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Consolidated financial results for the nine months ended November 30, 2019

[IFRS]

January 8, 2020

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 : January 9, 2020
 Scheduled date of start of dividend payment : —
 Preparation of 3Q earnings presentation material : Yes
 Holding of 3Q earnings briefing : No

(Figures are rounded to the nearest million yen)

1. Consolidated financial results for the nine months ended November 30, 2019

(From March 1, 2019 to November 30, 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	%
Nine months ended November 30, 2019	95,431	6.0	8,869	14.5	8,443	16.7	5,643	19.5
Nine months ended November 30, 2018	90,041	3.9	7,743	9.4	7,236	11.1	4,721	11.1

	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
Nine months ended November 30, 2019	5,564	18.2	5,642	18.7	75.68	75.11
Nine months ended November 30, 2018	4,708	11.5	4,754	12.0	63.99	63.50

(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 November 30, 2019	167,845	48,114	47,749	28.4
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 November 30, 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 November 30, 2019 : 100,438 shares

As of February 28, 2019 : 101,700 shares

③ Average number of shares:

Nine months ended November 30, 2019 : 73,516,708 shares

Nine months ended November 30, 2018 : 73,567,025 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 November 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 November 30, 2019
Assets		
Current assets		
Cash and cash equivalents	5,971	7,961
Trade and other receivables	17,402	19,186
Income taxes receivable	694	—
Other financial assets	58	61
Other current assets	902	898
Sub total	<u>25,027</u>	<u>28,106</u>
Assets held for sale	562	—
Total current assets	<u>25,589</u>	<u>28,106</u>
Non-current assets		
Property, plant and equipment	6,446	32,157
Goodwill	96,250	96,250
Intangible assets	4,094	3,579
Investments accounted for using the equity method	581	577
Deferred tax assets	1,661	1,680
Other financial assets	5,062	5,449
Other non-current assets	56	47
Total non-current assets	<u>114,150</u>	<u>139,739</u>
Total assets	<u><u>139,739</u></u>	<u><u>167,845</u></u>

	As of February 28, 2019	(Millions of yen) As of November 30, 2019
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	5,396	6,317
Borrowings	7,436	11,436
Income taxes payable	1,435	1,654
Liabilities for employee benefits	8,778	10,566
Other financial liabilities	232	5,006
Other current liabilities	3,629	3,130
Sub total	26,906	38,109
Liabilities directly associated with assets held for sale	257	—
Total current liabilities	27,163	38,109
Non-current liabilities		
Borrowings	63,550	58,450
Provisions	1,622	1,695
Liabilities for employee benefits	311	331
Deferred tax liabilities	128	122
Other financial liabilities	471	21,022
Other non-current liabilities	2	2
Total non-current liabilities	66,084	81,622
Total liabilities	93,247	119,731
Equity		
Common stock	27,033	27,033
Capital surplus	4,137	3,436
Other components of equity	(72)	(59)
Retained earnings	14,845	17,542
Treasury shares	(206)	(203)
Total equity attributable to owners of the parent	45,737	47,749
Non-controlling interest	755	365
Total equity	46,492	48,114
Total liabilities and equity	139,739	167,845

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

	(Millions of yen)	
	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Revenue	90,041	95,431
Cost of sales	<u>(72,338)</u>	<u>(76,246)</u>
Gross profit	17,703	19,185
Selling, general and administrative expenses	(9,919)	(10,239)
Other income	58	109
Other expenses	<u>(99)</u>	<u>(186)</u>
Operating income	<u>7,743</u>	<u>8,869</u>
Share of profit(loss) of investments accounted for using the equity method	30	47
Financial income	73	66
Financial costs	<u>(610)</u>	<u>(539)</u>
Income before income taxes	7,236	8,443
Income taxes	<u>(2,515)</u>	<u>(2,800)</u>
Net income	<u>4,721</u>	<u>5,643</u>
Net income attributable to:		
Owners of the parent	4,708	5,564
Non-controlling interest	<u>13</u>	<u>79</u>
Net income	<u>4,721</u>	<u>5,643</u>
Earnings per share		
(attributable to the parent)		(yen)
Basic (yen)	63.99	75.68
Diluted (yen)	63.50	75.11

