

Consolidated Financial Results for the Three Months Ended June 30, 2016 [Japanese GAAP]

July 29, 2016

Company name:	MIRAIT Holdings Corporation	Stock exchange listing:	TSE
Code Number:	1417	URL:	http://www.mirait.co.jp/
Representative:	Masatoshi Suzuki, President and CEO		
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Scheduled date for filing of quarterly report:	August 5, 2016		
Scheduled date for commencement of dividend payment:	—		
Supplementary briefing materials on quarterly results:	Available		
Quarterly results briefing:	None		

(Amounts are rounded down to the nearest one million)

1. Consolidated Financial Results for the Three Months Ended June 30, 2016 (April 1, 2016 to June 30, 2016)

(1) Consolidated Operating Results (cumulative)

(% indicates change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended June 30, 2016	46,686	(9.7)	(1,541)	—	(1,538)	—	(1,336)	—
Three months ended June 30, 2015	51,686	(9.2)	(559)	—	(208)	—	(272)	—

(Note) Comprehensive income: Three months ended June 30, 2016 (1,318) million yen (—%)
 Three months ended June 30, 2015 732 million yen (-65.2%)

	Net income per share	Diluted net income per share
	yen	yen
Three months ended June 30, 2016	(16.43)	—
Three months ended June 30, 2015	(3.35)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of June 30, 2016	197,359	124,664	61.0
As of March 31, 2016	194,978	126,599	63.1

(Reference) Equity: As of June 30, 2016 120,457 million yen
 As of March 31, 2016 122,949 million yen

2. Dividends

	Annual dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	yen	yen	yen	yen	Yen
Fiscal year ended March 31, 2016	—	15.00	—	15.00	30.00
Fiscal year ending March 31, 2017	—				
Fiscal year ending March 31, 2017 (forecast)		15.00	—	15.00	30.00

(Note) Revision of dividend forecasts from recently announced figures: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2017
(April 1, 2016 to March 31, 2017)

(% indicates change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Six months ending September 30, 2016	120,000	7.1	3,000	—	3,200	—	1,900	—	23.36
Full year ending March 31, 2017	300,000	11.3	14,000	128.5	14,500	115.3	9,300	156.1	114.35

(Note) Revision of financial results forecasts from recently announced figures: None

* Notes:

(1) Changes in Important Subsidiaries during the period under review: Yes

(Changes in specified subsidiaries resulting in changes in the scope of consolidation)

Additions: 2 companies (Names) Mirait Singapore Pte.Ltd., Lantrovision(S)Ltd

(Note) Please refer to details on page 3 of the attached document under “Changes in Important Subsidiaries during the period under review”.

(2) Application of specific accounting practices for preparing consolidated quarterly financial statements: Yes

(Note) Please refer to details on page 3 of the attached document under “Application of specific accounting treatments for preparing consolidated quarterly financial statements.”

(3) Changes in accounting principles and changes or restatements of accounting estimates:

1) Changes in accounting principles due to revision of accounting standards: Yes

2) Changes in accounting principles other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(Note) Please refer to details on page 3 of the attached document under “Changes in accounting principles and changes or restatements of accounting estimates”.

(4) Total number of issued shares (common stock)

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

June 30, 2016	85,381,866 shares	March 31, 2016	85,381,866 shares
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2) Total number of treasury stock at the end of the period

June 30, 2016	4,051,982 shares	March 31, 2016	4,051,769 shares
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3) Average number of shares outstanding during the period

June 30, 2016	81,329,959 shares	June 30, 2015	81,332,550 shares
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* Implementation status of quarterly review processes

– This quarterly summary of consolidated financial results is not subject to the quarterly review procedures stipulated under the Financial Instruments and Exchange Act. The quarterly review procedures are still in progress at the time of disclosure of this quarterly summary of consolidated financial results.

* Explanation regarding the appropriate use of performance forecasts, and other items warranting special mention

– The performance forecasts and other forward-looking statements in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Accordingly, actual performance may differ materially depending on various factors. Please refer to “Qualitative information on consolidated performance forecasts” on page 2 of the attached document for the assumptions behind the performance forecasts and precautions regarding the use of performance forecasts.

