

# COMSYS Holdings Corporation

## Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 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: Hajime Takashima, President and Representative Director  
 For Inquiry: Hidehiko Ozaki, Director and General Manager of Finance & Accounting Department (Telephone:81-3-3448-7000)  
 Scheduled Annual General Meeting of Shareholders: June 29, 2016  
 Scheduled Commencement of Dividend Payment: June 30, 2016  
 Scheduled Filing of Securities Report: June 29, 2016  
 Supplementary Materials on Financial Results: Attached  
 IR Presentation on Financial Results: Scheduled (For Institutional Investors and Analysts)

Amounts less than one million yen have been omitted.

### 1. Consolidated Financial Results (for the fiscal year ended March 31, 2016)

#### (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 (%)
Year ended March 31, 2016	¥320,654	(2.4)%	¥23,849	(13.8)%	¥24,223	(13.9)%	¥15,420	(8.0)%
Year ended March 31, 2015	328,631	(0.8)	27,674	0.4	28,121	0.2	16,767	2.3

Notes: 1. Comprehensive income: Year ended March 31, 2016: ¥12,546 million [(38.0)%] Year ended March 31, 2015: ¥20,249 million [19.8%]  
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Recurring Profit / Total Assets	Operating Margin
Year ended March 31, 2016	¥136.75	¥136.18	7.9%	9.1%	7.4%
Year ended March 31, 2015	142.72	141.90	9.0	10.9	8.4

(Reference) Equity in earnings of affiliates: Year ended March 31, 2016: ¥— million Year ended March 31, 2015: ¥— million

#### (2) Consolidated Financial Position

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

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of March 31, 2016	¥266,066	¥196,543	73.4%	¥1,764.13
As of March 31, 2015	264,019	194,038	73.0	1,682.70

(Reference) Shareholders' equity: As of March 31, 2016: ¥195,379 million As of March 31, 2015: ¥192,774 million

#### (3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Year ended March 31, 2016	¥13,089	¥ (7,303)	¥(11,307)	¥28,818
Year ended March 31, 2015	26,575	(11,882)	(12,199)	33,435

### 2. Cash Dividends for Shareholders of Common Stock

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

	Cash Dividends per Share					Total Dividends (Annual)	Consolidated Basis	
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-End	Annual		Dividend Payout Ratio	Ratio of Dividends to Net Assets
Year ended March 31, 2015	¥ —	¥15.00	¥ —	¥15.00	¥30.00	¥3,504	21.0%	1.9%
Year ended March 31, 2016	—	15.00	—	20.00	35.00	3,902	25.6	2.0
Year ending March 31, 2017 (Forecast)	—	20.00	—	20.00	40.00		27.7	

### 3. Consolidated Earnings Forecast (for the fiscal year ending March 31, 2017)

(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, 2016	¥138,000	7.2%	¥ 6,800	4.0%	¥ 7,200	4.9%	¥ 4,600	1.2%	¥ 41.53
Year ending March 31, 2017	340,000	6.0	25,000	4.8	25,500	5.3	16,000	3.8	144.47

Note. 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) 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: Yes
- 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

(3) Number of shares issued (common stock)

	As of March 31, 2016	As of March 31, 2015
a) Number of shares issued (including treasury stock)	141,000,000 shares	145,977,886 shares
b) Number of treasury stock	30,248,743 shares	31,414,907 shares
	Year ended March 31, 2016	Year ended March 31, 2015
c) Average number of shares issued in the period	112,765,680 shares	117,489,316 shares

**(Reference) Summary of Non-Consolidated Financial Results**

**Non-Consolidated Financial Results (for the fiscal year ended March 31, 2016)**

**(1) Non-Consolidated Operating Results**

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

	Operating Revenues		Operating Income		Recurring Profit		Net Income	
Year ended March 31, 2016	¥4,359	(20.7)%	¥3,422	(25.8)%	¥3,417	(26.1)%	¥3,364	(27.8)%
Year ended March 31, 2015	5,495	62.5	4,610	82.9	4,626	80.2	4,658	86.8