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

	(Millions of yen)	
	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Net income	4,721	5,643
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	40	10
Total items that will not be reclassified to profit or loss	40	10
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(7)	(11)
Total Items that may be reclassified to profit or loss	(7)	(11)
Total other comprehensive income, net of tax	33	(1)
Total comprehensive income	4,754	5,642
Comprehensive income attributable to :		
Owner of the parent	4,741	5,563
Non-controlling interest	13	79
Total comprehensive income	4,754	5,642

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

Nine months ended November 30, 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	—	—	—	4,708	—	4,708	13	4,721
Other comprehensive income	—	—	33	—	—	33	—	33
Total comprehensive income	—	—	33	4,708	—	4,741	13	4,754
Share-based payments	—	—	12	—	—	12	—	12
Dividends paid	—	—	—	(2,648)	—	(2,648)	—	(2,648)
Transfer from other components of equity to retained earnings	—	—	(1)	1	—	—	—	—
Purchase of treasury shares	—	—	—	—	(206)	(206)	—	(206)
Total transaction with owners	—	—	11	(2,647)	(206)	(2,842)	—	(2,842)
As of November 30, 2018	27,033	4,137	258	14,156	(206)	45,378	1,385	46,763

Nine months ended November 30, 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	—	—	—	5,564	—	5,564	79	5,643
Other comprehensive income	—	—	(1)	—	—	(1)	—	(1)
Total comprehensive income	—	—	(1)	5,564	—	5,563	79	5,642
Share-based payments	—	—	14	—	—	14	—	14
Dividends paid	—	—	—	(2,867)	—	(2,867)	—	(2,867)
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)	14	(2,867)	3	(3,551)	(469)	(4,020)
As of November 30, 2019	27,033	3,436	(59)	17,542	(203)	47,749	365	48,114

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

(Millions of yen)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Cash flows from operating activities:		
Income before income taxes	7,236	8,443
Adjustments to reconcile net income to net cash provided by (used in) operating activities;		
Depreciation and amortization	1,698	5,217
Loss on disposal or sales of property, plant and equipment	75	111
Loss on sales of shares of subsidiaries	—	(27)
Loss on transfer of business	—	49
Share of (profit) loss of investments accounted for using the equity method	(30)	(47)
Financial income	(73)	(66)
Financial cost	610	539
Decrease (increase) in trade and other receivables	1,036	(1,786)
Increase (decrease) in trade and other payable	247	1,159
Increase (decrease) in payable for consumption tax	140	832
Other, net	355	1,806
Sub total	11,294	16,230
Interest and dividends received	108	107
Interest paid	(375)	(424)
Income taxes paid	(4,417)	(4,672)
Income taxes refund	1,644	1,070
Net cash provided by (used in) operating activities	8,254	12,311
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,016)	(835)
Purchase of intangible assets	(960)	(675)
Purchase of securities	(11)	(100)
Proceeds from sale of securities	2	—
Payments for guarantee deposits	(80)	(295)
Proceeds from guarantee deposits	66	11
Payments for assets retirement obligation	(23)	—
Proceeds from transfer of business	—	127
Change of scope of consolidation	—	95
Proceeds from sales of shares of subsidiaries	—	95
Proceeds from government subsidies	40	69
Other, net	0	(0)
Net cash used in investing activities	(1,982)	(1,603)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Cash flows from financial activities		
Increase (decrease) in short-term borrowings	(900)	4,000
Proceeds from long-term borrowings	4,000	6,000
Repayment of long-term borrowings	(6,202)	(11,202)
Dividends paid	(2,648)	(2,868)
Payments for purchase of treasury shares	(206)	(0)
Repayments of Lease liability	(169)	(3,572)
Not change of scope of consolidation	—	(1,169)
Purchase of shares of subsidiaries	—	—
Other, net	—	2
Net cash provided by (used in) financial activities	(6,125)	(8,809)
Effect of exchange rate change on cash and cash equivalents	—	(0)
Net increase (decrease) in cash and cash equivalents	147	1,899
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	5,471	7,961