Table of Contents: Supplementary Materials

1. Qualitative Information on Consolidated Financial Results for the Period under Review	P.2
(1) Qualitative Information on Consolidated Operating Results	P.2
(2) Qualitative Information on Consolidated Financial Position	P.2
(3) Qualitative Information on Consolidated Financial Results Forecast	P.2
2. Notes to Summary Information (Explanatory Notes)	P.3
(1) Changes in Important Subsidiaries during the Period under Review	P.3
(2) Application of Specific Accounting Practices for Preparing Consolidated Quarterly Financial Statements	P.3
(3) Changes in Accounting Principles and Changes or Restatements of Accounting Estimates	P.3
(4) Additional Information	P.3
3. Consolidated Quarterly Financial Statements	P.4
(1) Consolidated Quarterly Financial Statements	P.4
(2) Consolidated Quarterly Statements of Income and Comprehensive Income	P.6
(3) Notes to Consolidated Financial Statements	P.8
(Notes on going concern assumption)	P.8
(Notes on significant changes to shareholders' equity)	P.8
(Significant subsequent events)	P.8

1. Qualitative Information on Consolidated Financial Results for the Period under Review

(1) Qualitative Information on Consolidated Operating Results

During the first three months of the current consolidated fiscal period (from April 1, 2016 to June 30, 2016), the Japanese economy continued to recover moderately on the back of the improvement in corporate earnings and labor market conditions. However, the impact of Brexit (UK's decision to leave the EU) on the global economy and the appreciation of the Japanese yen, among others, are factors of concern.

Against this backdrop, the MIRAIT Group is reinforcing its medium- to long-term initiatives to promote the restructuring of the business portfolio and to strengthen the management base as a "Comprehensive Engineering & Service Company".

In the first quarter, the MIRAIT Group achieved growth in orders received for work related to improving reception quality in areas such as railway stations in the metropolitan regions, air conditioning work on a nationwide basis, and work to resolve TV reception issues caused by the installation of 700MHz mobile base stations. The Group also cultivated new businesses, including the expansion of the software business through the acquisition of Trust-System Inc. as a consolidated subsidiary (shares acquired on April 1, 2016). The Group also strived to expand its global business domains in the Asia Pacific region by adding Lantrovision(S)Ltd as a consolidated subsidiary (shares acquired on June 15, 2016).

However, the consolidated financial results for the first quarter suffered a decline in both sales and profits, mainly in the mobile-related and environmental & social innovation businesses, due to factors such as the decrease in construction work carried forward from the previous fiscal year. As a result, orders received increased 6.9% year-on-year to 65,284 million yen, net sales decreased 9.7% year-on-year to 46,686 million yen, operating loss came in at 1,541 million yen (operating loss was 559 million yen in the same period of the previous year), ordinary loss came in at 1,538 million yen (ordinary loss was 208 million yen in the same period of the previous year), and net loss attributable to owners of the parent stood at 1,336 million yen (net loss attributable to owners of the parent was 272 million yen in the same period of the previous year).

(2) Qualitative Information on Consolidated Financial Position

Total assets at the end of the first quarter of the current consolidated fiscal period amounted to 197,359 million yen, an increase of 2,380 million yen from the end of the previous fiscal year. This was mainly due to the increase in cash on hand and costs on uncompleted construction contracts, as well as the goodwill recorded for the acquisitions of consolidated subsidiaries, which offset the decline in accounts receivables including those from completed construction contracts and others.

Total liabilities increased by 4,316 million yen from the end of the previous fiscal year to 72,695 million yen. This was mainly due to the increase in advances received on uncompleted construction contracts and the addition of short-term borrowings, which offset the decline in accounts payable for construction contracts, deferred taxes, and provision for loss on construction contracts.

Owing to the dividend payout and the net loss attributable to owners of the parent recorded during the first three months of the current consolidated fiscal period, net assets decreased by 1,935 million yen to 124,664 million yen.

As a result of the above, the equity ratio at the end of the first quarter stood at 61.0% (compared to 63.1% at the end of the previous consolidated fiscal period).

(3) Qualitative Information on Consolidated Financial Results Forecast

The consolidated financial results forecast for the fiscal year ending March 31, 2017, as announced on April 28, 2016, remain unchanged.

2. Notes to Summary Information (Explanatory Notes)

(1) Changes in Important Subsidiaries during the Period under Review

(Changes in specified subsidiaries)

During the first quarter of the current consolidated financial period, Mirait Singapore Pte.Ltd. became a consolidated subsidiary given its increased importance following the capital increase. Lantrovision(S)Ltd also became a consolidated subsidiary in the first quarter of the current consolidated fiscal period following the acquisition of all of its outstanding shares by Mirait Singapore Pte.Ltd.

(Changes in subsidiaries other than specified subsidiaries)

During the first quarter of the current consolidated financial period, Trust-System Inc. became a consolidated subsidiary following the acquisition of all of its outstanding shares by MIRAIT Corporation. The 13 consolidated subsidiaries of Lantrovision(S)Ltd (Lantro(S)Pte Ltd and 12 other subsidiaries) also became consolidated subsidiaries due to the consolidation of Lantrovision(S)Ltd

(2) Application of Specific Accounting Practices for Preparing Consolidated Quarterly Financial Statements

Calculation of tax expense

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes for the current fiscal year, including the first quarter ended June 30, 2016, and then multiplying income before income taxes for the three months with the said estimated effective tax rate.