Note: Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)
Year ended March 31, 2016	¥29.81	¥29.69
Year ended March 31, 2015	39.58	39.35

**(2) Non-Consolidated Financial Position**

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

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of March 31, 2016	¥137,528	¥69,604	50.2%	¥623.07
As of March 31, 2015	135,959	76,263	55.7	660.80

(Reference) Shareholders' equity:

As of March 31, 2016: ¥69,061 million

As of March 31, 2015: ¥75,763 million

**<Reason for Disparities in the Non-Consolidated Earnings from the Previous Fiscal Year>**

During the current fiscal year, dividend income from consolidated subsidiaries decreased, causing significant disparities with the figures for the previous fiscal year across the board for operating revenues, operating income, recurring profit, net income, net income per share and net income per share (diluted).

**\*Statement regarding implementation of audit procedures**

This Consolidated Financial Results Report is not subject to the audit procedures prescribed under the Financial Instruments and Exchange Act of Japan. As of the date this Consolidated Financial Results Report was disclosed, however, audit procedures applicable to financial statements prescribed under the aforementioned Financial Instruments and Exchange Act had not been completed.

**\*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 "(1) Analysis of Operating Results" under "1. Analysis of Operating Results and Financial Position" of this Consolidated Financial Results report in the Accompanying Materials section on page 3.
2. COMSYS Holdings Corporation plans to hold an IR presentation on its financial results for institutional investors and analysts on Friday, May 13, 2016. 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. Analysis of Operating Results and Financial Position**

#### **(1) Analysis of Operating Results**

##### *1) Operating Results for the Fiscal Year Ended March 31, 2016*

During the fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016), the Japanese economy maintained a moderate recovery, including improvements in corporate performance and the employment environment due to the effects of economic policies taken by the Japanese government and monetary easing carried out by the Bank of Japan. Nevertheless, the outlook remained uncertain, with concerns about the economic slowdown in China and emerging countries and the slump in crude oil prices.

In the information and communications field, the COMSYS Group's principal area of activity, there were significant changes in services provided and market conditions. These changes included newly expanded demand due to the wholesaling of optical access services (the optic fiber collaboration model), and technical innovation aimed at diversifying and adding functionality to smartphones and tablets by taking advantage of high-speed wireless broadband services such as LTE. Moreover, in both the public and private sectors, expansion was anticipated in social infrastructure investment aimed at developing the Internet of Things (IoT) in areas such as healthcare, disaster prevention, and e-government, based on advanced information and communication technology (ICT) to link goods and services, 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 solar and other ecological innovation businesses, making efforts to enter the electricity retail business utilizing solar power generation by taking advantage of the liberalization of the electricity retail market, engaging in sales activities in response to rising public sector and ICT investment, and venturing into new business domains focused on the smart society. 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 current fiscal year decreased by 1.5% year on year to ¥331,986 million due to a reduction in capital expenditure by telecommunications carriers. Meanwhile, net sales fell by 2.4% year on year to ¥320,654 million.

From a profit perspective, although the Group endeavored to secure profit through structural reform, including cutting costs, operating income fell by 13.8% year on year to ¥23,849 million, due in part to the fall in net sales, and net income attributable to owners of the parent declined by 8.0% year on year to ¥15,420 million.

##### *2) Earnings Forecast for the Fiscal Year Ending March 31, 2017*

In the consolidated earnings forecasts for the COMSYS Group for the year ending March 31, 2017, although capital expenditure by telecommunications carriers is on a downward trend, orders received are expected to continue rising given the increase in public- and private-sector demand for social infrastructure projects, including policies for building national resilience, the environment and energy business, and preparation for the Tokyo Olympics and Paralympic Games. Sales are forecast to rise due to the consolidation of Tokyo Hosoh Kogyo Co., Ltd., in addition to the continuing high volume of work in progress carried over from the current period.

