

Translation

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Summary of Consolidated Financial Results for the Six Months Ended March 31, 2019 (Based on Japanese GAAP)

May 10, 2019

Company name: PCI Holdings, Inc.
 Stock exchange listing: Tokyo
 Stock code: 3918 URL <https://www.pci-h.co.jp/>
 Representative: President Naomichi Haraguchi
 Inquiries: Director and General Manager of Corporate Planning Headquarters Naohiro Iguchi TEL 03-6858-0530
 Scheduled date to file Quarterly Securities Report: May 14, 2019
 Scheduled date to commence dividend payments: June 11, 2019
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended March 31, 2019 (from October 1, 2018 to March 31, 2019)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended March 31, 2019	8,112	11.0	387	(21.8)	390	(24.5)	191	(33.7)
Six months ended March 31, 2018	7,308	34.8	494	13.0	516	17.2	288	0.4

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended March 31, 2019	45.73		-	
Six months ended March 31, 2018	71.01		70.71	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	9,367	4,823	50.4	1,147.90
As of September 30, 2018	9,249	5,162	54.8	1,204.60

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended September 30, 2018	-	0.00	-	55.00	55.00
Year ending September 30, 2019	-	30.00	-	-	-
Year ending September 30, 2019 (Forecast)	-	-	-	30.00	60.00

3. Forecast of consolidated financial results for the year ending September 30, 2019 (from October 1, 2018 to September 30, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	16,000	10.4	800	9.8	816	5.8	540	15.0	130.27

4. Notes

- (1) Changes in significant subsidiaries during the six months ended March 31, 2019
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2019	4,261,200 shares	As of September 30, 2018	4,256,600 shares
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Number of treasury shares at the end of the period

As of March 31, 2019	148,576 shares	As of September 30, 2018	47,876 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended March 31, 2019	4,177,793 shares	Six months ended March 31, 2018	4,056,137 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of September 30, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	2,023,991	1,509,648
Notes and accounts receivable - trade	3,127,588	3,592,061
Electronically recorded monetary claims - operating	251,007	347,917
Inventories	127,782	144,475
Other	317,948	351,906
Total current assets	5,848,318	5,946,008
Non-current assets		
Property, plant and equipment	317,073	325,036
Intangible assets		
Goodwill	1,189,633	1,136,583
Other	247,020	362,392
Total intangible assets	1,436,653	1,498,975
Investments and other assets	1,645,229	1,595,957
Total non-current assets	3,398,956	3,419,970
Deferred assets	1,861	1,242
Total assets	9,249,136	9,367,221
Liabilities		
Current liabilities		
Accounts payable - trade	859,115	992,405
Short-term loans payable	–	680,000
Current portion of bonds	237,500	237,500
Current portion of long-term loans payable	95,436	95,436
Accounts payable - other	837,024	353,580
Income taxes payable	26,501	130,275
Provision for bonuses	179,980	384,470
Provision for directors' bonuses	3,000	7,375
Provision for loss on order received	289	9,706
Asset retirement obligations	1,610	–
Other	677,328	665,653
Total current liabilities	2,917,785	3,556,402
Non-current liabilities		
Bonds payable	343,750	225,000
Long-term loans payable	214,380	167,166
Provision for directors' retirement benefits	362,495	–
Net defined benefit liability	140,100	136,177
Asset retirement obligations	76,420	76,623
Other	31,297	381,984
Total non-current liabilities	1,168,442	986,951
Total liabilities	4,086,228	4,543,354

(Thousands of yen)

	As of September 30, 2018	As of March 31, 2019
Net assets		
Shareholders' equity		
Capital stock	1,045,165	1,046,232
Capital surplus	2,650,685	2,650,082
Retained earnings	1,487,264	1,446,854
Treasury shares	(150,930)	(386,410)
Total shareholders' equity	5,032,185	4,756,759
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,636	(35,885)
Total accumulated other comprehensive income	37,636	(35,885)
Non-controlling interests	93,086	102,993
Total net assets	5,162,908	4,823,867
Total liabilities and net assets	9,249,136	9,367,221

