

Translation

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Summary of Consolidated Financial Results for the Six Months Ended March 31, 2020 (Based on Japanese GAAP)

May 11, 2020

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, 2020
 Scheduled date to commence dividend payments: June 11, 2020
 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, 2020 (from October 1, 2019 to March 31, 2020)

(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, 2020	8,661	6.8	424	9.7	441	13.0	107	(43.7)
Six months ended March 31, 2019	8,112	11.0	387	(21.8)	390	(24.5)	191	(33.7)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended March 31, 2020	13.09		-	
Six months ended March 31, 2019	22.87		-	

(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, 2020	11,129	5,230	43.3	585.33
As of September 30, 2019	11,315	5,033	43.0	591.52

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, 2019	-	30.00	-	30.00	60.00
Year ending September 30, 2020	-	30.00	-	-	-
Year ending September 30, 2020 (Forecast)	-	-	-	16.00	-

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		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	17,400	5.2	880	7.0	900	6.7	355	(22.8)	43.13

4. Notes

- (1) Changes in significant subsidiaries during the six months ended March 31, 2020
 (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, 2020	8,522,400 shares	As of September 30, 2019	8,522,400 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	285,006 shares	As of September 30, 2019	297,152 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, 2020	8,225,804 shares	Six months ended March 31, 2019	8,355,586 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of September 30, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	3,198,761	3,730,237
Notes and accounts receivable - trade	3,529,860	3,159,132
Electronically recorded monetary claims - operating	486,892	313,169
Inventories	164,744	190,571
Other	371,259	365,339
Total current assets	<u>7,751,518</u>	<u>7,758,450</u>
Non-current assets		
Property, plant and equipment	300,868	289,680
Intangible assets		
Goodwill	1,084,292	1,032,001
Other	353,065	338,947
Total intangible assets	<u>1,437,358</u>	<u>1,370,949</u>
Investments and other assets	<u>1,824,967</u>	<u>1,710,188</u>
Total non-current assets	<u>3,563,194</u>	<u>3,370,817</u>
Deferred assets	766	428
Total assets	<u>11,315,479</u>	<u>11,129,696</u>
Liabilities		
Current liabilities		
Accounts payable - trade	980,410	989,243
Short-term borrowings	–	360,000
Current portion of bonds	237,500	225,000
Current portion of long-term borrowings	574,428	545,356
Accounts payable - other	618,844	238,221
Income taxes payable	58,118	159,197
Provision for bonuses	273,176	433,181
Provision for bonuses for directors (and other officers)	22,973	11,527
Provision for loss on order received	5,433	14,879
Provision for after cost	6,100	92
Asset retirement obligations	937	–
Other	784,353	691,357
Total current liabilities	<u>3,562,275</u>	<u>3,668,055</u>
Non-current liabilities		
Bonds payable	106,250	–
Long-term borrowings	1,903,286	1,545,144
Provision for retirement benefits for directors (and other officers)	47,328	48,588
Retirement benefit liability	180,348	176,674
Asset retirement obligations	81,756	81,955
Other	400,332	378,860
Total non-current liabilities	<u>2,719,301</u>	<u>2,231,222</u>
Total liabilities	<u>6,281,577</u>	<u>5,899,277</u>

(Thousands of yen)

	As of September 30, 2019	As of March 31, 2020
Net assets		
Shareholders' equity		
Share capital	1,046,232	1,046,232
Capital surplus	2,650,082	2,648,772
Retained earnings	1,592,272	1,576,543
Treasury shares	(386,410)	(370,604)
Total shareholders' equity	4,902,177	4,900,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(36,742)	(79,370)
Total accumulated other comprehensive income	(36,742)	(79,370)
Share acquisition rights	–	4,006
Non-controlling interests	168,466	404,838
Total net assets	5,033,901	5,230,418
Total liabilities and net assets	11,315,479	11,129,696

