



Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2017 [J-GAAP]

November 13, 2017

Name of listed company: Mobile Create Co., Ltd.

Listed on: Tokyo Stock Exchange, 1st Section and
Fukuoka Stock Exchange

Securities code: 3669

URL: <http://www.mcinc.jp>

Representative: Yuji Murai, President and CEO

Contact: Kazuhisa Kibe, Director, Manager of Management Planning Office TEL: +81-97-576-8181

Scheduled date of filing the quarterly financial report: November 13, 2017

Scheduled date to start dividends distribution: —

Supplementary quarterly materials prepared: Yes

Explanation meeting for quarterly financial results: No

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated results for the third quarter ended September 30, 2017 (January 1, 2017 – September 30, 2017)

(1) Consolidated operating results

(Percentage figures show changes from the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2017	5,523	—	97	—	140	—	40	—
Nine months ended September 30, 2016	—	—	—	—	—	—	—	—

Note: Comprehensive income: Nine months ended September 30, 2017: ¥89 million (—%)

Nine months ended September 30, 2016: ¥— million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended September 30, 2017	1.74	1.73
Nine months ended September 30, 2016	—	—

Note: Consolidated financial results were not prepared for the third quarter of the fiscal period ended December 31, 2016, which was a transitional period due to a change in the Company's fiscal year-end. Consequently, year-on-year percentage comparisons for the nine months ended September 30, 2017 and consolidated operating results for the third quarter (cumulative) of the fiscal period ended December 31, 2016 have been omitted.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	10,808	7,313	41.5
As of December 31, 2016	10,437	7,296	43.4

Reference: Equity capital: As of September 30, 2017: ¥4,487 million As of December 31, 2016: ¥4,533 million

2. Dividends

	Dividends per share				
	First quarter -end	Second quarter -end	Third quarter -end	Year-end	Annual
Year ended December 31, 2016	Yen —	Yen 0.00	Yen —	Yen 3.00	Yen 3.00
Year ending December 31, 2017	—	0.00	—		
Year ending December 31, 2017 (Forecast)				5.00	5.00

Note: Revisions to the most recently announced dividend forecast during the period: No

3. Consolidated financial forecast for the fiscal year ending December 31, 2017 (January 1, 2017 – December 31, 2017)

(Percentage figures show changes from the same period in the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,481	—	421	—	459	—	180	—	7.78

Notes:

1. Revisions to the most recently announced financial forecast during the period: No
2. Due to the change in fiscal-year end, the fiscal period ended December 31, 2016 is a transitional period comprising seven months of consolidated results from June 1, 2016 to December 31, 2016. Consequently, no percentage comparisons have been provided for the previous year.

Notes:

(1) Significant changes to subsidiaries during the period (Transfers of specific subsidiaries with changes in the scope of consolidation): No

(2) Application of the specific accounting methods for preparing the quarterly consolidated financial statements: No

(3) Changes in accounting policies, accounting estimates and restatement of revisions

- | | |
|---|----|
| 1) Changes in accounting policies due to revision of accounting standard, etc.: | No |
| 2) Changes in accounting policies other than 1): | No |
| 3) Changes in accounting estimates: | No |
| 4) Restatement of revisions: | No |

(4) Number of outstanding shares (common stock):

1) Number of shares issued and outstanding (including treasury stock)	As of September 30, 2017	23,157,600 shares	As of December 31, 2016	23,157,600 shares
2) Number of treasury stock	As of September 30, 2017	- shares	As of December 31, 2016	- shares
3) Average number of shares issued and outstanding in each period	3Q of FY2017	23,157,600 shares	3Q of FY2016	23,157,600 shares

*** This quarterly report is not subject to audit procedures.**

*** Explanation of appropriate use of forecasts of financial results; other important items**

The forward-looking statements in this document, including forecasts, are based on information available at the time of disclosure and on certain assumptions deemed to be reasonable by the Company, and are not intended to guarantee the achievements by the Company. Actual results may differ materially from forward-looking statements due to a number of factors. For more details about these assumptions and other conditions that form the basis of these forecasts, please refer to page 2 of the supplementary materials, "1. Analysis of operating results and financial position, (3) Qualitative information on consolidated financial forecasts and other future projection data".

