

Translation

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Summary of Consolidated Financial Results for the Six Months Ended December 31, 2016 (Based on Japanese GAAP)

February 10, 2017

Company name: Trust Tech Inc.
 Stock exchange listing: Tokyo
 Stock code: 2154 URL <http://www.trust-tech.jp/>
 Representative: President and Representative Director Yutaka Nishida
 Board Director
 Inquiries: Managing Corporate Executive Officer Noriyuki Murai TEL 03-5777-7727
 Chief Administrative Officer
 Scheduled date to file Quarterly Securities Report: February 13, 2017
 Scheduled date to commence dividend payments: March 6, 2017
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended December 31, 2016 (from July 1, 2016 to December 31, 2016)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended December 31, 2016	20,471	40.7	1,306	18.0	1,283	16.3	726	12.9
Six months ended December 31, 2015	14,545	46.7	1,107	69.0	1,103	64.6	643	51.8

Note: Comprehensive income Six months ended December 31, 2016 ¥723 million [12.7%]
 Six months ended December 31, 2015 ¥642 million [51.1%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended December 31, 2016	37.46		37.34	
Six months ended December 31, 2015	33.31		33.07	

* The Company implemented a 2-for-1 common stock split on April 1, 2016. Earnings per share and diluted earnings per share have been calculated based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of December 31, 2016	13,815		5,660		40.4	
As of June 30, 2016	11,914		5,322		44.6	

Reference: Equity As of December 31, 2016: ¥5,581 million
 As of June 30, 2016: ¥5,318 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended June 30, 2016	–	30.00	–	25.00	–
Year ending June 30, 2017	–	15.00			
Year ending June 30, 2017 (Forecast)			–	30.00	45.00

Note: Revision of cash dividend forecast most recently announced: No

* The Company implemented a 2-for-1 common stock split on April 1, 2016. The dividend for the end of the second quarter of the fiscal year ended June 30, 2016 indicates the actual amount paid prior to the stock split. On the assumption that the stock split was implemented at the beginning of the previous fiscal year, annual dividend for the fiscal year ended June 30, 2016 would be 40.00 yen per share.

3. Forecast of consolidated financial results for the year ending June 30, 2017 (from July 1, 2016 to June 30, 2017)

	Percentages indicate year-on-year changes								
	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	42,000	39.3	3,120	22.4	3,100	22.6	1,870	22.7	96.63

Note: Revision of consolidated financial results forecast most recently announced: No

4. Notes

- (1) Changes in significant subsidiaries during the six months ended December 31, 2016
(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 December 31, 2016	19,413,000 shares	As of June 30, 2016	19,353,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2016	482 shares	As of June 30, 2016	390 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended December 31, 2016	19,389,587 shares	Six months ended December 31, 2015	19,307,758 shares
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* The Company implemented a 2-for-1 common stock split on April 1, 2016. Number of issued shares (common shares) has been calculated based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

* Presentation of the implementation status of the procedures for quarterly review

This quarterly financial results summary is not subject to the procedures for quarterly review pursuant to the Financial Instruments and Exchange Act. The procedures for reviewing the Company's quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Act are yet to be completed at the time of disclosure of this quarterly financial results summary.

* Explanation of the appropriate use of earnings forecasts and other special notes

Earnings forecasts and other forward-looking statements stated in this document are based on information currently available to the Company and certain assumptions that the Company considers to be reasonable. The actual results may differ materially from the forecasts due to various factors.

(Method for obtaining materials for financial results meeting)

Financial results meeting for institutional investors and analysts will be held on Friday, February 10, 2017. Materials for the meeting will be provided on the Company's website as soon as possible after the meeting.

In addition to the above meeting, the Company holds meetings for individual investors regarding our business and performance on a timely basis. For the schedule of these meetings, please refer to the Company's website.

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of June 30, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	3,930,496	3,998,173
Notes and accounts receivable - trade	4,060,115	4,941,554
Other	993,488	786,087
Total current assets	8,984,101	9,725,815
Non-current assets		
Property, plant and equipment	256,198	430,883
Intangible assets		
Goodwill	2,006,108	2,947,885
Other	196,553	184,781
Total intangible assets	2,202,661	3,132,666
Investments and other assets	471,039	525,672
Total non-current assets	2,929,899	4,089,222
Total assets	11,914,000	13,815,038
Liabilities		
Current liabilities		
Short-term loans payable	1,900,000	2,054,266
Current portion of bonds	–	196,000
Accrued expenses	2,394,623	2,325,114
Income taxes payable	638,511	435,291
Accrued consumption taxes	644,290	531,114
Provision for bonuses	397,992	511,030
Other	556,082	847,372
Total current liabilities	6,531,500	6,900,189
Non-current liabilities		
Bonds payable	–	1,204,000
Net defined benefit liability	35,786	20,058
Other	24,280	30,136
Total non-current liabilities	60,067	1,254,195
Total liabilities	6,591,568	8,154,385
Net assets		
Shareholders' equity		
Capital stock	1,538,690	1,550,690
Capital surplus	696,175	708,175
Retained earnings	3,089,478	3,332,064
Treasury shares	(397)	(548)
Total shareholders' equity	5,323,946	5,590,381
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(327)	6
Foreign currency translation adjustment	(5,613)	(8,563)
Total accumulated other comprehensive income	(5,940)	(8,556)
Subscription rights to shares	4,427	4,256
Non-controlling interests	–	74,572
Total net assets	5,322,432	5,660,652
Total liabilities and net assets	11,914,000	13,815,038