From a profit perspective, due to the promotion of structural reforms initiated to date, as well as efforts to increase efficiency and cut costs, profit is expected to rise.

#### **Consolidated Earnings Forecast**

(Millions of yen, except percentages)

	Year ended March 31, 2016	Year ending March 31, 2017	Change
Orders received	¥331,986	¥350,000	5.4%
Net sales	320,654	340,000	6.0
Gross profits	43,389	46,500	7.2
Operating income	23,849	25,000	4.8
Recurring profit	24,223	25,500	5.3
Net income attributable to owners of parent	15,420	16,000	3.8

## **(2) Analysis of Financial Position**

### ***1) Analysis of Assets, Liabilities and Net Assets***

#### *(a) Assets*

Current assets as of March 31, 2016 stood at ¥155,551 million, ¥3,672 million higher than at the end of the previous fiscal year. This was mainly attributable to a ¥4,565 million decrease in cash and cash equivalents and a ¥9,046 million increase in notes and accounts receivable – trade. Fixed assets as of March 31, 2016 stood at ¥110,514 million, ¥1,625 million lower than at the end of the previous fiscal year. This was mainly attributable to a decrease in investments and other assets of ¥1,555 million.

As a result, total assets amounted to ¥266,066 million as of March 31, 2016, an increase of ¥2,046 million compared with the end of the previous fiscal year.

#### *(b) Liabilities*

Current liabilities as of March 31, 2016 stood at ¥61,225 million, up ¥433 million compared with the previous fiscal year-end. This was mainly attributable to an increase of ¥4,515 million in accounts payable – trade and a ¥2,638 million decrease in other current liabilities, primarily consumption tax payable, etc. As of March 31, 2016, long-term liabilities amounted to ¥8,296 million, ¥892 million lower compared with the end of the previous fiscal year. This was mainly attributable to a ¥795 million decrease in deferred income taxes.

As a result, total liabilities amounted to ¥69,522 million, a decrease of ¥458 million compared with the end of the previous fiscal year.

#### *(c) Net assets*

Net assets stood at ¥196,543 million as of March 31, 2016, an increase of ¥2,505 compared with the end of the previous fiscal year. Although retained earnings increased by ¥12,011 million, after accounting the current fiscal year's net income, this was largely attributable to a decline in net assets due to the acquisition of treasury stock.

As of the end of the fiscal year under review, the equity ratio stood at 73.4%, up from 73.0% as of March 31, 2015

### ***2) Analysis of Cash Flow***

Cash and cash equivalents stood at ¥28,818 million at the end of the fiscal year, a decrease of ¥4,616 million, or 13.8%, compared with the end of the previous fiscal year.

The principal factors underpinning movements in each of the Group's major cash flows for the fiscal year ended March 31, 2016 are presented as follows.

#### *(a) Cash flows from operating activities*

Net cash provided by operating activities stood at ¥13,089 million compared with net cash provided by operating activities of ¥26,575 million for the previous fiscal year. The major cash inflows were income before income taxes and other adjustments to net income of ¥24,040 million and depreciation and amortization of ¥5,009 million. Major cash outflows for the fiscal year ended March 31, 2016 included receivables – trade of ¥8,377 million and income taxes paid of ¥7,829 million.

#### *(b) Cash flows from investing activities*

Net cash used in investing activities totaled ¥7,303 million for the fiscal year under review compared with net cash of ¥11,882 million used in investing activities in the previous fiscal year. The major components were acquisitions of property and equipment of ¥4,639 million and payments of loans receivable of ¥3,695 million.

#### *(c) Cash flows from financing activities*

Net cash used in financing activities was ¥11,307 million for the fiscal year ended March 31, 2016, compared with ¥12,199 million used in financing activities in the previous fiscal year. Acquisition of treasury stock amounted to ¥8,025 million, while cash dividends totaled ¥3,402 million.

