

# COMSYS Holdings Corporation

## Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 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, 2017  
 Scheduled Commencement of Dividend Payment: June 30, 2017  
 Scheduled Filing of Securities Report: June 29, 2017  
 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, 2017)

#### (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, 2017	¥334,163	4.2%	¥25,036	5.0%	¥25,341	4.6%	¥14,485	(6.1)%
Year ended March 31, 2016	320,654	(2.4)	23,849	(13.8)	24,223	(13.9)	15,420	(8.0)

Notes: 1. Comprehensive income: Year ended March 31, 2017: ¥15,399 million [22.7%] Year ended March 31, 2016: ¥12,546 million [(38.0)%]  
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Recurring Profit / Total Assets	Operating Margin
Year ended March 31, 2017	¥129.96	¥129.52	7.3%	9.2%	7.5%
Year ended March 31, 2016	136.75	136.18	7.9	9.1	7.4

(Reference) Equity in earnings of affiliates: Year ended March 31, 2017: ¥— million Year ended March 31, 2016: ¥— 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, 2017	¥284,367	¥202,943	70.9%	¥1,848.33
As of March 31, 2016	266,066	196,543	73.4	1,764.13

(Reference) Shareholders' equity: As of March 31, 2017: ¥201,717 million As of March 31, 2016: ¥195,379 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, 2017	¥12,545	¥(9,940)	¥(12,178)	¥20,879
Year ended March 31, 2016	13,089	(7,303)	(11,307)	28,818

### 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, 2016	¥ —	¥15.00	¥ —	¥20.00	¥35.00	¥3,902	25.6%	2.0%
Year ended March 31, 2017	—	20.00	—	20.00	40.00	4,406	30.8	2.2
Year ending March 31, 2018 (Forecast)	—	25.00	—	25.00	50.00		29.5	

### 3. Consolidated Earnings Forecast (for the fiscal year ending March 31, 2018)

(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, 2017	¥140,000	5.9%	¥7,500	19.0%	¥7,700	19.3%	¥5,000	21.1%	¥45.81
Year ending March 31, 2018	350,000	4.7	27,000	7.8	27,500	8.5	18,500	27.7	169.52

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: Yes
- 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, 2017	As of March 31, 2016
a) Number of shares issued (including treasury stock)	141,000,000 shares	141,000,000 shares
b) Number of treasury stock	31,865,224 shares	30,248,743 shares
	Year ended March 31, 2017	Year ended March 31, 2016
c) Average number of shares issued in the period	111,462,585 shares	112,765,680 shares

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

**Non-Consolidated Financial Results (for the fiscal year ended March 31, 2017)**

**(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, 2017	¥9,972	128.8%	¥8,985	162.5%	¥8,965	162.4%	¥8,921	165.2%
Year ended March 31, 2016	4,359	(20.7)	¥3,422	(25.8)	3,417	(26.1)	3,364	(27.8)

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, 2017	¥79.98	¥79.71
Year ended March 31, 2016	29.81	29.69

**(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, 2017	¥ 90,968	¥70,287	76.6%	¥638.51
As of March 31, 2016	137,528	69,604	50.2	623.07

(Reference) Shareholders' equity:

As of March 31, 2017: ¥69,709 million

As of March 31, 2016: ¥69,061 million

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

During the current fiscal year, dividend income from consolidated subsidiaries increased, 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).

**\*This Consolidated Financial Results report is not subject to audit procedures.**

**\*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) Operating Results" under "1. Business Review" 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 12, 2017. 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. Business Review**

#### **(1) Operating Results**

During the fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017), the Japanese economy was expected to experience 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, due to uncertainty in the economy overseas, such as the economic slowdown in emerging countries in Asia, particularly China, the problem of the United Kingdom leaving the European Union (EU), and the change of administration in the United States, the outlook remained uncertain, and there is concern over the impact these issues will have on the Japanese economy.

In the information and communications field, the COMSYS Group's principal area of activity, the construction of a mobile network environment was promoted to accommodate the sharply increasing, higher-volume traffic accompanying the diversification and added functionality of smartphones and tablets, in addition to the development of broadband focused on conversion to fiber optics and the advance of globalization. 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 the internet of things (IoT), wherein everything is connected to the internet, and artificial intelligence (AI), which has the capacity to learn and make high-level decisions by itself, 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 making efforts in the green innovation business, including the solar construction business, venturing into new business domains in response to the increase in public investment and ICT investment focused on the smart society, and implementing M&As. The Group also endeavored to improve profitability through such means as moving personnel into growth business sectors, improving construction efficiency, and cutting costs.