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1. Analysis of operating results and financial position

(1) Analysis of operating results

The fiscal year-end (business closing date) of the Company and its consolidated subsidiaries (excluding OPTSP Co., Ltd.) was changed to December 31, effective from the fiscal period ended December 31, 2016. As a result, consolidated financial results were not prepared for the third quarter of the fiscal period ended December 31, 2016. Consequently, no year-on-year percentage comparisons have been provided.

The Group is currently building a new business model with the aim of growing existing businesses and moving into new business fields.

In the Information Communications segment, we worked to win new contracts for communications services, centered on our core product of business-use IP wireless systems. As a result, the total number of systems under contract increased, exceeding our target of 100,000 systems. To expand the Stock Business further, we plan to provide services that work with equipment made by other companies and improve the functionality of our own equipment.

Profits in the Equipment segment deteriorated temporarily, reflecting the impact of a short-term decline in new investment in the automotive sector at the start of the year, but we expect profits to recover in the fourth quarter of the fiscal year, as automotive-related orders have recovered sharply recently.

As a result of the above, consolidated net sales of the third quarter, cumulative for the first nine months of the fiscal year, was ¥5,523,078,000. For the same period, operating profit was ¥97,310,000, ordinary profit was ¥140,243,000, and profit attributable to owners of parent for the quarter was ¥40,354,000.

Performance in the Mobile Create Group's business segments was as follows.

(Information Communications segment)

This segment reported net sales of ¥3,047,954,000 and operating profit of ¥121,540,000.

(Equipment segment)

This segment reported net sales of ¥2,502,460,000 and operating loss of ¥19,516,000.

(2) Analysis of financial position

Assets, liabilities and net assets

As of September 30, 2017, total assets stood at ¥10,808,206,000, up ¥370,596,000 from the end of the previous fiscal year. This result mainly reflected increases of ¥451,339,000 in inventories and ¥295,940,000 in other property, plant and equipment, despite a decrease in notes and accounts receivable – trade of ¥358,337,000.

Total liabilities for the period amounted to ¥3,494,679,000, an increase of ¥353,214,000 from the previous fiscal year-end. This was mainly attributable to an increase of ¥246,894,000 in notes and accounts payable – trade, coupled with increases of ¥117,908,000 in current portion of long-term loans payable and ¥103,415,000 in provision, which outweighed a decrease of ¥100,000,000 in short-term loans payable.

Total net assets stood at ¥7,313,527,000, up ¥17,382,000 from the end of the previous fiscal year. This was largely the result of increases of ¥50,560,000 in non-controlling interests and ¥40,354,000 in retained earnings, the latter owing to the posting of profit attributable to owners of parent for the quarter, offsetting a decline of ¥69,472,000 in retained earnings due to the payment of dividends and a decrease of ¥37,482,000 in remeasurements of defined benefit plans.

(3) Qualitative information on consolidated financial forecasts and other future projection data

There have been no changes to consolidated business forecasts announced on February 13, 2017.

2. Summary (notes) information

(1) Significant changes to subsidiaries during the period

There is no related information during the period under review.

(2) Application of the specific accounting methods for preparing the quarterly consolidated financial statements

There is no related information.

(3) Changes in accounting policies, accounting estimates and restatement of revisions

There is no related information.

3. Quarterly consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

(Thousands of yen)

	As of December 31, 2016	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	1,473,994	1,241,462
Notes and accounts receivable – trade	2,991,429	2,633,091
Inventories	1,473,516	1,924,856
Others	185,379	272,052
Allowance for doubtful accounts	(22,611)	(20,047)
Total current assets	6,101,708	6,051,414
Non-current assets		
Property, plant and equipment		
Land	1,471,968	1,413,649
Other- net	1,130,817	1,426,757
Total property, plant and equipment	2,602,786	2,840,407
Intangible assets	585,891	675,970
Investments and other assets		
Investment securities	851,092	947,946
Net defined benefit asset	167,433	155,584
Deferred tax assets	32,976	34,724
Others	101,879	108,096
Allowance for doubtful accounts	(6,159)	(5,937)
Total investments and other assets	1,147,223	1,240,414
Total non-current assets	4,335,901	4,756,792
Total assets	10,437,610	10,808,206

(Thousands of yen)