**(Reference) Changes in Cash Flow-Related Indicators**

	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Equity ratio (%)	71.7	71.6	71.1	73.0	73.4
Equity ratio based on market value (%)	49.8	58.4	76.0	64.4	72.3
Ratio of interest-bearing liabilities to cash flows (%)	4.9	47.6	6.8	1.6	3.9
Interest coverage ratio (times)	2,571.4	173.7	2,460.5	3,788.7	1,348.5

Equity ratio: equity capital / total assets

Equity ratio based on market value: gross market capitalization / total assets

Ratio of interest-bearing liabilities to cash flows: interest-bearing liabilities / cash flows

Interest coverage ratio: cash flows / interest payment

- Notes:
1. All indicators are calculated on the basis of consolidated financial figures.
  2. Gross market capitalization is based on the total number of shares issued and outstanding excluding treasury stock.
  3. Cash flows is net cash provided by operating activities.
  4. Interest-bearing liabilities include all liabilities stated on the Group's consolidated balance sheets on which interest is paid.
  5. Interest paid is the amount of interest paid stated on the Group's consolidated statements of cash flows.

**(3) Basic Policy for Distribution of Profits and Dividends for the Current and Next Fiscal Years**

COMSYS Holdings has positioned the return of profits to shareholders as a key management priority. The Company adopts the basic policy of ensuring the stable and continuous payment of cash dividends while taking into consideration its operating performance.

Guided by the aforementioned policy, COMSYS Holdings paid an interim dividend of ¥15 per share for the fiscal year ended March 31, 2016. The Company also intends to pay a period-end cash dividend of ¥20 per share, for an annual cash dividend of ¥35 per share (interim dividend ¥15, period-end dividend ¥20). Moreover, to further enhance shareholder returns and facilitate the implementation of a flexible capital policy that is responsive to changes in the corporate environment, COMSYS Holdings acquired 4,734 thousand shares (¥7.99 billion) of treasury stock in the fiscal year under review. Furthermore, to eliminate concerns about the future dilution of shares in addition to increasing returns for shareholders through a reduction in the total number of issued shares, COMSYS Holdings retired 4,977 thousand shares (¥5.77 billion) of treasury stock in the fiscal year under review.

In the fiscal year ending March 31, 2017, taking into consideration such factors as earnings performance and the dividend payout ratio, COMSYS Holdings plans to increase the dividend per share by ¥5 and pay an annual cash dividend of ¥40 per share. The intention is to pay an interim cash dividend of ¥20 per share and a period-end cash dividend of ¥20 per share. Moreover, COMSYS Holdings intends to acquire treasury stock up to a total upper limit of ¥5 billion.

## 2. Management Policy

### (1) Basic Policy on Corporate Management

Since its foundation, the COMSYS Group has worked to build diverse infrastructure that supports the foundation of Japan's social and economic activities and anticipates the needs of future generations.

Specifically, the COMSYS Group has continued to actively expand its businesses, which range from the construction of telecommunications infrastructure, urban environment development and ICT-related construction through to the renewable energy business, including solar power generation, to meet today's latest needs in business collaboration with partners.

The future market environment will change significantly, and the COMSYS Group will continue with "structural reform" initiatives to overcome the challenging competitive environment by enhancing productivity and strengthening cost competitiveness from a medium- to long-term perspective. In addition, the COMSYS Group will not only continue to build the vital public infrastructure that forms the foundations of Japanese society with advanced technology in order to achieve economic growth and affluent lifestyles, but it will also contribute to the creation of a secure, safe and sustainable society through disaster prevention projects.

### (2) Target Management Indicators and Medium- and Long-Term Corporate Management Strategy

In 2014, the COMSYS Group established target indicators for Group management and each business with an eye to the anticipated business environment in ten years' time.

- (1) Net sales: At least ¥400.0 billion
- (2) Operating income: At least ¥30.0 billion
- (3) Increase net sales percentage of non-carrier business (Social System-Related and Other, and IT Solutions)

To achieve the aforementioned indicators, the COMSYS Group aims to increase social contribution and corporate value more than ever before through the construction of diverse infrastructure that supports life and society, in addition to the telecommunications-related construction developed so far.

