended June 30, 2019: ¥2,767 million [(18.2%)] Three months ended June 30, 2018: ¥3,383 million [4.9%]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Primary Earnings per Share	Diluted Earnings per Share
Three months ended June 30, 2019	¥27.20	¥27.12
Three months ended June 30, 2018	24.33	24.23

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2019	¥415,987	¥300,609	71.6%
As of March 31, 2019	439,926	301,459	67.8

(Reference) Shareholders' Equity: As of June 30, 2019: ¥297,653 million As of March 31, 2019: ¥298,373 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, 2019	¥ —	¥30.00	¥ —	¥30.00	¥60.00
Year ending March 31, 2020	—				
Year ending March 31, 2020 (Forecast)		35.00	—	40.00	75.00

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending March 31, 2020)

(Millions of yen, except per share data and percentages)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Primary Earnings per Share
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount
Six months ending September 30, 2019	¥230,000	29.3%	¥11,500	4.8%	¥11,700	4.2%	¥7,500	5.2%	¥58.27
Year ending March 31, 2020	540,000	12.1	38,000	7.7	38,500	6.7	25,500	(9.0)	198.13

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: Yes

(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: 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)

	<u>As of June 30, 2019</u>	<u>As of March 31, 2019</u>
a) Number of shares issued (including treasury stock)	141,000,000 shares	141,000,000 shares
b) Number of treasury stock	12,139,389 shares	12,299,356 shares
	<u>Three months ended June 30, 2019</u>	<u>Three months ended June 30, 2018</u>
c) Average number of shares issued in the period	129,018,696 shares	114,471,349 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, 2019 to June 30, 2019) of the current fiscal year ending March 31, 2020, the Japanese economy maintained a moderate recovery amid continued improvements in the employment and income environment and corporate earnings, due in part to various effectual government policies. However, it will be necessary to monitor the impact of U.S.-China trade friction on the global economy, the uncertainty in the economy overseas, and the 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, and the upgrading of the mobile network was promoted to accommodate the sharply increasing, higher-volume traffic. Moreover, in both the public and private sectors, extensive investments were anticipated in various business undertakings. This includes building national resilience, such as disaster prevention and mitigation measures for intensifying natural disasters, as well as development of renewable energy policies and social infrastructure investment in preparation for the Tokyo Olympic and Paralympic Games. Also, investment expansion is expected in information and communication technology (ICT) utilizing innovations such as IoT, AI, and 5th generation mobile communications (5G).

The COMSYS Group took initiatives for top-line expansions, which included entering the renewable energy business, particularly solar power and biomass power construction projects. Also, in response to the rise in public-sector and ICT investment aimed at the development of a smart society, it ventured into new business domains and implemented M&As. Moreover, in addition to seeking to generate synergies from the integration of the three corporate groups as soon as possible, the Group worked to improve profit by transferring personnel to growth business sectors 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 42.9% year on year to ¥139,656 million, and net sales rose 36.0% year on year to ¥111,906 million. From a profit perspective, operating profit increased by 23.1% year on year to ¥4,976 million, while profit attributable to owners of parent increased 26.0% year on year to ¥3,509 million.

(2) Discussion of Financial Position

Total assets as of June 30, 2019 amounted to ¥415,987 million, down ¥23,938 million compared with the end of the previous fiscal year. This was mainly attributable to a decrease in notes receivable, accounts receivable from completed construction and other. Liabilities decreased by ¥23,088 million compared with the end of the previous fiscal year, to ¥115,378 million. This was largely attributable to a decrease in notes payable, accounts payable for construction contracts and other.

Net assets decreased by ¥849 million compared with the end of the previous fiscal year, to ¥300,609 million. This was primarily attributable to a decrease in valuation difference on available-for-sale securities.

