

COMSYS Holdings Corporation

Consolidated Financial Results for the First Quarter Ended June 30, 2020 Under Japanese GAAP

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 Stock Exchange Listings: First Section of Tokyo Stock Exchange (Securities code: 1721)
 URL: <https://www.comsys-hd.co.jp>
 Representative: Takashi Kagaya, President and Representative Director
 For Inquiry: Hidehiko Ozaki, Director and General Manager of Finance & Accounting Department (Telephone:81-3-3448-7000)
 Scheduled Filing of Quarterly Securities Report: August 7, 2020
 Scheduled Commencement of Dividend Payment: —
 Supplementary Materials on Quarterly Results: Attached
 IR Presentation on Quarterly Results: Not scheduled

Amounts less than one million yen have been omitted.

1. Consolidated Financial Results (for the three months ended June 30, 2020)

(1) Consolidated Operating Results

(Millions of yen, except per share data and percentages)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)
Three months ended June 30, 2020	¥104,703	(6.4)%	¥3,637	(26.9)%	¥4,182	(24.1)%	¥2,891	(17.6)%
Three months ended June 30, 2019	111,906	36.0	4,976	23.1	5,511	29.7	3,509	26.0

Notes: 1. Comprehensive income: Three months ended June 30, 2020: ¥3,485 million [26.0%] Three months ended June 30, 2019: ¥2,767 million [(18.2%)]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Primary Earnings per Share	Diluted Earnings per Share
Three months ended June 30, 2020	¥22.80	¥22.75
Three months ended June 30, 2019	27.20	27.12

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2020	¥423,046	¥309,092	72.3%
As of March 31, 2020	450,043	310,694	68.3

(Reference) Shareholders' Equity: As of June 30, 2020: ¥305,943 million As of March 31, 2020: ¥307,553 million

2. Cash Dividends for Shareholders of Common Stock

(Yen)

	Cash Dividends per Share over the Fiscal Year				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-End	Annual
Year ended March 31, 2020	¥ —	¥35.00	¥ —	¥40.00	¥75.00
Year ending March 31, 2021	—				
Year ending March 31, 2021 (Forecast)		40.00	—	40.00	80.00

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending March 31, 2021)

(Millions of yen, except per share data and percentages)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Primary Earnings per Share
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount
Year ending March 31, 2021	¥560,000	(0.2)%	¥38,000	(2.4)%	¥38,500	(3.9)%	¥25,500	(1.9)%	¥201.05

Notes: 1. Most recently announced revisions to consolidated earnings forecast: No
 2. For fiscal-year figures, percentages indicate the percentage change from the previous fiscal year.

***Notes:**

- (1) Changes in significant subsidiaries during the period under review (changes to subsidiaries that would alter the scope of consolidation): No
- (2) Adoption of accounting methods specific to quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements due to error correction
- a) Changes in accounting policies due to revisions of accounting standards: No
 - b) Changes in accounting policies due to other reasons: No
 - c) Changes in accounting estimates: No
 - d) Restatements of prior period financial statements due to error correction: No

(4) Number of shares issued (common shares)

	As of June 30, 2020	As of March 31, 2020
a) Number of shares issued (including treasury shares)	141,000,000 shares	141,000,000 shares
b) Number of treasury shares	14,358,886 shares	14,164,947 shares
	Three months ended June 30, 2020	Three months ended June 30, 2019
c) Average number of shares issued in the period	126,811,606 shares	129,018,696 shares

**This Quarterly Consolidated Financial Results report has not been subjected to quarterly review procedures by certified public accountants or an audit corporation.*

****Disclaimer concerning the Proper Use of Business Results Forecasts and Other Relevant Specific Items***

Forward-looking statements including earnings forecasts contained in this document are based on certain reasonable assumptions and beliefs in light of information currently available to management. Readers are advised that actual results may differ materially from forecasts due to a variety of factors. With respect to the conditions that underpin earnings forecasts as well as cautionary statements regarding the proper use of earnings forecasts, please refer to “(3) Discussion of Forward-Looking Information, including Consolidated Earnings Forecasts” under “1. Qualitative Information Regarding Consolidated Financial Results for the Period under Review” of this Consolidated Financial Results report in the Accompanying Materials section on page 3.

Accompanying Materials

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

(1) Discussion of Operating Results

During the cumulative first quarter period (April 1, 2020 to June 30, 2020) of the current fiscal year ending March 31, 2021, the Japanese economy faced extremely challenging conditions because of the sharp economic downturn resulting from the impact of the COVID-19 pandemic. Although the level of social and economic activities has been recovering in Japan while infection control measures are taken, it will be necessary to monitor the impact of the disease on the Japanese and overseas economy and turbulence in financial and capital markets, and the uncertain outlook is expected to continue for the time being.

As for the business environment surrounding the COMSYS Group, in the information and communications field, there is network construction going on in response to the acceleration of society-wide digital transformation (DX), including digitization, automation, and AI utilization, as well as development of base stations for full-scale 5G services and upgrading of networks. In the public and private sectors, social infrastructure investment is expected to grow. This includes the strengthening of disaster prevention and mitigation measures and building national resilience in response to increasingly severe and frequent natural disasters. This social infrastructure investment is also focused on renewable energy policies aimed at a decarbonized society. In addition, investment related to ICT is expected to increase steadily, including remote services, such as telework, telemedicine, and distance education, as well as responding to the GIGA School Concept.

The COMSYS Group worked for top-line expansion by strengthening sales in the renewable energy segment, such as solar and biomass, and in the IT Solutions segment, such as GIGA School, through Group-wide sales collaboration utilizing the virtual company. It will continue working on the integration of IT platforms and optimization of function allocation to optimize the Group as a whole as well as making efforts to increase Group-wide productivity utilizing DX and other means.