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, 2019	Six months ended March 31, 2020
Net sales	8,112,495	8,661,344
Cost of sales	6,085,601	6,354,753
Gross profit	2,026,893	2,306,590
Selling, general and administrative expenses	1,639,844	1,882,078
Operating profit	387,048	424,512
Non-operating income		
Interest and dividend income	6,553	11,853
Subsidy income	5,808	6,012
Other	2,894	10,390
Total non-operating income	15,256	28,256
Non-operating expenses		
Interest expenses	5,891	7,173
Commission expenses	1,759	421
Loss on investments in investment partnerships	3,785	3,691
Other	624	414
Total non-operating expenses	12,060	11,702
Ordinary profit	390,244	441,067
Extraordinary income		
Gain on sales of non-current assets	19	500
Gain on donation of non-current assets	1,000	–
Total extraordinary income	1,019	500
Extraordinary losses		
Loss on retirement of non-current assets	1,233	216
Loss on valuation of investment securities	49,999	199,610
Other	–	6,366
Total extraordinary losses	51,233	206,192
Profit before income taxes	340,031	235,374
Income taxes - current	194,460	212,998
Income taxes - deferred	(55,406)	(100,660)
Total income taxes	139,054	112,338
Profit	200,976	123,035
Profit attributable to non-controlling interests	9,906	15,386
Profit attributable to owners of parent	191,069	107,649

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended March 31, 2019	Six months ended March 31, 2020
Profit	200,976	123,035
Other comprehensive income		
Valuation difference on available-for-sale securities	(73,521)	(42,628)
Total other comprehensive income	(73,521)	(42,628)
Comprehensive income	127,454	80,407
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	117,547	65,020
Comprehensive income attributable to non-controlling interests	9,906	15,386

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended March 31, 2019	Six months ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	340,031	235,374
Depreciation	52,302	52,123
Amortization of goodwill	53,049	52,290
Increase (decrease) in allowance for doubtful accounts	(258)	(266)
Increase (decrease) in provision for loss on order received	9,416	9,445
Increase (decrease) in provision for bonuses	204,489	160,004
Increase (decrease) in provision for bonuses for directors (and other officers)	4,375	(11,446)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(362,495)	1,260
Gain on donation of non-current assets	(1,000)	–
Loss on retirement of non-current assets	1,233	216
Loss (gain) on valuation of investment securities	49,999	199,610
Loss (gain) on investments in investment partnerships	3,785	3,691
Interest and dividend income	(6,553)	(11,853)
Subsidy income	(5,808)	(6,012)
Interest expenses	5,891	7,173
Commission expenses	1,759	421
Decrease (increase) in trade receivables	(561,383)	544,450
Decrease (increase) in inventories	(16,692)	(25,826)
Increase (decrease) in trade payables	133,290	8,833
Increase (decrease) in accounts payable - other	(494,174)	(379,419)
Increase (decrease) in long-term accounts payable - other	366,592	(20,000)
Other, net	(32,495)	(80,965)
Subtotal	(254,645)	739,105
Interest and dividends received	6,017	11,516
Interest paid	(4,179)	(6,968)
Proceeds from subsidy income	5,808	6,012
Income taxes paid	(117,469)	(144,542)
Income taxes refund	21,303	38,289
Net cash provided by (used in) operating activities	(343,164)	643,411
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,483)	(17,284)
Purchase of intangible assets	(142,701)	(13,391)
Payments for asset retirement obligations	(2,595)	(140)
Purchase of investment securities	(30,129)	(22,200)
Payments of leasehold and guarantee deposits	(7,845)	(1,163)
Proceeds from refund of leasehold and guarantee deposits	2,507	863
Purchase of insurance funds	(7,328)	(6,128)
Net decrease (increase) in time deposits	50,561	(3,001)
Other, net	(1,930)	(929)
Net cash provided by (used in) investing activities	(161,945)	(63,375)

(Thousands of yen)

	Six months ended March 31, 2019	Six months ended March 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	680,000	360,000
Repayments of long-term borrowings	(47,214)	(387,214)
Redemption of bonds	(118,750)	(118,750)
Proceeds from issuance of shares	2,134	–
Purchase of treasury shares	(249,783)	(58)
Dividends paid	(230,743)	(123,333)
Dividends paid to non-controlling interests	–	(16,019)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	238,200
Other, net	(2,794)	(1,393)
Net cash provided by (used in) financing activities	32,848	(48,568)
Effect of exchange rate change on cash and cash equivalents	(20)	7
Net increase (decrease) in cash and cash equivalents	(472,282)	531,475
Cash and cash equivalents at beginning of period	1,969,890	3,186,721
Cash and cash equivalents at end of period	1,497,608	3,718,197