Under these circumstances, orders received in the fiscal year under review increased 11.5% year on year to ¥370,198 million, and net sales rose 4.2% to ¥334,163 million.

From a profit perspective, operating income increased by 5.0% year on year to ¥25,036 million due to increased productivity and other benefits resulting from structural reform. However, net income attributable to owners of the parent declined by 6.1% year on year to ¥14,485 million because the Group recorded amortization of goodwill as an extraordinary loss.

## (2) Financial Position

### (a) Assets

Current assets as of March 31, 2017 stood at ¥167,166 million, ¥11,614 million higher than at the end of the previous fiscal year. This was mainly attributable to a ¥11,762 million increase in notes and accounts receivable – trade. Fixed assets as of March 31, 2017 stood at ¥117,201 million, ¥6,686 million higher than at the end of the previous fiscal year. This was mainly attributable to an increase of ¥14,090 million in property and equipment, a ¥2,321 million decrease in intangible fixed assets and a ¥5,081 million decrease in investments and other assets.

As a result, total assets amounted to ¥284,367 million as of March 31, 2017, an increase of ¥18,301 million compared with the end of the previous fiscal year.

### (b) Liabilities

Current liabilities as of March 31, 2017 stood at ¥71,289 million, up ¥10,063 million compared with the previous fiscal year-end. This was mainly attributable to an increase of ¥6,386 million in accounts payable – trade and a ¥4,001 million increase in deposits received in other current assets. As of March 31, 2017, long-term liabilities amounted to ¥10,134 million, ¥1,837 million higher compared with the end of the previous fiscal year. This was mainly attributable to a ¥897 million increase in deferred income taxes and a ¥628 million increase in net defined benefit liability.

As a result, total liabilities amounted to ¥81,423 million, an increase of ¥11,901 million compared with the end of the previous fiscal year.

### (c) Net assets

Net assets stood at ¥202,943 million as of March 31, 2017, an increase of ¥6,400 million compared with the end of the previous fiscal year. This was mainly due to a ¥9,347 million increase in retained earnings after accounting for the current fiscal year's net income and 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 70.9%, down from 73.4% as of March 31, 2016.

## (3) Cash Flow

Cash and cash equivalents stood at ¥20,879 million at the end of the fiscal year, a decrease of ¥7,938 million, or 27.5%, 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, 2017 are presented as follows.

### (a) Cash flows from operating activities

Net cash provided by operating activities stood at ¥12,545 million compared with net cash provided by operating activities of ¥13,089 million for the previous fiscal year. The major cash inflows were income before income taxes and other adjustments to net income of ¥22,807 million and depreciation and amortization of ¥5,723 million. Major cash outflows for the fiscal year ended March 31, 2017 included income taxes paid of ¥8,351 million and receivables – trade of ¥7,694 million.

### (b) Cash flows from investing activities

Net cash used in investing activities totaled ¥9,940 million for the fiscal year under review compared with net cash of ¥7,303 million used in investing activities in the previous fiscal year. The major components were acquisitions of property and equipment of ¥8,864 million and acquisitions of intangible fixed assets of ¥1,171 million.

### (c) Cash flows from financing activities

Net cash used in financing activities was ¥12,178 million for the fiscal year ended March 31, 2017, compared with ¥11,307 million used in financing activities in the previous fiscal year. Acquisition of treasury stock amounted to ¥8,022 million, while cash dividends totaled ¥4,435 million.

#### (4) Outlook for fiscal year ending March 31, 2018

In the consolidated earnings forecasts for the COMSYS Group for the year ending March 31, 2018, despite the trend of an increase in public and private-sector demand for social infrastructure investment focused on Japan's Building National Resilience strategy, environmental and energy projects, and the Tokyo Olympic and Paralympic Games, orders received are expected to fall due to the impact from the completion of large-scale projects in the NTT Business and anticipated orders already received and recorded. Sales are forecast to rise due 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 reform initiated to date, as well as efforts to increase construction efficiency and effect cost reductions, profit is expected to rise.

