

Translation

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**Summary of Consolidated Financial Results
for the Year Ended September 30, 2019
(Based on Japanese GAAP)**

November 13, 2019

Company name: PCI Holdings, Inc.
 Stock exchange listing: Tokyo
 Stock code: 3918 URL <https://www.pci-h.co.jp/>
 Representative: President Naomichi Haraguchi
 Director and General Manager of Corporate Planning Headquarters Naohiro Iguchi TEL 03-6858-0530
 Inquiries: Naohiro Iguchi
 Scheduled date of ordinary general meeting of shareholders: December 20, 2019
 Scheduled date to file Securities Report: December 23, 2019
 Scheduled date to commence dividend payments: December 23, 2019
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended September 30, 2019 (from October 1, 2018 to September 30, 2019)

(1) Consolidated operating results

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	%
Year ended September 30, 2019	16,540	14.1	822	12.8	843	9.4	459	(2.1)
Year ended September 30, 2018	14,493	27.2	728	1.6	771	6.2	469	4.2

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended September 30, 2019	110.94	–	9.3	8.2	5.0
Year ended September 30, 2018	113.74	113.28	11.0	9.8	5.0

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2019	11,315	5,033	43.0	1,183.05
As of September 30, 2018	9,249	5,162	54.8	1,204.60

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended September 30, 2019	334	(442)	1,324	3,186
Year ended September 30, 2018	525	(779)	(235)	1,969

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended September 30, 2018	–	0.00	–	55.00	55.00	231	48.4	5.2
Year ended September 30, 2019	–	30.00	–	30.00	60.00	246	54.1	5.0
Year ending September 30, 2020 (Forecast)	–	30.00	–	32.00	62.00		50.0	

3. Forecast of consolidated financial results for the year ending September 30, 2020 (from October 1, 2019 to September 30, 2020)

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
Six months ending March 31, 2020	8,593	5.9	452	16.8	461	18.1	237	24.0	57.63
Full year	17,400	5.2	880	7.0	900	6.7	510	10.9	124.01

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2019

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

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

As of September 30, 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 September 30, 2019	148,576 shares	As of September 30, 2018	47,876 shares
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Average number of shares during the period

Year ended September 30, 2019	4,145,119 shares	Year ended September 30, 2018	4,130,025 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of September 30, 2018	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	2,023,991	3,198,761
Notes and accounts receivable - trade	3,127,588	3,529,860
Electronically recorded monetary claims - operating	251,007	486,892
Inventories	127,782	164,744
Other	317,948	371,259
Total current assets	5,848,318	7,751,518
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings, net	157,344	156,768
Other, net	159,729	144,099
Total property, plant and equipment	317,073	300,868
Intangible assets		
Goodwill	1,189,633	1,084,292
Other	247,020	353,065
Total intangible assets	1,436,653	1,437,358
Investments and other assets		
Investment securities	916,857	1,063,066
Deferred tax assets	185,988	227,012
Retirement benefit asset	7,300	9,593
Other	536,012	526,102
Allowance for doubtful accounts	(929)	(808)
Total investments and other assets	1,645,229	1,824,967
Total non-current assets	3,398,956	3,563,194
Deferred assets		
Deferred organization expenses	366	288
Bond issuance cost	1,494	478
Total deferred assets	1,861	766
Total assets	9,249,136	11,315,479

(Thousands of yen)

	As of September 30, 2018	As of September 30, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	859,115	980,410
Current portion of bonds	237,500	237,500
Current portion of long-term loans payable	95,436	574,428
Accounts payable - other	837,024	618,844
Income taxes payable	26,501	58,118
Accrued consumption taxes	123,790	158,927
Provision for bonuses	179,980	273,176
Provision for bonuses for directors (and other officers)	3,000	22,973
Provision for loss on order received	289	5,433
Provision for after cost	–	6,100
Asset retirement obligations	1,610	937
Other	553,538	625,425
Total current liabilities	2,917,785	3,562,275
Non-current liabilities		
Bonds payable	343,750	106,250
Long-term loans payable	214,380	1,903,286
Provision for retirement benefits for directors (and other officers)	362,495	47,328
Retirement benefit liability	140,100	180,348
Asset retirement obligations	76,420	81,756
Other	31,297	400,332
Total non-current liabilities	1,168,442	2,719,301
Total liabilities	4,086,228	6,281,577
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	1,592,272
Treasury shares	(150,930)	(386,410)
Total shareholders' equity	5,032,185	4,902,177
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,636	(36,742)
Total accumulated other comprehensive income	37,636	(36,742)
Non-controlling interests	93,086	168,466
Total net assets	5,162,908	5,033,901
Total liabilities and net assets	9,249,136	11,315,479