Under these circumstances, orders received in the first quarter period decreased 7.0% year on year to ¥129,939 million, and net sales decreased 6.4% year on year to ¥104,703 million. This was mainly due to the impact of the pandemic. Although the COMSYS Group, including its affiliates, continued its business activities with full consideration for the health of employees and infection control, there were fewer opportunities to obtain orders due to a decrease in social and economic activities and prolonged construction periods caused by temporary restrictions on entry to construction sites and delays in deliveries of construction materials. From a profit perspective, operating profit decreased by 26.9% year on year to ¥3,637 million, while profit attributable to owners of parent decreased 17.6% year on year to ¥2,891 million.

(2) Discussion of Financial Position

Total assets as of June 30, 2020 amounted to ¥423,046 million, down ¥26,996 million compared with the end of the previous fiscal year. This was mainly attributable to a decrease in notes receivable, accounts receivable from completed construction and other. Liabilities decreased by ¥25,395 million compared with the end of the previous fiscal year, to ¥113,954 million. This was largely attributable to a decrease in notes payable, accounts payable for construction contracts and other.

Net assets decreased by ¥1,601 million compared with the end of the previous fiscal year, to ¥309,092 million. This was primarily attributable to dividends from retained earnings.

In accordance with each of the aforementioned factors, the equity ratio stood at 72.3%, compared with 68.3% at the end of the previous fiscal year.

(3) Discussion of Forward-Looking Information, Including Consolidated Earnings Forecasts

There are no changes in the consolidated earnings forecast for the full fiscal year ending March 31, 2021 published in “COMSYS Holdings Announces Revision to Earnings Forecast” dated May 13, 2020.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2020	As of June 30, 2020
ASSETS		
Current assets:		
Cash and deposits	35,992	66,449
Notes receivable, accounts receivable		
from completed construction contracts and other	177,267	105,235
Costs on construction contracts in progress	26,070	36,778
Other inventories	5,787	6,434
Other current assets	12,097	14,383
Allowance for doubtful accounts	(135)	(112)
Total current assets	257,080	229,167
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	42,683	42,740
Land	67,285	67,834
Other, net	28,644	29,581
Total property, plant and equipment	138,612	140,156
Intangible assets		
Goodwill	3,902	3,901
Other intangible assets	3,940	3,755
Total intangible assets	7,842	7,656
Investments and other assets:		
Investment securities	26,084	25,794
Other assets	20,774	20,654
Allowance for doubtful accounts	(352)	(384)
Total investments and other assets	46,507	46,064
Total non-current assets	192,962	193,878
Total assets	450,043	423,046

	Millions of yen	
	As of March 31, 2020	As of June 30, 2020
LIABILITIES		
Current liabilities:		
Notes payable, accounts payable for construction contracts and other	80,289	56,199
Short-term borrowings	7,038	7,215
Income taxes payable	5,318	782
Advances received on construction contracts in progress	5,097	7,617
Allowances	963	933
Other current liabilities	19,335	19,733
Total current liabilities	118,042	92,481
Non-current liabilities:		
Long-term borrowings	1,107	1,104
Deferred tax liabilities for land revaluation	1,315	1,315
Retirement benefit liability	14,123	14,153
Provision for retirement benefits for directors (and other officers)	587	561
Other long-term liabilities	4,173	4,337
Total non-current liabilities	21,307	21,472
Total liabilities	139,349	113,954
NET ASSETS		
Shareholders' equity:		
Share capital	10,000	10,000
Capital surplus	92,203	92,247
Retained earnings	241,033	239,391
Treasury shares	(27,125)	(27,771)
Total shareholders' equity	316,111	313,866
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,264	1,809
Deferred gains or losses on hedges	(12)	(13)
Revaluation reserve for land	(8,028)	(8,028)
Remeasurements of defined benefit plans	(1,780)	(1,690)
Total accumulated other comprehensive income	(8,557)	(7,922)
Share acquisition rights	652	694
Non-controlling interests	2,487	2,454
Total net assets	310,694	309,092
Total liabilities and net assets	450,043	423,046

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

	Millions of yen	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	111,906	104,703
Cost of sales	98,207	92,619
Gross profits	13,699	12,084
Selling, general and administrative expenses	8,723	8,446
Operating profit	4,976	3,637
Non-operating income:		
Interest income	6	6
Dividend income	412	483
Rental income from non-current assets	86	90
Other	110	158
Total non-operating income	615	738
Non-operating expenses:		
Interest expenses	14	9
Rent expenses	51	52
COVID-19 related expenses	—	87
Other	14	44
Total non-operating expenses	79	193
Ordinary profit	5,511	4,182
Extraordinary income:		
Gain on sales of investment securities	3	183
Gain on sales of non-current assets	18	2
Gain on transfer of business	—	273
Other	12	69
Total extraordinary income	33	527
Extraordinary losses:		
Loss on retirement of non-current assets	9	2
Loss on valuation of investment securities	15	—
Special retirement expenses	23	26
Loss on sales of shares of subsidiaries and associates	—	22
Other	10	12
Total extraordinary losses	58	64
Profit before income taxes	5,486	4,645
Income taxes	1,974	1,805
Profit	3,511	2,840
Profit (loss) attributable to non-controlling interests	2	(51)
Profit attributable to owners of parent	3,509	2,891

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	3,511	2,840
Other comprehensive income:		
Valuation difference on available-for-sale securities	(729)	556
Deferred gains or losses on hedges	(0)	(1)
Remeasurements of defined benefit plans	(15)	90
Total other comprehensive income (loss)	(744)	645
Comprehensive income	2,767	3,485
(Breakdown)		
Comprehensive income attributable to owners of parent	2,759	3,525
Comprehensive income (loss) attributable to non-controlling interests	7	(40)