In accordance with each of the aforementioned factors, the equity ratio stood at 71.6%, compared with 67.8% 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, 2020 published in "COMSYS Holdings Announces Revision to Earnings Forecast" dated May 10, 2019.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2019	As of June 30, 2019
ASSETS		
Current assets:		
Cash and deposits	28,618	50,642
Notes receivable, accounts receivable from completed construction contracts and other	169,186	106,681
Inventories:		
Costs on construction contracts in progress	28,983	36,584
Other	4,576	5,394
Other current assets	15,783	23,481
Allowance for doubtful accounts	(136)	(89)
Total current assets	247,013	222,696
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	41,847	41,434
Land	65,748	66,101
Other, net	28,148	28,528
Total property, plant and equipment	135,744	136,064
Intangible assets		
Goodwill	4,999	4,725
Other intangible assets	4,606	4,397
Total intangible assets	9,606	9,123
Investments and other assets:		
Investment securities	27,712	28,061
Other assets	20,205	20,404
Allowance for doubtful accounts	(356)	(363)
Total investments and other assets	47,561	48,102
Total non-current assets	192,912	193,291
Total assets	439,926	415,987

	Millions of yen	
	As of March 31, 2019	As of June 30, 2019
LIABILITIES		
Current liabilities:		
Notes payable, accounts payable for construction contracts and other	77,685	58,264
Short-term borrowings	8,543	8,412
Income taxes payable	6,017	861
Advances received on construction contracts in progress	4,045	5,486
Allowances	1,251	1,173
Other current liabilities	18,583	18,942
Total current liabilities	116,125	93,140
Non-current liabilities:		
Long-term borrowings	3,212	3,020
Deferred tax liabilities for land revaluation	1,369	1,369
Retirement benefit liability	13,508	13,488
Provision for retirement benefits for directors (and other officers)	622	541
Other long-term liabilities	3,628	3,818
Total non-current liabilities	22,340	22,238
Total liabilities	138,466	115,378
NET ASSETS		
Shareholders' equity:		
Share capital	10,000	10,000
Capital surplus	91,549	92,064
Retained earnings	223,261	222,910
Treasury shares	(20,539)	(20,673)
Total shareholders' equity	304,271	304,301
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	2,810	2,076
Deferred gains or losses on hedges	(0)	(0)
Revaluation reserve for land	(7,905)	(7,905)
Remeasurements of defined benefit plans	(802)	(818)
Total accumulated other comprehensive income	(5,898)	(6,648)
Share acquisition rights	657	533
Non-controlling interests	2,428	2,422
Total net assets	301,459	300,609
Total liabilities and net assets	439,926	415,987

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

	Millions of yen	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	82,270	111,906
Cost of sales	72,236	98,207
Gross profits	10,034	13,699
Selling, general and administrative expenses	5,990	8,723
Operating profit	4,043	4,976
Non-operating income:		
Interest income	8	6
Dividend income	149	412
Rental income from non-current assets	46	86
Other	44	110
Total non-operating income	248	615
Non-operating expenses:		
Interest expenses	1	14
Rent expenses	23	51
Depreciation of idle assets	9	5
Other	8	8
Total non-operating expenses	43	79
Ordinary profit	4,248	5,511
Extraordinary income:		
Gain on sales of non-current assets	5	18
Other	0	15
Total extraordinary income	5	33
Extraordinary losses:		
Loss on retirement of non-current assets	11	9
Loss on valuation of investment securities	2	15
Special retirement expenses	—	23
Compensation for damage	5	—
Other	5	10
Total extraordinary losses	26	58
Profit before income taxes	4,228	5,486
Income taxes	1,451	1,974
Profit	2,776	3,511
Profit (loss) attributable to non-controlling interests	(9)	2
Profit attributable to owners of parent	2,785	3,509

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	2,776	3,511
Other comprehensive income:		
Valuation difference on available-for-sale securities	650	(729)
Deferred gains or losses on hedges	—	(0)
Remeasurements of defined benefit plans	(43)	(15)
Total other comprehensive income	607	(744)
Comprehensive income	3,383	2,767
(Breakdown)		
Comprehensive income attributable to owners of parent	3,391	2,759
Comprehensive income (loss) attributable to non-controlling interests	(8)	7