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Net sales	14,493,591	16,540,922
Cost of sales	10,546,932	12,191,129
Gross profit	3,946,658	4,349,792
Selling, general and administrative expenses	3,217,855	3,527,714
Operating profit	728,802	822,078
Non-operating income		
Interest and dividend income	12,349	15,005
Subsidy income	39,197	19,052
Other	7,361	7,607
Total non-operating income	58,908	41,665
Non-operating expenses		
Interest expenses	12,658	13,429
Commission expenses	2,201	2,181
Loss on investments in partnership	–	3,686
Other	1,662	1,099
Total non-operating expenses	16,521	20,397
Ordinary profit	771,189	843,346
Extraordinary income		
Gain on sales of non-current assets	0	6,519
Gain on donation of non-current assets	–	1,000
Gain on sales of investment securities	19,799	2,162
Gain on bargain purchase	–	24,228
Gain on sales of shares of subsidiaries and associates	99,835	–
Insurance income	–	17,849
Total extraordinary income	119,636	51,760
Extraordinary losses		
Loss on retirement of non-current assets	1,572	1,407
Loss on valuation of investment securities	136,647	63,352
Head office transfer cost	18,910	–
Retirement benefits for directors (and other officers)	–	20,000
Other	1,540	4,652
Total extraordinary losses	158,669	89,412
Profit before income taxes	732,155	805,695
Income taxes - current	220,462	330,720
Income taxes - deferred	42,173	(22,695)
Total income taxes	262,636	308,024
Profit	469,519	497,670
Profit (loss) attributable to non-controlling interests	(230)	37,803
Profit attributable to owners of parent	469,750	459,866

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Profit	469,519	497,670
Other comprehensive income		
Valuation difference on available-for-sale securities	34,628	(74,378)
Total other comprehensive income	34,628	(74,378)
Comprehensive income	504,147	423,292
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	504,378	385,488
Comprehensive income attributable to non-controlling interests	(230)	37,803

Consolidated statements of changes in equity

Fiscal year ended September 30, 2018

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,043,541	1,181,881	1,206,521	(980)	3,430,963
Changes of items during period					
Issuance of new shares	1,624	1,624			3,248
Changes by share exchange		1,467,180			1,467,180
Dividends of surplus			(189,007)		(189,007)
Profit attributable to owners of parent			469,750		469,750
Purchase of treasury shares				(149,949)	(149,949)
Net changes of items other than shareholders' equity					
Total changes of items during period	1,624	1,468,804	280,743	(149,949)	1,601,221
Balance at end of current period	1,045,165	2,650,685	1,487,264	(150,930)	5,032,185

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	3,008	3,008	–	3,433,972
Changes of items during period				
Issuance of new shares				3,248
Changes by share exchange				1,467,180
Dividends of surplus				(189,007)
Profit attributable to owners of parent				469,750
Purchase of treasury shares				(149,949)
Net changes of items other than shareholders' equity	34,628	34,628	93,086	127,714
Total changes of items during period	34,628	34,628	93,086	1,728,935
Balance at end of current period	37,636	37,636	93,086	5,162,908

Fiscal year ended September 30, 2019

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,045,165	2,650,685	1,487,264	(150,930)	5,032,185
Changes of items during period					
Issuance of new shares	1,067	1,067			2,134
Dividends of surplus			(354,858)		(354,858)
Profit attributable to owners of parent			459,866		459,866
Purchase of treasury shares				(249,783)	(249,783)
Disposal of treasury shares		(1,670)		14,304	12,633
Net changes of items other than shareholders' equity					
Total changes of items during period	1,067	(603)	105,008	(235,479)	(130,007)
Balance at end of current period	1,046,232	2,650,082	1,592,272	(386,410)	4,902,177