### (3) Challenges to be Addressed

In the environment surrounding the COMSYS Group, investment in social infrastructure is expected to rise in the public and private sectors. Such investment includes the IoT utilizing ICT, full-scale reconstruction following the Great East Japan Earthquake, policies for building national resilience, the renewable energy business, and preparation for the Tokyo Olympics and Paralympic Games.

Nevertheless, in the telecommunications sector, although significant changes in services and market conditions, including technical innovation aimed at diversifying and adding functionality to smartphones and tablets by taking advantage of high-speed wireless broadband services will stimulate demand, the Group's business environment is expected to become more challenging in anticipation of a decline in capital expenditure by carriers due to the shift from the development of infrastructure to the provision of information contents and other services.

In this market environment, the COMSYS Group will endeavor to further promote the COMSYS WAY<sup>a</sup>, which is its medium- to long-term management strategy, and it will specifically address the challenges below.

#### *Expand the top-line*

- i) Actively increase orders received in response to higher public investment and investment in ICT
- ii) Actively enter and expand the green innovation business, including the solar power business  
(Expand business areas taking advantage of the liberalization of electric power)
- iii) Pioneer new business areas with a focus on the Smart Community
- iv) Seek out M&A opportunities and enhance business alliances

***Promote structural reforms***

- i) Mobilize personnel for growth businesses
- ii) Maximize the use of human resources by fostering multi-skilled employees
- iii) Strengthen integrated sales and project construction systems at Group companies
- iv) Utilize construction IT platform that provides comprehensive management from order receipt through to project management

In order to promote the further strengthening of initiatives to address these challenges in the midst of unprecedented changes in the environment, as outlined above, the COMSYS Group has established the COMSYS Group Management Philosophy as the new guideline going forward, forming a cohesive force supporting the Group's stakeholders.

***COMSYS Group Management Philosophy***

At the COMSYS Group, we are united as a Group and strive for strong partnership and collaboration with diverse external players in achieving our management philosophy.

- We will build a company that customers continue to choose through the construction of diverse infrastructure that carries our era forward.
- We will contribute to our country and local communities by building social infrastructure that supports affluent lifestyles.
- We will continue with unrelenting reform in our aim to further increase corporate value.

### **3. Basic Approach to Selection of Accounting Standard**

The COMSYS Group's policy for the time being is to use Japanese GAAP for the preparation of its consolidated financial statements because its business operations are primarily carried out in Japan, and comparison with other Japanese companies is thus facilitated.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2015	As of March 31, 2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	33,496	28,930
Notes and accounts receivable—trade	93,513	102,559
Lease investment assets	2,900	2,662
Accumulated cost of construction in progress	15,215	15,261
Merchandise	218	112
Materials and supplies	468	390
Deferred income taxes	3,480	3,152
Other current assets	2,640	2,533
Less: Allowance for doubtful receivables	(55)	(51)
<b>Total current assets</b>	<b>151,878</b>	<b>155,551</b>
<b>Fixed assets:</b>		
<b>Property and equipment:</b>		
Buildings and structures	51,012	54,120
Less: Accumulated depreciation	(24,878)	(26,217)
<b>Buildings and structures, net</b>	<b>26,133</b>	<b>27,902</b>
Machinery, vehicles and equipment	18,271	18,636
Less: Accumulated depreciation	(13,418)	(14,034)
<b>Machinery, vehicles and equipment, net</b>	<b>4,852</b>	<b>4,601</b>
Land	39,770	39,265
Lease assets	450	565
Less: Accumulated depreciation	(139)	(224)
<b>Lease assets, net</b>	<b>311</b>	<b>341</b>
Construction in progress	1,227	767
<b>Total property and equipment</b>	<b>72,295</b>	<b>72,878</b>
<b>Intangible assets</b>		
Goodwill	3,394	2,935
Other intangible assets	4,249	4,055
<b>Total intangible assets</b>	<b>7,643</b>	<b>6,990</b>
<b>Investments and other assets:</b>		
Investment securities	12,700	10,460
Long-term loans receivable	4,833	8,033
Deferred income taxes	367	319
Net defined benefit asset	11,392	9,094
Other assets	5,156	4,758
Less: Allowance for doubtful receivables	(2,250)	(2,020)
<b>Total investments and other assets</b>	<b>32,201</b>	<b>30,645</b>
<b>Total fixed assets</b>	<b>112,140</b>	<b>110,514</b>
<b>Total assets</b>	<b>264,019</b>	<b>266,066</b>