The statutory tax rate is applied if the tax expense calculated using the estimated effective tax rate lacks rationality to a significant degree.

(3) Changes in Accounting Principles and Changes or Restatements of Accounting Estimates

Changes in accounting principles

In response to the revisions to the Corporate Tax Act, the Company and its domestic subsidiaries have adopted the Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (ASBJ PITF No. 32 of June 17, 2016) from the first quarter of the current consolidated fiscal period. As a result, the depreciation method applied to facilities attached to buildings or structures acquired after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

The impact of the changes to operating loss, ordinary loss and net loss before income taxes for the first quarter of the current consolidated fiscal period is minimal.

(4) Additional Information

The Company has adopted the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Implementation Guidance No.26 of March 28, 2016) from the first quarter of the current consolidated fiscal period.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2016	Three Months Ended June 30, 2016
Assets		
Current assets		
Cash and deposits	30,284	48,731
Notes receivable, accounts receivable from completed construction contracts and other	82,158	47,533
Costs on uncompleted construction contracts and other	17,281	24,101
Deferred tax assets	3,451	4,514
Other	3,980	5,842
Allowance for doubtful accounts	(43)	(37)
Total current assets	137,112	130,686
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,880	10,889
Land	18,397	18,551
Construction in progress	322	2,474
Other, net	2,130	2,528
Total property, plant and equipment	31,730	34,444
Intangible assets		
Goodwill	159	5,617
Software	1,841	1,720
Other	96	110
Total intangible assets	2,097	7,448
Investments and other assets		
Investment securities	19,927	20,327
Long-term loans receivable	8	9
Net defined benefit asset	984	987
Deferred tax assets	785	762
Lease and guarantee deposits	1,139	1,220
Other	1,304	1,587
Allowance for doubtful accounts	(113)	(113)
Total investments and other assets	24,036	24,780
Total non-current assets	57,865	66,673
Total assets	194,978	197,359

(Millions of yen)

	Fiscal Year Ended March 31, 2016	Three Months Ended June 30, 2016
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	38,670	28,452
Short-term loans payable	—	14,167
Current portion of long-term loans payable	20	438
Income taxes payable	1,028	412
Advances received on uncompleted construction contracts	2,225	5,113
Provision for loss on construction contracts	3,330	486
Provision for bonuses	4,164	2,640
Provision for directors' bonuses	71	46
Provision for warranties for completed construction	11	15
Other	5,987	8,035
Total current liabilities	55,511	59,810
Non-current liabilities		
Long-term loans payable	15	220
Deferred tax liabilities	2,810	2,840
Deferred tax liabilities for land revaluation	41	41
Provision for directors' retirement benefits	59	56
Net defined benefit liability	8,508	8,655
Asset retirement obligations	78	78
Long-term accounts payable - other	939	520
Other	413	470
Total non-current liabilities	12,866	12,884
Total liabilities	68,378	72,695
Net assets		
Shareholders' equity		
Capital stock	7,000	7,000
Capital surplus	25,936	25,936
Retained earnings	88,691	86,128
Treasury shares	(2,630)	(2,630)
Total shareholders' equity	118,997	116,434
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,786	3,736
Deferred gains or losses on hedges	65	—
Revaluation reserve for land	(98)	(98)
Foreign currency translation adjustment	3	201
Remeasurements of defined benefit plans	195	184
Total accumulated other comprehensive income	3,952	4,023
Non-controlling interests	3,649	4,206
Total net assets	126,599	124,664
Total liabilities and net assets	194,978	197,359

(2) Consolidated Quarterly Statements of Income and Comprehensive Income
Three Months Ended June 30, 2016

(Millions of yen)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016
Net sales of completed construction contracts	51,686	46,686
Cost of sales of completed construction contracts	47,208	42,867
Gross profit on completed construction contracts	4,478	3,819
Selling, general and administrative expenses	5,038	5,360
Operating loss	(559)	(1,541)
Non-operating income		
Interest income	10	6
Dividend income	203	235
Insurance premiums refunded cancellation	48	5
Share of profit of entities accounted for using equity method	43	11
Other	67	41
Total non-operating income	374	300
Non-operating expenses		
Interest expenses	6	8
Foreign exchange losses	—	271
Other	16	17
Total non-operating expenses	23	297
Ordinary loss	(208)	(1,538)
Extraordinary income		
Gain on sales of investment securities	7	—
Other	1	0
Total extraordinary income	9	0
Extraordinary losses		
Loss on retirement of non-current assets	0	5
Loss on valuation of investment securities	—	31
Loss on valuation of golf club membership	7	—
Office transfer expenses	—	43
Other	4	19
Total extraordinary losses	12	100
Loss before income taxes	(211)	(1,637)
Income taxes	40	(250)
Loss	(251)	(1,387)
Profit attributable to		
Loss attributable to owners of parent	(272)	(1,336)
Profit (loss) attributable to non-controlling interests	20	(50)

