

This English document was prepared for reference purpose. Should there be any discrepancy between the translation and the original Japanese text, the latter shall prevail.

Consolidated financial results for the three months ended May 31, 2017

[IFRS]

July 12, 2017

Company name : BELLSYSTEM 24 Holdings, Inc. Stock exchange listing : Tokyo
 Stock exchange code : 6183 URL : <http://www.bell24hd.co.jp/en/>
 Representative : Ichiro Tsuge, President and Chief Executive Officer
 Contact : Noriyuki Hayata, Director and Corporate Officer EVP
 TEL : +81-3-6893-9827
 Scheduled date of filing of quarterly report : July 13, 2017
 Scheduled date of start of dividend payment : —
 Preparation of 1Q earnings presentation material : Yes
 Holding of 1Q earnings briefing : No

(Figures are rounded to the nearest million yen)

1. Consolidated financial results for the three months ended May 31, 2017

(From March 1, 2017 to May 31, 2017)

(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	%
Three months ended May 31, 2017	28,561	6.7	2,251	(1.8)	1,916	(7.5)	1,245	(6.6)
Three months ended May 31, 2016	26,779	3.8	2,293	(1.6)	2,071	1.0	1,334	8.1

	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
Three months ended May 31, 2017	1,220	(8.6)	1,243	(7.0)	16.66	16.56
Three months ended May 31, 2016	1,334	8.1	1,337	8.3	18.24	18.13

(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 May 31, 2017	142,406	41,271	40,151	28.2
As of February 28, 2017	139,471	41,333	40,238	28.9

2. Dividend

	Dividend per share				
	Firs quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2017	—	18.0	—	18.0	36.0
Fiscal year ended February 28, 2018	—				
Fiscal year ended February 28, 2018 (planned)		18.0	—	18.0	36.0

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

3 . Consolidated financial results forecast for the fiscal year ending February 28, 2018

(From March 1, 2017 to February 28, 2018)

(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 28, 2018	116,100	6.6	9,300	13.8	8,310	15.5	5,350	24.0	5,310	23.4	72.53

(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 : No
- 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 May 31, 2017 : 73,229,739 shares

As of February 28, 2017 : 73,211,846 shares

② Number of treasury shares at the end of period:

As of May 31, 2017 : —

As of February 28, 2017 : —

③ Average number of shares:

Three months ended May 31, 2017 : 73,213,596 shares

Three months ended May 31, 2016 : 73,111,846 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 may differ materially from the forecasts due to various factors.

1 Condensed Interim Consolidated Financial Statements

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

	As of February 28, 2017	(Millions of yen) As of May 31, 2017
Assets		
Current assets		
Cash and cash equivalents	5,618	6,949
Trade and other receivables	17,501	18,078
Income taxes receivable	1,484	1,731
Other financial assets	304	198
Other current assets	902	896
Total current assets	25,809	27,852
Non-current assets		
Property, plant and equipment	6,280	6,349
Goodwill	96,947	96,947
Intangible assets	3,364	3,623
Investments accounted for using the equity method	—	584
Deferred tax assets	1,720	1,720
Other financial assets	5,277	5,258
Other non-current assets	74	73
Total non-current assets	113,662	114,554
Total assets	139,471	142,406

	As of February 28, 2017	(Millions of yen) As of May 31, 2017
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	4,168	4,297
Borrowings	9,550	13,850
Income taxes payable	1,006	771
Provisions	1	1
Liabilities for employee benefits	8,328	9,116
Other financial liabilities	373	336
Other current liabilities	3,650	2,459
Total current liabilities	<u>27,076</u>	<u>30,830</u>
Non-current liabilities		
Borrowings	68,664	67,912
Provisions	1,611	1,616
Liabilities for employee benefits	232	232
Deferred tax liabilities	115	115
Other financial liabilities	437	428
Other non-current liabilities	3	2
Total non-current liabilities	<u>71,062</u>	<u>70,305</u>
Total liabilities	<u>98,138</u>	<u>101,135</u>
Equity		
Common stock	26,844	26,852
Capital surplus	3,948	3,956
Other components of equity	319	314
Retained earnings	9,127	9,029
Total equity attributable to owners of the parent	<u>40,238</u>	<u>40,151</u>
Non-controlling interest	1,095	1,120
Total equity	<u>41,333</u>	<u>41,271</u>
Total liabilities and equity	<u><u>139,471</u></u>	<u><u>142,406</u></u>

