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Consolidated financial results for the six months ended August 31, 2019

[IFRS]

October 9, 2019

Company name : BELLSYSTEM 24 Holdings, Inc. Stock exchange listing : Tokyo
 Stock exchange code : 6183 URL : <https://www.bell24hd.co.jp/en/>
 Representative : Ichiro Tsuge, President and Chief Executive Officer
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 Scheduled date of filing of quarterly reports : October 10, 2019
 Scheduled date of start of dividend payment : November 13, 2019
 Preparation of 2Q earnings presentation material : Yes
 Holding of 2Q earnings briefing : Yes

(Figures are rounded to the nearest million yen)

1. Consolidated financial results for the six months ended August 31, 2019

(From March 1, 2019 to August 31, 2019)

(1) Consolidated operating results

(Percentages represent year-on-year changes)

	Revenue		Operating income		Income before income taxes		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2019	63,036	4.9	5,880	10.0	5,614	11.6	3,764	14.8
Six months ended August 31, 2018	60,068	5.1	5,345	21.8	5,032	28.8	3,279	28.6

	Net income attributable to owners of the parent		Total Comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended August 31, 2019	3,707	13.7	3,754	13.4	50.42	50.06
Six months ended August 31, 2018	3,261	28.7	3,312	29.9	44.30	43.95

(2) Consolidated financial position

	Total asset	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Millions of yen	Millions of yen	Millions of yen	%
As of August 31, 2019	168,371	47,765	47,422	28.2
As of February 28, 2019	139,739	46,492	45,737	32.7

2. Dividend

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2019	—	18.0	—	18.0	36.0
Fiscal year ended February 29, 2020	—	21.0			
Fiscal year ended February 29, 2020 (planned)			—	21.0	42.0

(Note) Revision of most recently announced dividend forecasts : No

3. Consolidated financial results forecast for the fiscal year ending February 29, 2020

(From March 1, 2019 to February 29, 2020)

(Percentages represent changes from the same period of previous fiscal year)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 29, 2020	129,000	6.5	11,500	34.0	10,850	36.6	6,960	45.6	6,900	27.9	93.86

(Note) Revisions of financial forecast in the latest announcement : No

(Notes)

(1) Changes in status of significant subsidiaries during the period

(Changes in specified subsidiaries accompanying changes in scope of consolidation): No

(2) Changes in accounting policies and accounting estimates

- | | | |
|---|---|-----|
| ① Changes in accounting policies required by IFRS | : | Yes |
| ② Changes in accounting policies other than ① above | : | No |
| ③ Changes in accounting estimates | : | No |

(3) Number of issued shares (common share)

① Number of issued shares at the end of the period (including treasury shares):

As of August 31, 2019 : 73,617,320 shares

As of February 28, 2019 : 73,617,320 shares

② Number of treasury shares at the end of period:

As of August 31, 2019 : 100,407 shares

As of February 28, 2019 : 101,700 shares

③ Average number of shares:

Six months ended August 31, 2019 : 73,516,616 shares

Six months ended August 31, 2018 : 73,592,448 shares

※ Disclosure regarding the execution of the quarterly review process

This quarterly financial report is outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of this financial report, review procedures for the Quarterly Consolidated Financial Statements are in progress.

※ Explanation about the appropriate use of the results forecasts and other special notes

(Note on forward-looking statements, etc.)

Forward-looking statements, including the results forecasts contained in this material, are based on information currently available for the Company and certain assumptions which the Company deems reasonable. The Company does not intend to provide any guarantee on the realization on these forecasts. Actual business results August differ materially from the forecasts due to various factors.

Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position (Unaudited)

	As of February 28, 2019	(Millions of yen) As of August 31, 2019
Assets		
Current assets		
Cash and cash equivalents	5,971	8,077
Trade and other receivables	17,402	18,751
Income taxes receivable	694	—
Other financial assets	58	91
Other current assets	902	678
Sub total	<u>25,027</u>	<u>27,597</u>
Assets held for sale	562	—
Total current assets	<u>25,589</u>	<u>27,597</u>
Non-current assets		
Property, plant and equipment	6,446	33,115
Goodwill	96,250	96,250
Intangible assets	4,094	3,799
Investments accounted for using the equity method	581	555
Deferred tax assets	1,661	1,661
Other financial assets	5,062	5,349
Other non-current assets	56	45
Total non-current assets	<u>114,150</u>	<u>140,774</u>
Total assets	<u><u>139,739</u></u>	<u><u>168,371</u></u>

	As of February 28, 2019	(Millions of yen) As of August 31, 2019
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	5,396	5,888
Borrowings	7,436	11,736
Income taxes payable	1,435	2,105
Liabilities for employee benefits	8,778	9,983
Other financial liabilities	232	4,854
Other current liabilities	3,629	2,684
Sub total	26,906	37,250
Liabilities directly associated with assets held for sale	257	—
Total current liabilities	27,163	37,250
Non-current liabilities		
Borrowings	63,550	59,157
Provisions	1,622	1,686
Liabilities for employee benefits	311	316
Deferred tax liabilities	128	122
Other financial liabilities	471	22,073
Other non-current liabilities	2	2
Total non-current liabilities	66,084	83,356
Total liabilities	93,247	120,606
Equity		
Common stock	27,033	27,033
Capital surplus	4,137	3,436
Other components of equity	(72)	(73)
Retained earnings	14,845	17,229
Treasury shares	(206)	(203)
Total equity attributable to owners of the parent	45,737	47,422
Non-controlling interest	755	343
Total equity	46,492	47,765
Total liabilities and equity	139,739	168,371

(2) Condensed Interim Consolidated Statement of Income (Unaudited)

	(Millions of yen)	
	Six months ended August 31, 2018	Six months ended August 31, 2019
Revenue	60,068	63,036
Cost of sales	(48,051)	(50,375)
Gross profit	12,017	12,661
Selling, general and administrative expenses	(6,617)	(6,736)
Other income	34	71
Other expenses	(89)	(116)
Operating income	5,345	5,880
Share of profit(loss) of investments accounted for using the equity method	16	28
Financial income	73	66
Financial costs	(402)	(360)
Income before income taxes	5,032	5,614
Income taxes	(1,753)	(1,850)
Net income	<u>3,279</u>	<u>3,764</u>
Net income attributable to:		
Owners of the parent	3,261	3,707
Non-controlling interest	18	57
Net income	<u>3,279</u>	<u>3,764</u>
Earnings per share		
(attributable to the parent)		(yen)
Basic (yen)	44.30	50.42
Diluted (yen)	43.95	50.06

(3) Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

	(Millions of yen)	
	Six months ended August 31, 2018	Six months ended August 31, 2019
Net income	3,279	3,764
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	47	3
Total items that will not be reclassified to profit or loss	47	3
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(14)	(13)
Total Items that may be reclassified to profit or loss	(14)	(13)
Total other comprehensive income, net of tax	33	(10)
Total comprehensive income	3,312	3,754
Comprehensive income attributable to :		
Owner of the parent	3,294	3,697
Non-controlling interest	18	57
Total comprehensive income	3,312	3,754

(4) Condensed Interim Consolidated Statement of Change in Equity (Unaudited)

Six months ended August 31, 2018

	Equity attributable to owner of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Other components of equity	Retained earnings	Treasury shares	total		
As of March 1, 2018	27,033	4,137	214	12,095	—	43,479	1,372	44,851
Net income	—	—	—	3,261	—	3,261	18	3,279
Other comprehensive income	—	—	33	—	—	33	—	33
Total comprehensive income	—	—	33	3,261	—	3,294	18	3,312
Share-based payments	—	—	11	—	—	11	—	11
Dividends paid	—	—	—	(1,325)	—	(1,325)	—	(1,325)
Transfer from other components of equity to retained earnings	—	—	(1)	1	—	—	—	—
Purchase of treasury shares	—	—	—	—	(206)	(206)	—	(206)
Total transaction with owners	—	—	10	(1,324)	(206)	(1,520)	—	(1,520)
As of August 31, 2018	27,033	4,137	257	14,032	(206)	45,253	1,390	46,643