#### Consolidated Earnings Forecast

(Millions of yen, except percentages)

	Year ended March 31, 2017	Year ending March 31, 2018	Change
Orders received	¥370,198	¥360,000	(2.8)%
Net sales	334,163	350,000	4.7
Gross profits	45,723	47,500	3.9
Operating income	25,036	27,000	7.8
Recurring profit	25,341	27,500	8.5
Net income attributable to owners of parent	14,485	18,500	27.7

## 2. 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.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2016	As of March 31, 2017
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	28,930	20,961
Notes and accounts receivable—trade	102,559	114,322
Lease investment assets	2,662	2,572
Accumulated cost of construction in progress	15,261	19,617
Merchandise	112	77
Materials and supplies	390	518
Deferred income taxes	3,152	3,587
Other current assets	2,533	5,543
Less: Allowance for doubtful receivables	(51)	(34)
<b>Total current assets</b>	<b>155,551</b>	<b>167,166</b>
<b>Fixed assets:</b>		
<b>Property and equipment:</b>		
Buildings and structures	54,120	56,994
Less: Accumulated depreciation	(26,217)	(28,052)
<b>Buildings and structures, net</b>	<b>27,902</b>	<b>28,942</b>
Machinery, vehicles and equipment	18,636	30,355
Less: Accumulated depreciation	(14,034)	(16,934)
<b>Machinery, vehicles and equipment, net</b>	<b>4,601</b>	<b>13,420</b>
Land	39,265	40,186
Lease assets	565	523
Less: Accumulated depreciation	(224)	(270)
<b>Lease assets, net</b>	<b>341</b>	<b>253</b>
Construction in progress	767	4,166
<b>Total property and equipment</b>	<b>72,878</b>	<b>86,968</b>
<b>Intangible assets</b>		
Goodwill	2,935	666
Other intangible assets	4,055	4,002
<b>Total intangible assets</b>	<b>6,990</b>	<b>4,669</b>
<b>Investments and other assets:</b>		
Investment securities	10,460	11,154
Long-term loans receivable	8,033	1,067
Deferred income taxes	319	333
Net defined benefit asset	9,094	10,082
Other assets	4,758	4,510
Less: Allowance for doubtful receivables	(2,020)	(1,585)
<b>Total investments and other assets</b>	<b>30,645</b>	<b>25,563</b>
<b>Total fixed assets</b>	<b>110,514</b>	<b>117,201</b>
<b>Total assets</b>	<b>266,066</b>	<b>284,367</b>

	Millions of yen	
	As of March 31, 2016	As of March 31, 2017
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable—trade	49,191	55,577
Short-term bank loans	114	113
Income taxes payable	3,296	2,088
Advances received on construction in progress	710	1,291
Allowance for warranty work on construction projects	202	206
Allowance for losses on construction contracts	—	297
Other current liabilities	7,711	11,712
<b>Total current liabilities</b>	<b>61,225</b>	<b>71,289</b>
<b>Long-term liabilities:</b>		
Deferred income taxes	2,186	3,084
Deferred tax liabilities for unrealized gains on land revaluation	1,428	1,369
Net defined benefit liability	3,726	4,355
Allowance for directors' retirement benefits	219	257
Other long-term liabilities	735	1,068
<b>Total long-term liabilities</b>	<b>8,296</b>	<b>10,134</b>
<b>Total liabilities</b>	<b>69,522</b>	<b>81,423</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Common stock	10,000	10,000
Additional paid-in capital	51,264	52,525
Retained earnings	176,847	186,195
Treasury stock, at cost	(36,008)	(41,028)
<b>Total shareholders' equity</b>	<b>202,104</b>	<b>207,692</b>
<b>Accumulated other comprehensive income:</b>		
Unrealized gain on other securities	2,350	2,666
Revaluation reserve for land	(7,856)	(7,990)
Remeasurements of defined benefit plans	(1,219)	(650)
<b>Total accumulated other comprehensive income</b>	<b>(6,724)</b>	<b>(5,974)</b>
<b>Subscription rights to shares</b>	<b>542</b>	<b>578</b>
<b>Non-controlling interests</b>	<b>621</b>	<b>647</b>
<b>Total net assets</b>	<b>196,543</b>	<b>202,943</b>
<b>Total liabilities and net assets</b>	<b>266,066</b>	<b>284,367</b>