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

	(Millions of yen)	
	Three months ended May 31, 2016	Three months ended May 31, 2017
Revenue	26,779	28,561
Cost of sales	<u>(21,617)</u>	<u>(23,282)</u>
Gross profit	5,162	5,279
Selling, general and administrative expenses	(2,859)	(3,044)
Other income	28	33
Other expenses	<u>(38)</u>	<u>(17)</u>
Operating income	2,293	2,251
Financial income	0	0
Financial costs	<u>(222)</u>	<u>(335)</u>
Income before income taxes	2,071	1,916
Income taxes	<u>(737)</u>	<u>(671)</u>
Net income	<u>1,334</u>	<u>1,245</u>
Net income attributable to:		
Owners of the parent	1,334	1,220
Non-controlling interest	<u>—</u>	<u>25</u>
	<u>1,334</u>	<u>1,245</u>
Earnings per share		
(attributable to the parent)		
Basic (yen)	<u>18.24</u>	<u>16.66</u>
Diluted (yen)	<u>18.13</u>	<u>16.56</u>

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

	(Millions of yen)	
	Three months ended May 31, 2016	Three months ended May 31, 2017
Net income	1,334	1,245
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	3	(2)
Total items that will not be reclassified to profit or loss	3	(2)
Total other comprehensive income, net of tax	3	(2)
Total comprehensive income	1,337	1,243
Comprehensive income attributable to :		
Owner of the parent	1,337	1,218
Non-controlling interest	—	25
	1,337	1,243

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

Three months ended May 31, 2016

(Millions of yen)

	Equity attributable to owner of the parent				total	Total equity
	Common stock	Capital surplus	Other components of equity	Retained earnings		
As of March 1, 2016	26,797	3,107	318	7,455	37,677	37,677
Net income	—	—	—	1,334	1,334	1,334
Other comprehensive income	—	—	3	—	3	3
Total comprehensive income	—	—	3	1,334	1,337	1,337
Share-based payments	—	—	6	—	6	6
Dividends paid	—	—	—	(1,316)	(1,316)	(1,316)
Total transaction with owners	—	—	6	(1,316)	(1,310)	(1,310)
As of May 31, 2016	26,797	3,107	327	7,473	37,704	37,704

Three months ended May 31, 2017

(Millions of yen)

	Equity attributable to owner of the parent				total	Non-controlling interest	Total equity
	Common stock	Capital surplus	Other components of equity	Retained earnings			
As of March 1, 2017	26,844	3,948	319	9,127	40,238	1,095	41,333
Net income	—	—	—	1,220	1,220	25	1,245
Other comprehensive income	—	—	(2)	—	(2)	—	(2)
Total comprehensive income	—	—	(2)	1,220	1,218	25	1,243
Issuance of common stocks	8	8	(3)	—	13	—	13
Share-based payments	—	—	0	—	0	—	0
Dividends paid	—	—	—	(1,318)	(1,318)	—	(1,318)
Total transaction with owners	8	8	(3)	(1,318)	(1,305)	—	(1,305)
As of May 31, 2017	26,852	3,956	314	9,029	40,151	1,120	41,271

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

(Millions of yen)

	Three months ended May 31, 2016	Three months ended May 31, 2017
Cash flows from operating activities:		
Income before income taxes	2,071	1,916
Adjustments to reconcile net income to net cash used in operating activities;		
Depreciation and amortization	508	576
Loss on disposal or sales of property, plant and equipment	16	12
Financial income	(0)	(0)
Financial cost	222	335
Decrease (increase) in trade and other receivables	(659)	(577)
Increase (decrease) in trade and other payable	(128)	(56)
Increase (decrease) in payable for consumption tax	439	483
Other, net	(2,106)	981
Sub total	363	3,670
Interest and dividends received	0	0
Interest paid	(182)	(185)
Income taxes paid	(618)	(2,901)
Income taxes refund	—	4
Net cash provided by (used in) operating activities	(437)	588
Cash flows from investing activities:		
Purchase of property, plant and equipment	(152)	(216)
Purchase of intangible assets	(126)	(512)
Purchase of investments in associates	—	(555)
Proceeds from sale of securities	5	—
Payments for guarantee deposits	(461)	(23)
Proceeds from guarantee deposits	59	40
Payments for assets retirement obligation	(11)	—
Other, net	(0)	(0)
Net cash used in investing activities	(686)	(1,266)

(Millions of yen)

	Three months ended May 31, 2016	Three months ended May 31, 2017
Cash flows from financial activities		
Increase (decrease) in short-term borrowings	1,700	4,200
Proceeds from long-term borrowings	—	20,903
Repayment of long-term borrowings	(688)	(21,688)
Proceeds from issuance of common stock	—	13
Dividends paid	(1,316)	(1,320)
Other, net	(91)	(99)
Net cash provided by (used in) financial activities	(395)	2,009
Net increase (decrease) in cash and cash equivalents	(1,518)	1,331
Cash and cash equivalents at the beginning of the period	7,334	5,618
Cash and cash equivalents at the end of the period	5,816	6,949