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended March 31, 2018	Six months ended March 31, 2019
Net sales	7,308,763	8,112,495
Cost of sales	5,292,455	6,085,601
Gross profit	2,016,308	2,026,893
Selling, general and administrative expenses	1,521,604	1,639,844
Operating profit	494,703	387,048
Non-operating income		
Interest and dividend income	11,643	6,553
Subsidy income	15,852	5,808
Other	2,905	2,894
Total non-operating income	30,400	15,256
Non-operating expenses		
Interest expenses	6,126	5,891
Commission fee	1,528	1,759
Loss on investments in partnership	–	3,785
Other	844	624
Total non-operating expenses	8,499	12,060
Ordinary profit	516,605	390,244
Extraordinary income		
Gain on donation of non-current assets	–	1,000
Gain on sales of shares of subsidiaries and associates	99,835	–
Other	0	19
Total extraordinary income	99,836	1,019
Extraordinary losses		
Loss on retirement of non-current assets	1,572	1,233
Loss on valuation of investment securities	136,647	49,999
Head office transfer cost	15,922	–
Other	1,540	–
Total extraordinary losses	155,681	51,233
Profit before income taxes	460,759	340,031
Income taxes - current	211,028	194,460
Income taxes - deferred	(38,297)	(55,406)
Total income taxes	172,730	139,054
Profit	288,029	200,976
Profit attributable to non-controlling interests	–	9,906
Profit attributable to owners of parent	288,029	191,069

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended March 31, 2018	Six months ended March 31, 2019
Profit	288,029	200,976
Other comprehensive income		
Valuation difference on available-for-sale securities	5,070	(73,521)
Total other comprehensive income	5,070	(73,521)
Comprehensive income	293,099	127,454
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	293,099	117,547
Comprehensive income attributable to non-controlling interests	—	9,906

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended March 31, 2018	Six months ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	460,759	340,031
Depreciation	72,551	52,302
Amortization of goodwill	28,093	53,049
Increase (decrease) in allowance for doubtful accounts	(49)	(258)
Increase (decrease) in provision for loss on order received	263	9,416
Increase (decrease) in provision for bonuses	265,411	204,489
Increase (decrease) in provision for directors' bonuses	(1,955)	4,375
Increase (decrease) in provision for directors' retirement benefits	(12,500)	(362,495)
Loss (gain) on sales of shares of subsidiaries and associates	(99,835)	–
Gain on donation of non-current assets	–	(1,000)
Loss on retirement of non-current assets	1,572	1,233
Loss (gain) on valuation of investment securities	136,647	49,999
Loss (gain) on investments in partnership	–	3,785
Interest and dividend income	(11,643)	(6,553)
Subsidy income	(15,852)	(5,808)
Interest expenses	6,126	5,891
Commission fee	1,528	1,759
Decrease (increase) in notes and accounts receivable - trade	(458,796)	(561,383)
Decrease (increase) in inventories	17,686	(16,692)
Increase (decrease) in notes and accounts payable - trade	203,310	133,290
Increase (decrease) in accounts payable - other	(401,838)	(494,174)
Increase (decrease) in long-term accounts payable - other	(7,464)	366,592
Other, net	384	(32,495)
Subtotal	184,401	(254,645)
Interest and dividend income received	11,644	6,017
Interest expenses paid	(5,430)	(4,179)
Proceeds from subsidy income	15,852	5,808
Income taxes paid	(267,035)	(117,469)
Income taxes refund	25,390	21,303
Net cash provided by (used in) operating activities	(35,178)	(343,164)
Cash flows from investing activities		
Purchase of property, plant and equipment	(95,125)	(22,483)
Purchase of intangible assets	(17,344)	(142,701)
Payments for asset retirement obligations	–	(2,595)
Purchase of investment securities	(25,500)	(30,129)
Proceeds from sales of investment securities	20,240	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	3,118	–
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	93,752	–
Payments for lease and guarantee deposits	(239,780)	(7,845)
Proceeds from collection of lease and guarantee deposits	8,791	2,507
Purchase of insurance funds	(6,098)	(7,328)
Net decrease (increase) in time deposits	66,832	50,561
Other, net	(2,768)	(1,930)
Net cash provided by (used in) investing activities	(193,882)	(161,945)

(Thousands of yen)

	Six months ended March 31, 2018	Six months ended March 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(65,000)	680,000
Proceeds from long-term loans payable	347,000	–
Repayments of long-term loans payable	(131,948)	(47,214)
Proceeds from issuance of bonds	350,000	–
Redemption of bonds	(60,000)	(118,750)
Proceeds from issuance of common shares	278	2,134
Purchase of treasury shares	(149,949)	(249,783)
Cash dividends paid	(188,122)	(230,743)
Other, net	(7,149)	(2,794)
Net cash provided by (used in) financing activities	95,108	32,848
Effect of exchange rate change on cash and cash equivalents	(11)	(20)
Net increase (decrease) in cash and cash equivalents	(133,964)	(472,282)
Cash and cash equivalents at beginning of period	1,853,504	1,969,890
Increase of cash and cash equivalents for stock exchange	605,743	–
Cash and cash equivalents at end of period	2,325,283	1,497,608