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

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2017
Net sales	320,654	334,163
Cost of sales	277,264	288,440
<b>Gross profits</b>	<b>43,389</b>	<b>45,723</b>
<b>Selling, general and administrative expenses</b>	<b>19,540</b>	<b>20,686</b>
<b>Operating income</b>	<b>23,849</b>	<b>25,036</b>
<b>Other income:</b>		
Interest income	62	15
Dividend income	168	179
Reversal of allowance for doubtful receivables	165	16
Rent income on noncurrent assets	93	91
Foreign exchange gains	—	13
Other	172	134
<b>Total other income</b>	<b>662</b>	<b>451</b>
<b>Other expenses:</b>		
Interest expenses	9	8
Foreign exchange losses	145	—
Commission for purchase of treasury stock	23	21
Depreciation of idle assets	25	35
Rent expenses	39	63
Other	45	18
<b>Total other expenses</b>	<b>289</b>	<b>147</b>
<b>Recurring profit</b>	<b>24,223</b>	<b>25,341</b>
<b>Extraordinary income:</b>		
Gain on sales of fixed assets	72	24
Gain on sale of investment securities	237	161
Reversal of allowance for doubtful receivables	—	328
Gain on exchange from business combination	—	84
Gain on negative goodwill	386	—
Other	13	49
<b>Total extraordinary income</b>	<b>709</b>	<b>649</b>
<b>Extraordinary loss:</b>		
Loss on disposal of fixed assets	98	114
Loss on impairment of fixed assets	470	391
Amortization of goodwill	—	2,273
Special payments on employees' retirement benefits	162	163
Other	162	239
<b>Total extraordinary loss</b>	<b>893</b>	<b>3,183</b>
<b>Income before income taxes and other adjustments to net income</b>	<b>24,040</b>	<b>22,807</b>
<b>Income taxes:</b>		
Current	7,417	8,958
Deferred	1,170	(663)
<b>Total income taxes</b>	<b>8,588</b>	<b>8,295</b>
<b>Net income</b>	<b>15,451</b>	<b>14,512</b>
<b>Net income attributable to non-controlling interests</b>	<b>30</b>	<b>26</b>
<b>Net income attributable to owners of parent</b>	<b>15,420</b>	<b>14,485</b>



**(Consolidated Statements of Comprehensive Income)**

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2017
<b>Net income</b>	15,451	14,512
<b>Other comprehensive income:</b>		
Unrealized gain (loss) on other securities	(292)	318
Revaluation reserve for land	80	—
Remeasurements of defined benefit plans	(2,693)	568
Total other comprehensive income	(2,905)	886
<b>Comprehensive income</b>	12,546	15,399
(Breakdown)		
Comprehensive income attributable to owners of the parent	12,522	15,369
Comprehensive income attributable to non-controlling interests	23	29

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

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
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)
Increase by share exchanges					—
Reversal of revaluation reserve for land					—
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	Revaluation reserve for land	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
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)
Increase by share exchanges							—
Reversal of revaluation reserve for land							—
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

Year ended March 31, 2017	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	51,264	176,847	(36,008)	202,104
Changes during the period					
Cash dividends			(4,435)		(4,435)
Net income attributable to owners of parent			14,485		14,485
Repurchase of treasury stock				(8,000)	(8,000)
Disposal of treasury stock		99		442	541
Retirement of treasury stock					—
Purchase of treasury stock of subsidiaries					—
Changes of scope of consolidation			(837)		(837)
Increase by share exchanges		1,161		2,538	3,700
Reversal of revaluation reserve for land			134		134
Net changes during the period except for shareholders' equity					—
Total changes during the period	—	1,260	9,347	(5,019)	5,588
Balance at the end of the period	10,000	52,525	186,195	(41,028)	207,692

Year ended March 31, 2017	Millions of yen						
	Accumulated other comprehensive income						
	Unrealized gain (loss) on other securities	Revaluation reserve for land	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	2,350	(7,856)	(1,219)	(6,724)	542	621	196,543
Changes during the period							
Cash dividends							(4,435)
Net income attributable to owners of parent							14,485
Repurchase of treasury stock							(8,000)
Disposal of treasury stock							541
Retirement of treasury stock							—
Purchase of treasury stock of subsidiaries							—
Changes of scope of consolidation							(837)
Increase by share exchanges							3,700
Reversal of revaluation reserve for land		(134)		(134)			—
Net changes during the period except for shareholders' equity	315		568	884	35	26	946
Total changes during the period	315	(134)	568	749	35	26	6,400
Balance at the end of the period	2,666	(7,990)	(650)	(5,974)	578	647	202,943