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended December 31, 2015	Six months ended December 31, 2016
Net sales	14,545,278	20,471,244
Cost of sales	11,081,642	16,113,396
Gross profit	3,463,636	4,357,848
Selling, general and administrative expenses	2,356,226	3,050,990
Operating income	1,107,409	1,306,858
Non-operating income		
Interest income	354	120
Subsidy income	5,263	7,599
Foreign exchange gains	–	2,153
Other	3,300	1,306
Total non-operating income	8,917	11,178
Non-operating expenses		
Interest expenses	8,260	11,795
Bond issuance cost	–	20,083
Foreign exchange losses	4,081	–
Share of loss of entities accounted for using equity method	–	2,197
Other	–	171
Total non-operating expenses	12,342	34,248
Ordinary income	1,103,984	1,283,788
Extraordinary income		
Gain on sales of non-current assets	22,436	179
Gain on reversal of subscription rights to shares	–	171
Total extraordinary income	22,436	350
Extraordinary losses		
Loss on retirement of non-current assets	470	3,476
Total extraordinary losses	470	3,476
Profit before income taxes	1,125,950	1,280,662
Income taxes - current	464,281	371,282
Income taxes - deferred	18,525	167,063
Total income taxes	482,806	538,346
Profit	643,144	742,316
Profit attributable to non-controlling interests	–	15,914
Profit attributable to owners of parent	643,144	726,401

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended December 31, 2015	Six months ended December 31, 2016
Profit	643,144	742,316
Other comprehensive income		
Valuation difference on available-for-sale securities	(103)	333
Foreign currency translation adjustment	(416)	(19,846)
Share of other comprehensive income of entities accounted for using equity method	–	1,190
Total other comprehensive income	(519)	(18,321)
Comprehensive income	642,624	723,994
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	642,624	723,785
Comprehensive income attributable to non-controlling interests	–	208

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended December 31, 2015	Six months ended December 31, 2016
Cash flows from operating activities		
Profit before income taxes	1,125,950	1,280,662
Depreciation	52,221	70,817
Amortization of goodwill	116,476	181,790
Increase (decrease) in provision for bonuses	62,540	112,950
Increase (decrease) in net defined benefit liability	3,174	(15,728)
Interest and dividend income	(364)	(140)
Interest expenses	8,260	11,795
Share of (profit) loss of entities accounted for using equity method	–	2,197
Bond issuance cost	–	20,083
Loss (gain) on sales of non-current assets	(22,436)	(179)
Decrease (increase) in notes and accounts receivable - trade	(66,546)	81,456
Increase (decrease) in accrued expenses	(139,703)	(131,726)
Other, net	(106,606)	(29,622)
Subtotal	1,032,966	1,584,356
Interest and dividend income received	364	140
Interest expenses paid	(9,037)	(10,409)
Income taxes paid	(664,577)	(600,925)
Net cash provided by (used in) operating activities	359,715	973,162
Cash flows from investing activities		
Purchase of property, plant and equipment	(49,872)	(99,191)
Purchase of intangible assets	(31,492)	(16,748)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,978,802)	(1,418,615)
Purchase of shares of subsidiaries and associates	–	(15,150)
Payments for transfer of business	(108,000)	–
Net decrease (increase) in lease and guarantee deposits	(59,936)	(29,741)
Proceeds from sales of investments in real estates	598,650	–
Other, net	(17,947)	1,253
Net cash provided by (used in) investing activities	(1,647,401)	(1,578,193)
Cash flows from financing activities		
Increase in short-term loans payable	2,300,000	2,000,000
Decrease in short-term loans payable	–	(2,239,658)
Proceeds from issuance of bonds	–	1,379,916
Repayments of lease obligations	(3,509)	(3,509)
Cash dividends paid	(337,330)	(483,055)
Other, net	4,285	23,849
Net cash provided by (used in) financing activities	1,963,445	677,542
Effect of exchange rate change on cash and cash equivalents	(862)	(4,833)
Net increase (decrease) in cash and cash equivalents	674,897	67,677
Cash and cash equivalents at beginning of period	3,038,978	3,930,496
Cash and cash equivalents at end of period	3,713,875	3,998,173