	Millions of yen	
	As of March 31, 2015	As of March 31, 2016
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable—trade	44,675	49,191
Short-term bank loans	100	114
Income taxes payable	3,852	3,296
Advances received on construction in progress	1,540	710
Allowance for warranty work on construction projects	257	202
Allowance for losses on construction contracts	15	—
Other current liabilities	10,349	7,711
<b>Total current liabilities</b>	<b>60,791</b>	<b>61,225</b>
<b>Long-term liabilities:</b>		
Deferred income taxes	2,982	2,186
Deferred tax liabilities for unrealized gains on land revaluation	1,508	1,428
Net defined benefit liability	3,784	3,726
Allowance for directors' retirement benefits	222	219
Other long-term liabilities	691	735
<b>Total long-term liabilities</b>	<b>9,189</b>	<b>8,296</b>
<b>Total liabilities</b>	<b>69,980</b>	<b>69,522</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Common stock	10,000	10,000
Additional paid-in capital	56,615	51,264
Retained earnings	164,836	176,847
Treasury stock, at cost	(34,852)	(36,008)
<b>Total shareholders' equity</b>	<b>196,599</b>	<b>202,104</b>
<b>Accumulated other comprehensive income:</b>		
Unrealized gain (loss) on other securities	2,638	2,350
Unrealized gain (loss) on land revaluation	(7,936)	(7,856)
Remeasurements of defined benefit plans	1,473	(1,219)
<b>Total accumulated other comprehensive income</b>	<b>(3,824)</b>	<b>(6,724)</b>
<b>Subscription rights to shares</b>	<b>500</b>	<b>542</b>
<b>Non-controlling interests</b>	<b>762</b>	<b>621</b>
<b>Total net assets</b>	<b>194,038</b>	<b>196,543</b>
<b>Total liabilities and net assets</b>	<b>264,019</b>	<b>266,066</b>

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

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2016
Net sales	328,631	320,654
Cost of sales	280,693	277,264
Gross profits	47,938	43,389
Selling, general and administrative expenses	20,264	19,540
Operating income	27,674	23,849
<b>Other income:</b>		
Interest income	58	62
Dividend income	216	168
Reversal of allowance for doubtful receivables	—	165
Rent income on noncurrent assets	101	93
Foreign exchange gains	150	—
Other	176	172
Total other income	702	662
<b>Other expenses:</b>		
Interest expenses	7	9
Rent expenses	40	39
Provision for allowance for doubtful receivables	168	4
Foreign exchange losses	—	145
Other	39	90
Total other expenses	254	289
<b>Recurring profit</b>	<b>28,121</b>	<b>24,223</b>
<b>Extraordinary income:</b>		
Gain on sales of fixed assets	46	72
Gain on sale of investment securities	46	237
Gain on redemption of investment securities	44	—
Gain on payback of insurance payments	55	8
Gain on reversal of subscription rights to shares	24	—
Gain on negative goodwill	—	386
Other	8	5
Total extraordinary income	225	709
<b>Extraordinary loss:</b>		
Loss on sales of fixed assets	149	3
Loss on disposal of fixed assets	128	98
Loss on impairment of fixed assets	432	470
Special payments on employees' retirement benefits	196	162
Other	158	159
Total extraordinary loss	1,064	893
<b>Income before income taxes and other adjustments to net income</b>	<b>27,283</b>	<b>24,040</b>
<b>Income taxes:</b>		
Current	9,438	7,417
Deferred	1,093	1,170
Total income taxes	10,531	8,588
<b>Net income</b>	<b>16,751</b>	<b>15,451</b>
<b>Net income (loss) attributable to non-controlling interests</b>	<b>(16)</b>	<b>30</b>
<b>Net income attributable to owners of parent</b>	<b>16,767</b>	<b>15,420</b>