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	37,636	37,636	93,086	5,162,908
Changes of items during period				
Issuance of new shares				2,134
Dividends of surplus				(354,858)
Profit attributable to owners of parent				459,866
Purchase of treasury shares				(249,783)
Disposal of treasury shares				12,633
Net changes of items other than shareholders' equity	(74,378)	(74,378)	75,380	1,001
Total changes of items during period	(74,378)	(74,378)	75,380	(129,006)
Balance at end of current period	(36,742)	(36,742)	168,466	5,033,901

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	732,155	805,695
Depreciation	128,458	109,011
Amortization of goodwill	88,405	105,340
Share-based compensation expenses	–	8,422
Increase (decrease) in allowance for doubtful accounts	(49)	(258)
Increase (decrease) in provision for bonuses	65,844	88,196
Increase (decrease) in provision for bonuses for directors (and other officers)	(7,600)	19,973
Increase (decrease) in provision for retirement benefits for directors (and other officers)	9,475	(361,865)
Loss (gain) on sales of investment securities	(19,799)	(2,162)
Loss (gain) on sales of shares of subsidiaries and associates	(99,835)	–
Loss (gain) on valuation of investment securities	136,647	63,352
Loss (gain) on investments in partnership	–	3,686
Insurance income	–	(17,849)
Gain on bargain purchase	–	(24,228)
Loss (gain) on sales of non-current assets	–	(6,519)
Gain on donation of non-current assets	–	(1,000)
Loss on retirement of non-current assets	1,572	1,407
Interest and dividend income	(12,349)	(15,005)
Subsidy income	(39,197)	(19,052)
Interest expenses	12,658	13,429
Commission expenses	2,201	2,181
Decrease (increase) in notes and accounts receivable - trade	(333,660)	(592,480)
Decrease (increase) in inventories	(18,255)	(5,068)
Increase (decrease) in notes and accounts payable - trade	88,673	110,395
Increase (decrease) in accounts payable - other	107,072	(226,378)
Increase (decrease) in long-term accounts payable - other	(20,371)	386,592
Increase (decrease) in advances received	47,040	65,508
Other, net	36,945	119,321
Subtotal	906,030	630,643
Interest and dividend income received	12,297	15,051
Interest expenses paid	(12,872)	(13,846)
Proceeds from subsidy income	39,197	19,052
Income taxes paid	(444,918)	(337,789)
Income taxes refund	25,474	21,449
Net cash provided by (used in) operating activities	525,209	334,560

(Thousands of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Cash flows from investing activities		
Net decrease (increase) in time deposits	60,827	47,559
Purchase of property, plant and equipment	(118,186)	(42,037)
Proceeds from sales of property, plant and equipment	–	6,520
Purchase of intangible assets	(170,090)	(153,527)
Purchase of investment securities	(474,706)	(315,769)
Proceeds from sales of investment securities	40,040	2,500
Payments for acquisition of businesses	(14,000)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(4,227)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	77,875	–
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	93,752	–
Payments of loans receivable	(34,500)	(4,202)
Collection of loans receivable	–	5,472
Payments for leasehold and guarantee deposits	(248,869)	(8,018)
Proceeds from cancellation of insurance funds	–	40,956
Other, net	8,490	(17,568)
Net cash provided by (used in) investing activities	(779,367)	(442,343)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(65,000)	–
Repayments of long-term loans payable	(346,156)	(232,102)
Proceeds from long-term loans payable	347,000	2,400,000
Redemption of bonds	(178,750)	(237,500)
Proceeds from issuance of bonds	350,000	–
Proceeds from issuance of common shares	3,248	2,134
Purchase of treasury shares	(149,949)	(249,783)
Cash dividends paid	(188,461)	(353,882)
Other, net	(7,144)	(4,207)
Net cash provided by (used in) financing activities	(235,214)	1,324,659
Effect of exchange rate change on cash and cash equivalents	14	(45)
Net increase (decrease) in cash and cash equivalents	(489,357)	1,216,830
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	1,969,890	3,186,721