(Millions of yen)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016
Other comprehensive income		
Valuation difference on available-for-sale securities	1,051	(50)
Deferred gains or losses on hedges	—	(65)
Foreign currency translation adjustment	(15)	206
Remeasurements of defined benefit plans, net of tax	(27)	(10)
Share of other comprehensive income of entities accounted for using equity method	(24)	(10)
Total other comprehensive income	984	68
Comprehensive income	732	(1,318)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	715	(1,265)
Comprehensive income attributable to non-controlling interests	16	(52)

(3) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes to shareholders' equity)

First three months of the current consolidated fiscal period (from April 1, 2016 to June 30, 2016)

There were no significant changes to the amount of shareholders' equity from the end of the previous fiscal year.

(Significant subsequent events)

(Sale of treasury shares)

At the meeting of the Board of Directors held on July 26, 2016, the Company adopted a resolution for the sale of treasury shares by way of third party allotment (hereinafter, "the Transaction") as it pertains to the introduction of a stock-granting trust for the new performance-linked stock compensation scheme (hereinafter, "the Scheme") for directors and executive officers (excluding outside directors and non-executive directors) of the Company and its subsidiaries (MIRAIT Corporation and MIRAIT Technologies Corporation) announced on May 24, 2016.

1. Transaction Details

(1) Date of sale	September 30, 2016
(2) Type and number of shares to be sold	358,100 common shares
(3) Share price	1,086 yen per share
(4) Amount of funds to be procured	388,896,600 yen
(5) Method of sale	Third party allotment
(6) Transaction counterparty	Trust & Custody Services Bank, Ltd. (Trust E Account)

2. Overview of Transaction

The Transaction, with regards to the management of the Scheme, involves the sale of treasury shares to Trust & Custody Services Bank Ltd. (Trust E Account) by way of third party allotment.

(Merger of the Company's consolidated subsidiary and equity method subsidiary)

At the meeting of the Board of Directors held on July 26, 2016, the Company adopted a resolution to merge its consolidated subsidiary, Daimei Business Mate Inc. (hereinafter, "Daimei Business Mate"), and its equity method affiliate, Hope Net Co., Ltd. (hereinafter, "Hope Net"), effective October 1, 2016.

1. Purpose of Merger

By integrating the Group's two temporary staffing companies, the Company aims to strengthen its operating base and to enhance the competitiveness of the temporary staffing business, while optimizing and improving the efficiency of the Group's management resources.

2. Overview of Merger

An absorption-type merger will be executed, with Hope Net as the surviving company and Daimei Business Mate as the defunct company.

3. Overview of Operating Companies (as of June 30, 2016)

(1) Corporate name	Hope Net Co., Ltd.	Daimei Business Mate Inc.
(2) Location	Chiyoda-ku, Tokyo	Koto-ku, Tokyo
(3) Name and title of representative	Eiji Shirokuma, President and Chief Executive Officer	Etsuo Usui, President and Chief Executive Officer
(4) Main businesses	Temporary staffing business, telecommunications construction business	Temporary staffing business
(5) Capital stock	45 million yen	10 million yen
(6) Net sales	2,343 million yen (fiscal year ended December 31, 2015)	584 million yen (fiscal year ended March 31, 2016)
(7) Date of establishment	February 2006	November 2001
(8) Financial reporting period	Ending December each year	Ending March each year
(9) Major shareholders and ownership ratio	Eiji Shirokuma 31.7% MIRAIT Corporation 25.0%	MIRAIT Corporation 90.0% Tohoken System Engineering Corp. 10.0%

4. Status after Merger (scheduled for October 1, 2016)

(1) Corporate name	Hope Net Co., Ltd.
(2) Location	Chiyoda-ku, Tokyo
(3) Name and title of representative	Eiji Shirokuma, President and Chief Executive Officer
(4) Main businesses	Temporary staffing business, telecommunications construction business
(5) Capital stock	55 million yen
(6) Financial reporting period	Ending March each year (scheduled for change)
(7) Major shareholders and ownership ratio	MIRAIT Corporation 46.3% Eiji Shirokuma 22.7%

Hope Net is scheduled to become a consolidated subsidiary of the company through this merger.