**(Consolidated Statements of Comprehensive Income)**

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2016
<b>Net income</b>	16,751	15,451
<b>Other comprehensive income:</b>		
Unrealized gain (loss) on other securities	843	(292)
Unrealized gain (loss) on land revaluation	153	80
Remeasurements of defined benefit plans	2,501	(2,693)
Total other comprehensive income	3,498	(2,905)
<b>Comprehensive income</b>	20,249	12,546
(Breakdown)		
Comprehensive income attributable to owners of the parent	20,258	12,522
Comprehensive income (loss) attributable to non-controlling interests	(8)	23

### (3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2015	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total Shareholders' equity
Balance at the end of the previous period	10,000	55,494	148,713	(28,658)	185,549
Cumulative effect of changes in accounting policies			2,787		2,787
Restated balance	10,000	55,494	151,500	(28,658)	188,337
Changes during the period					
Cash dividends			(3,545)		(3,545)
Net income attributable to owners of parent			16,767		16,767
Repurchase of treasury stock				(7,938)	(7,938)
Disposal of treasury stock		1,121		1,744	2,865
Retirement of treasury stock		—		—	—
Purchase of treasury stock of subsidiaries		—			—
Changes of scope of consolidation			112		112
Net changes during the period except for shareholders' equity					
Total changes during the period	—	1,121	13,335	(6,194)	8,262
Balance at the end of the period	10,000	56,615	164,836	(34,852)	196,599

Year ended March 31, 2015	Millions of yen						
	Accumulated other comprehensive income						
	Unrealized gain (loss) on other securities	Unrealized gain (loss) on land revaluation	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at the end of the previous period	1,803	(8,090)	(1,028)	(7,315)	478	701	179,414
Cumulative effect of changes in accounting policies							2,787
Restated balance	1,803	(8,090)	(1,028)	(7,315)	478	701	182,202
Changes during the period							
Cash dividends							(3,545)
Net income attributable to owners of parent							16,767
Repurchase of treasury stock							(7,938)
Disposal of treasury stock							2,865
Retirement of treasury stock							—
Purchase of treasury stock of subsidiaries							—
Changes of scope of consolidation							112
Net changes during the period except for shareholders' equity	835	153	2,501	3,490	22	60	3,573
Total changes during the period	835	153	2,501	3,490	22	60	11,836
Balance at the end of the period	2,638	(7,936)	1,473	(3,824)	500	762	194,038

Year ended March 31, 2016	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total Shareholders' equity
Balance at the end of the previous period	10,000	56,615	164,836	(34,852)	196,599
Cumulative effect of changes in accounting policies					—
Restated balance	10,000	56,615	164,836	(34,852)	196,599
Changes during the period					
Cash dividends			(3,402)		(3,402)
Net income attributable to owners of parent			15,420		15,420
Repurchase of treasury stock				(8,002)	(8,002)
Disposal of treasury stock		273		1,067	1,341
Retirement of treasury stock		(5,778)		5,778	—
Purchase of treasury stock of subsidiaries		154			154
Changes of scope of consolidation			(6)		(6)
Net changes during the period except for shareholders' equity					
Total changes during the period	—	(5,350)	12,011	(1,155)	5,504
Balance at the end of the period	10,000	51,264	176,847	(36,008)	202,104