Six months ended August 31, 2019

	Equity attributable to owner of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Other components of equity	Retained earnings	Treasury shares	total		
As of March 1, 2019	27,033	4,137	(72)	14,845	(206)	45,737	755	46,492
Net income	—	—	—	3,707	—	3,707	57	3,764
Other comprehensive income	—	—	(10)	—	—	(10)	—	(10)
Total comprehensive income	—	—	(10)	3,707	—	3,697	57	3,754
Share-based payments	—	—	9	—	—	9	—	9
Dividends paid	—	—	—	(1,323)	—	(1,323)	—	(1,323)
Transactions with non-controlling interests	—	(700)	—	—	—	(700)	(469)	(1,169)
Purchase of treasury shares	—	—	—	—	(0)	(0)	—	(0)
Disposal of treasury shares	—	(1)	—	—	3	2	—	2
Total transaction with owners	—	(701)	9	(1,323)	3	(2,012)	(469)	(2,481)
As of August 31, 2019	27,033	3,436	(73)	17,229	(203)	47,422	343	47,765

(5) Condensed Interim Consolidated Statement of Cash Flows (Unaudited)

(Millions of yen)

	Six months ended August 31, 2018	Six months ended August 31, 2019
Cash flows from operating activities:		
Income before income taxes	5,032	5,614
Adjustments to reconcile net income to net cash provided by (used in) operating activities;		
Depreciation and amortization	1,131	3,451
Loss on disposal or sales of property, plant and equipment	74	54
Loss on sales of shares of subsidiaries	—	(21)
Loss on transfer of business	—	49
Share of (profit) loss of investments accounted for using the equity method	(16)	(28)
Financial income	(73)	(66)
Financial cost	402	360
Decrease (increase) in trade and other receivables	1,524	(1,352)
Increase (decrease) in trade and other payable	27	538
Increase (decrease) in payable for consumption tax	62	452
Other, net	250	1,418
Sub total	8,413	10,469
Interest and dividends received	73	86
Interest paid	(243)	(281)
Income taxes paid	(3,164)	(3,291)
Income taxes refund	1,644	1,070
Net cash provided by (used in) operating activities	6,723	8,053
Cash flows from investing activities:		
Purchase of property, plant and equipment	(687)	(375)
Purchase of intangible assets	(717)	(559)
Purchase of securities	(11)	(100)
Proceeds from sale of securities	2	—
Payments for guarantee deposits	(63)	(187)
Proceeds from guarantee deposits	14	3
Payments for assets retirement obligation	(1)	—
Proceeds from transfer of business	—	127
Change of scope of consolidation	—	76
Proceeds from sales of shares of subsidiaries	—	76
Other, net	(1)	(0)
Net cash used in investing activities	(1,464)	(1,015)

	Six months ended August 31, 2018	Six months ended August 31, 2019
Cash flows from financial activities		
Increase (decrease) in short-term borrowings	(1,700)	4,300
Proceeds from long-term borrowings	4,000	6,000
Repayment of long-term borrowings	(5,468)	(10,468)
Dividends paid	(1,325)	(1,326)
Payments for purchase of treasury shares	(206)	(0)
Repayments of Lease liability	—	(2,362)
Not change of scope of consolidation	—	(1,169)
Purchase of shares of subsidiaries		
Other, net	(119)	2
Net cash provided by (used in) financial activities	(4,818)	(5,023)
Effect of exchange rate change on cash and cash equivalents	—	(0)
Net increase (decrease) in cash and cash equivalents	441	2,015
Cash and cash equivalents at the beginning of the period	5,324	5,971
Increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	—	91
Cash and cash equivalents at the end of the period	5,765	8,077