	As of December 31, 2016	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable – trade	909,688	1,156,582
Short-term loans payable	400,000	300,000
Current portion of bonds	18,200	20,800
Current portion of long-term loans payable	184,488	302,396
Income taxes payable	95,128	90,373
Provision	44,733	148,148
Others	415,443	379,463
Total current liabilities	2,067,682	2,397,763
Non-current liabilities		
Bonds payable	320,800	300,000
Long-term loans payable	601,118	608,926
Lease obligations	57,047	30,540
Deferred tax liabilities	78,096	103,602
Provision for directors' retirement benefits	7,518	12,583
Net defined benefit liability	9,203	12,587
Others	-	28,677
Total non-current liabilities	1,073,782	1,096,916
Total liabilities	3,141,464	3,494,679
Net assets		
Shareholders' equity		
Capital stock	1,004,678	1,004,678
Capital surplus	991,792	994,388
Retained earnings	2,527,028	2,497,910
Total shareholders' equity	4,523,498	4,496,977
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,061	55,589
Foreign currency translation adjustment	1,894	909
Remeasurements of defined benefit plans	(28,233)	(65,715)
Total accumulated other comprehensive income	9,722	(9,216)
Subscription rights to shares	79,590	91,872
Non-controlling interests	2,683,333	2,733,894
Total net assets	7,296,145	7,313,527
Total liabilities and net assets	10,437,610	10,808,206

(2) Quarterly consolidated statements of income and comprehensive income
(Quarterly consolidated statements of income)

	(Thousands of yen)
	Nine months ended September 30, 2017
Net sales	5,523,078
Cost of sales	3,942,378
Gross profit	1,580,700
Selling, general and administrative expenses	1,483,389
Operating profit	97,310
Non-operating income	
Interest income	4,775
Dividend income	5,555
Subsidy income	34,137
Others	22,323
Total non-operating income	66,792
Non-operating expenses	
Interest expenses	10,563
Loss on retirement of non-current assets	11,073
Others	2,222
Total non-operating expenses	23,859
Ordinary profit	140,243
Profit before income taxes	140,243
Income taxes	113,514
Income taxes – deferred	(27,068)
Total income taxes	86,445
Profit	53,797
Profit attributable to non-controlling interests	13,443
Profit attributable to owners of parent	40,354

(Quarterly consolidated statements of comprehensive income)

(Thousands of yen)

Nine months ended
September 30, 2017

Profit	53,797
Other comprehensive income	
Valuation difference on available-for-sale securities	30,959
Foreign currency translation adjustment	(985)
Remeasurements of defined benefit plans	5,396
Total other comprehensive income	35,371
Comprehensive income	89,169
(Breakdown of comprehensive income)	
Comprehensive income attributable to owners of parent	61,106
Comprehensive income attributable to non-controlling interests	28,062

(3) Notes on quarterly consolidated financial statements

(Notes related to the going concern assumption)

There is no related information.

(Notes on significant fluctuation in amounts of shareholders' equity)

Third quarter cumulative for the first nine months of the year (January 1, 2017 - September 30, 2017)

1. Payment of cash dividends

Resolution	Share type	Total amount of dividends (¥ thousands)	Dividend per share (¥)	Date of record	Effective date	Source of dividends
March 28, 2017 Ordinary general meeting of shareholders	Common shares	69,472	3.00	December 31, 2016	March 29, 2017	Retained earnings

2. Dividends for which the date of record was the third quarter (cumulative for the first nine months of the year) in which the effective date of the dividends followed the final day of the third quarter

No applicable items.

(Segment information, etc.)

(Segment information)

Third quarter cumulative for the first nine months of the year (January 1, 2017 – September 30, 2017)

Information regarding sales and income (loss) by reportable segment

(Thousands of yen)

	Reportable segment		Total	Adjustment (Note 1)	Carried on quarterly consolidated financial statements (Note 2)
	Information Communications	Equipment			
Net sales					
Sales to external customers	3,043,801	2,479,277	5,523,078	—	5,523,078
Intersegment sales and transfers	4,153	23,183	27,336	(27,336)	—
Total	3,047,954	2,502,460	5,550,415	(27,336)	5,523,078
Segment income (loss)	121,540	(19,516)	102,024	(4,714)	97,310

Notes:

1. Adjustments of segment income of -¥4,714,000 are due to the elimination of intersegment transactions.
2. Some adjustments were made between segment income and operating profit recorded in the quarterly consolidated financial statements.
3. Effective from the first quarter of the fiscal year under review, the Company has changed the name of one reportable business segment. The Mobile Communications segment has been renamed the Information Communications segment. This is a name change only and there is no impact on segment information.