Year ended March 31, 2016	Millions of yen						
	Accumulated other comprehensive income						
	Unrealized gain (loss) on other securities	Unrealized gain (loss) on land revaluation	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at the end of the previous period	2,638	(7,936)	1,473	(3,824)	500	762	194,038
Cumulative effect of changes in accounting policies							—
Restated balance	2,638	(7,936)	1,473	(3,824)	500	762	194,038
Changes during the period							
Cash dividends							(3,402)
Net income attributable to owners of parent							15,420
Repurchase of treasury stock							(8,002)
Disposal of treasury stock							1,341
Retirement of treasury stock							—
Purchase of treasury stock of subsidiaries							154
Changes of scope of consolidation							(6)
Net changes during the period except for shareholders' equity	(288)	80	(2,692)	(2,900)	41	(141)	(2,999)
Total changes during the period	(288)	80	(2,692)	(2,900)	41	(141)	2,505
Balance at the end of the period	2,350	(7,856)	(1,219)	(6,724)	542	621	196,543

#### (4) Consolidated Statements of Cash Flows

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2016
<b>Cash flows from operating activities:</b>		
Income before income taxes and other adjustments to net income	27,283	24,040
Depreciation and amortization	4,672	5,009
Loss on impairment of fixed assets	432	470
Gain on negative goodwill	—	(386)
Amortization of goodwill	527	594
Increase (decrease) in allowance for doubtful receivables	140	(236)
Decrease in net defined benefit liability	(241)	(264)
Interest and dividends received	(274)	(230)
Interest expenses	7	9
Decrease (increase) in receivables—trade	6,206	(8,377)
Decrease in inventories	3,028	653
Increase (decrease) in payables—trade	(1,825)	2,955
Gain on sale of investment securities	(44)	(177)
Increase in other assets	(1,553)	(998)
Increase (decrease) in other liabilities	590	(2,506)
Other, net	135	146
	39,085	20,701
Cash and cash equivalents received on interest and dividends income	268	227
Cash and cash equivalents paid for interest expenses	(7)	(9)
Cash and cash equivalents paid for income taxes	(12,771)	(7,829)
Net cash provided by operating activities	26,575	13,089
<b>Cash flows from investing activities:</b>		
Decrease in time deposits, net	60	59
Payment for purchases of investment securities	(172)	(206)
Proceeds from sale of investment securities	111	1,156
Proceeds from redemption of investment securities	100	100
Collection of investments in capital	50	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(2,575)	—
Proceeds from purchase of stocks of subsidiaries resulting in change in scope of consolidation	—	216
Purchase of investments in subsidiaries	(47)	(70)
Acquisitions of property and equipment	(7,349)	(4,639)
Acquisitions of intangible fixed assets	(1,452)	(1,664)
Proceeds from sale of property and equipment	270	863
Payments of loans receivable	(1,766)	(3,695)
Collection of loans receivable	804	511
Purchase of insurance funds	(17)	(16)
Proceeds from cancellation of insurance funds	163	235
Other, net	(61)	(152)
Net cash used in investing activities	(11,882)	(7,303)

	Millions of yen	
	Year ended March 31, 2015	Year ended March 31, 2016
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings, net	(1,170)	(8)
Repayment of long-term debt	—	(16)
Acquisitions of treasury stock	(7,958)	(8,025)
Proceeds from sale of treasury stock	546	234
Purchase of treasury stock of subsidiaries	—	(7)
Cash dividends paid	(3,545)	(3,402)
Cash dividends paid to non-controlling interests	(4)	(3)
Repayments of finance lease obligations	(68)	(78)
Net cash used in financing activities	(12,199)	(11,307)
Effect of exchange rate changes on cash and cash equivalents	0	(0)
Net increase (decrease) in cash and cash equivalents	2,495	(5,521)
Cash and cash equivalents at beginning of year	30,915	33,435
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	24	883
Increase in cash and cash equivalents resulting from merger	—	21
Cash and cash equivalents at end of year	33,435	28,818