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

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2017
<b>Cash flows from operating activities:</b>		
Income before income taxes and other adjustments to net income	24,040	22,807
Depreciation and amortization	5,009	5,723
Loss on impairment of fixed assets	470	391
Gain on negative goodwill	(386)	—
Amortization of goodwill	594	3,017
Decrease in allowance for doubtful receivables	(236)	(453)
Increase (decrease) in net defined benefit liability	(264)	24
Interest and dividends received	(230)	(195)
Interest expenses	9	7
Increase in receivables—trade	(8,377)	(7,694)
Decrease (increase) in inventories	653	(4,257)
Increase in payables—trade	2,955	801
Gain on sale of investment securities	(177)	(161)
Increase in other assets	(998)	(282)
Increase (decrease) in other liabilities	(2,506)	811
Other, net	146	168
	20,701	20,709
Cash and cash equivalents received on interest and dividends income	227	194
Cash and cash equivalents paid for interest expenses	(9)	(7)
Cash and cash equivalents paid for income taxes	(7,829)	(8,351)
Net cash provided by operating activities	13,089	12,545
<b>Cash flows from investing activities:</b>		
Decrease in time deposits, net	59	30
Payment for purchases of investment securities	(206)	(151)
Proceeds from sale of investment securities	1,156	242
Proceeds from redemption of investment securities	100	—
Proceeds from purchase of stocks of subsidiaries resulting in change in scope of consolidation	216	—
Purchase of investments in subsidiaries	(70)	(241)
Acquisitions of property and equipment	(4,639)	(8,864)
Acquisitions of intangible fixed assets	(1,664)	(1,171)
Proceeds from sale of property and equipment	863	101
Payments of loans receivable	(3,695)	(38)
Collection of loans receivable	511	151
Purchase of insurance funds	(16)	(96)
Proceeds from cancellation of insurance funds	235	258
Other, net	(152)	(160)
Net cash used in investing activities	(7,303)	(9,940)

	Millions of yen	
	Year ended March 31, 2016	Year ended March 31, 2017
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings, net	(8)	56
Repayment of long-term debt	(16)	(9)
Acquisitions of treasury stock	(8,025)	(8,022)
Proceeds from sale of treasury stock	234	329
Purchase of treasury stock of subsidiaries	(7)	—
Cash dividends paid	(3,402)	(4,435)
Cash dividends paid to non-controlling interests	(3)	(2)
Repayments of finance lease obligations	(78)	(94)
Net cash used in financing activities	(11,307)	(12,178)
Effect of exchange rate changes on cash and cash equivalents	(0)	(0)
Net decrease in cash and cash equivalents	(5,521)	(9,573)
Cash and cash equivalents at beginning of year	33,435	28,818
Increase in cash and cash equivalents resulting from change of scope of consolidation	883	282
Increase in cash and cash equivalents resulting from merger	21	96
Increase in cash and cash equivalents resulting from share exchange	—	1,255
Cash and cash equivalents at end of year	28,818	20,879

## (Significant Subsequent Event)

### *(Acquisition of Treasury Stock)*

The meeting of the Board of Directors held on May 9, 2017 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 of Treasury Stock	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) Type of Shares to be Acquired	Shares of common stock of the Company
(3) Total Number of Shares to be Acquired	Up to 2,750,000 shares
(4) Total Acquisition Price	Up to ¥5,000,000,000
(5) Acquisition Period	From May 10, 2017 to March 31, 2018

## (Other)

### *(Creation of Wholly Owned Subsidiary through Share Exchange)*

The meeting of the Board of Directors held on March 23, 2017 resolved to implement a share exchange through which the Company will become the sole parent company of Kando Co., Ltd. ("Kando") and Kando will become a wholly owned subsidiary of the Company and concluded the share exchange agreement effective as of the same date. The share exchange will be implemented with an effective date of July 1, 2017, and a transfer of shares to Nippon COMSYS Co., Ltd., a wholly owned subsidiary of the Company, is planned for the same date.

### *(1) Overview of Business Acquisition*

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

Kando Co., Ltd. (gas piping facilities and water supply sanitation, air conditioning, construction of air heating and cooling systems, electrical and telecommunications construction, civil engineering, landscaping, waterproofing, installation of machinery and equipment, sewerage and construction work, etc.)

The total assets and net sales of the Kando Group are as follows.

Total Assets: ¥22,805 million (FY March 2016)

Net Sales: ¥35,819 million (FY March 2016)

#### 2) Main Reason for Business Acquisition

Kando is engaged in a wide variety of businesses ranging from conduit construction to urban facilities projects. In particular, the company has built extensive experience and credentials in gas infrastructure construction, and it has earned a great deal of customer trust with its advanced construction capabilities.

As a result of the share exchange, both groups will be able to complement the technical capabilities of each other and maximize synergies in the operation of wide-ranging businesses leveraging the strengths of the COMSYS Group and the Kando Group. Through this combination, the Company is committed to further enhancing its corporate value and to strongly promoting a growth strategy as one group in a stable, ongoing manner. Specifically, the Company will pursue the expansion of the infrastructure facility construction service lineup, including gas, communications, electricity, water supply and sewerage, and streamline operations through the exchange of human resources and the sharing and utilization of construction, safety, and quality management know-how and IT platforms.

3) Planned Date of Business Acquisition	July 1, 2017
4) Legal Form of Business Acquisition	Share exchange
5) Company Name after Acquisition	Kando Co., Ltd.
6) Percentage of Voting Rights to be Acquired	100%
7) Main Grounds for Determining the Company to Acquire	
The Company will acquire 100% of voting rights through the share exchange, making Kando into a wholly owned subsidiary.	

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

1) Exchange Ratio by Type of Shares

6.19 shares of common stock of the Company will be allotted and delivered for one share of Kondo's common stock.

2) Method of Calculating Share Exchange Ratio

In the calculation of the share exchange ratio to be used in the share exchange, the Company requested GCA LLC ("GCA"), an independent third-party institution, to calculate the share exchange ratio in order to ensure fairness and appropriateness and conducted review, negotiation, and consultation taking the results of the calculations by GCA into consideration to determine the actual share exchange ratio.

3) Number of Shares to be Delivered 7,923,200 shares

*Note: Matters yet to be finalized are omitted.*

## 4. Other

### (1) Transition to a Company with an Audit and Supervisory Committee

The Company plans to transition to a company with an Audit and Supervisory Committee conditional upon the approval at the 14th Annual General Meeting of Shareholders to be held on June 29, 2017. Please refer to “COMSYS Holdings Announces Transition to a Company with an Audit and Supervisory Committee and Partial Amendment of the Articles of Incorporation” published on May 9, 2017 for the details.

### (2) Change of Directors (scheduled for June 29, 2017)

#### (1) Changes in Representatives

Hajime Takashima, Corporate Advisor	(Currently President and Representative Director)
Takashi Kagaya, President and Representative Director	(Currently Representative Director)

#### (2) Changes in Other Officers

##### 1) Candidates for Appointment as New Directors

Akihiko Aoyama, Director	(Currently President and Representative Director of COMSYS JOHO SYSTEM Corporation)
Norio Suda, Director	(Currently General Manager of Personnel Department, Director of Nippon COMSYS Corporation)

##### 2) Candidates for Appointment as New Directors (Audit and Supervisory Committee Members)

Tsuyoshi Nishiyama, Director (Audit and Supervisory Committee Member)	(Currently Director)
Koichiro Kamiwaki, Director (Audit and Supervisory Committee Member)	(Currently Audit & Supervisory Board Member)
Kenichi Narumiya, Outside Director (Audit and Supervisory Committee Member)	(Currently Outside Audit & Supervisory Board Member)
Masahiko Miyashita, Outside Director (Audit and Supervisory Committee Member)	(Currently Outside Audit & Supervisory Board Member)
Takaharu Saegusa, Outside Director (Audit and Supervisory Committee Member)	(Currently Outside Audit & Supervisory Board Member)
Kazuyoshi Onohara, Outside Director (Audit and Supervisory Committee Member)	(Currently Outside Audit & Supervisory Board Member)

##### 3) Retiring Directors

Hajime Takashima, President and Representative Director	(scheduled to be appointed as Corporate Advisor)
Tsuyoshi Nishiyama, Director	(scheduled to be appointed as Director [Audit and Supervisory Committee member])
Kenichi Narumiya, Outside Director	(scheduled to be appointed as Outside Director [Audit and Supervisory Committee member])
Masahiko Miyashita, Outside Director	(scheduled to be appointed as Outside Director [Audit and Supervisory Committee member])

##### 4) Retiring Audit & Supervisory Board Members

Hiroshi Komori, Standing Audit & Supervisory Board Member	(scheduled to be appointed as Director [Audit and Supervisory Committee member])
Koichiro Kamiwaki, Audit & Supervisory Board Member	(scheduled to be appointed as Director [Audit and Supervisory Committee member])
Takaharu Saegusa, Outside Audit & Supervisory Board Member	(scheduled to be appointed as Outside Director [Audit and Supervisory Committee member])
Kazuyoshi Onohara, Outside Audit & Supervisory Board Member	(scheduled to be appointed as Outside Director [Audit and Supervisory Committee member])