

COMSYS Holdings Corporation

Consolidated Financial Results for the Second Quarter Ended September 30, 2020 Under Japanese GAAP

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 Stock Exchange Listings: First Section of Tokyo Stock Exchange (Securities code: 1721)
 URL: <http://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: November 10, 2020
 Scheduled Commencement of Dividend Payment: December 3, 2020
 Supplementary Materials on Quarterly Results: Attached
 IR Presentation on Quarterly Results: Scheduled (For Institutional Investors and Analysts)

Amounts less than one million yen have been omitted.

1. Consolidated Financial Results (for the six months ended September 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 (%)
Six months ended September 30, 2020	¥234,262	(3.6)%	¥12,402	(4.3)%	¥12,934	(5.1)%	¥8,934	0.9%
Six months ended September 30, 2019	243,024	36.6	12,959	18.1	13,631	21.4	8,855	24.2

Notes: 1. Comprehensive income: Six months ended September 30, 2020: ¥10,621 million [24.3%] Six months ended September 30, 2019: ¥8,542 million [8.5%]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Primary Earnings per Share	Diluted Earnings per Share
Six months ended September 30, 2020	¥70.59	¥70.44
Six months ended September 30, 2019	68.79	68.61

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2020	¥429,184	¥314,314	72.5%
As of March 31, 2020	450,043	310,694	68.3

(Reference) Shareholders' Equity: As of September 30, 2020: ¥311,168 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	—	40.00			
Year ending March 31, 2021 (Forecast)			—	45.00	85.00

Note: Most recently announced revisions to dividend forecast: Yes*

*For details, please see our notice concerning revision of dividend forecast for the fiscal year ending March 31, 2021 published November 6, 2020. (Available in Japanese only.)

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 stock)

	<u>As of September 30, 2020</u>	<u>As of March 31, 2020</u>
a) Number of shares issued (including treasury stock)	141,000,000 shares	141,000,000 shares
b) Number of treasury stock	14,972,612 shares	14,164,947 shares
	<u>Six months ended September 30, 2020</u>	<u>Six months ended September 30, 2019</u>
c) Average number of shares issued in the period	126,559,675 shares	128,737,967 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 second quarter (April 1, 2020 to September 30, 2020) of the current fiscal year ending March 31, 2021, the Japanese economy continued to face challenging conditions due to the impact of COVID-19. Although the level of social and economic activities has been gradually increasing while infection control measures are being taken and some areas are showing signs of recovery, the business outlook is expected to remain uncertain. It will be necessary to monitor infection trends and turbulence in financial and capital markets in Japan and overseas.

As for the business environment surrounding the COMSYS Group, in the information and communications field, there is an urgent need for the development of high-speed, high-volume telecommunications infrastructure to support society-wide digitization, while network construction and enhancement is being implemented, including the installation of base stations for 5G services and the development of optical fiber networks. In the public and private sectors, social infrastructure investment is expected to grow. This includes investment in developing the ICT environment, such as the use of data in distance education and the medical and healthcare sectors and various data collaborations among local governments. Investment is also expected to increase in the strengthening of disaster prevention and mitigation measures in response to increasingly severe and frequent natural disasters, measures to address the aging of public infrastructure such as roads and bridges, and renewable energy policies aimed at a decarbonized society.

The COMSYS Group worked to strengthen the construction capability in order to respond to the development of communications infrastructure, including 5G. Also, through Group-wide sales collaboration utilizing the virtual company structure, the Group strengthened sales activities and expanded its business domains in the IT Solutions segment, such as GIGA School initiatives, and the renewable energy segment, including solar and biomass. Going forward, the Group will accelerate the structural reform aimed at total group-wide optimization leveraging digital transformation (DX) and other means.

Under these circumstances, although 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 due to COVID-19, the COMSYS Group, including its affiliates, continued its business activities with full consideration for the health of employees and infection control, and business performance gradually improved in the latter part of the period as the impact of COVID-19 decreased. As a result, orders received in the cumulative second quarter period decreased 12.3% year on year to ¥279,520 million, which was partly attributable to the decline from the high level of orders received in the previous fiscal year, and net sales decreased 3.6% year on year to ¥234,262 million. From a profit perspective, operating profit decreased by 4.3% year on year to ¥12,402 million, while profit attributable to owners of parent increased 0.9% year on year to ¥8,934 million.

(2) Discussion of Financial Position

Total assets as of September 30, 2020 amounted to ¥429,184 million, down ¥20,858 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 contracts and other. Liabilities decreased by ¥24,479 million compared with the end of the previous fiscal year, to ¥114,869 million. This was largely attributable to a decrease in notes payable, accounts payable for construction contracts and other.

Net assets increased by ¥3,620 million compared with the end of the previous fiscal year, to ¥314,314 million. This was primarily the result of an increase in retained earnings due to profit attributable to owners of parent and the purchase of treasury stock.

In accordance with each of the aforementioned factors, the equity ratio stood at 72.5%, 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 September 30, 2020
ASSETS		
Current assets:		
Cash and deposits	35,992	48,827
Notes receivable, accounts receivable from completed construction contracts and other	177,267	122,201
Inventories:		
Costs on construction contracts in progress	26,070	41,985
Other	5,787	6,578
Other current assets	12,097	15,006
Allowance for doubtful accounts	(135)	(163)
Total current assets	257,080	234,436
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	42,683	42,261
Land	67,285	67,921
Other, net	28,644	29,877
Total property, plant and equipment	138,612	140,060
Intangible assets		
Goodwill	3,902	3,614
Other intangible assets	3,940	4,001
Total intangible assets	7,842	7,615
Investments and other assets:		
Investment securities	26,084	27,195
Other assets	20,774	20,246
Allowance for doubtful accounts	(352)	(370)
Total investments and other assets	46,507	47,071
Total non-current assets	192,962	194,747
Total assets	450,043	429,184

	Millions of yen	
	As of March 31, 2020	As of September 30, 2020
LIABILITIES		
Current liabilities:		
Notes payable, accounts payable for construction contracts and other	80,289	60,278
Short-term borrowings	7,038	5,720
Income taxes payable	5,318	3,688
Advances received on construction contracts in progress	5,097	9,217
Allowances	963	842
Other current liabilities	19,335	13,638
Total current liabilities	118,042	93,386
Non-current liabilities:		
Long-term borrowings	1,107	905
Deferred tax liabilities for land revaluation	1,315	1,348
Retirement benefit liability	14,123	14,287
Provision for retirement benefits for directors (and other officers)	587	560
Other long-term liabilities	4,173	4,382
Total non-current liabilities	21,307	21,483
Total liabilities	139,349	114,869
NET ASSETS		
Shareholders' equity:		
Share capital	10,000	10,000
Capital surplus	92,203	92,336
Retained earnings	241,033	245,433
Treasury shares	(27,125)	(29,785)
Total shareholders' equity	316,111	317,983
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,264	2,878
Deferred gains or losses on hedges	(12)	(44)
Revaluation reserve for land	(8,028)	(8,028)
Remeasurements of defined benefit plans	(1,780)	(1,620)
Total accumulated other comprehensive income	(8,557)	(6,814)
Share acquisition rights	652	706
Non-controlling interests	2,487	2,439
Total net assets	310,694	314,314
Total liabilities and net assets	450,043	429,184

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

	Millions of yen	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	243,024	234,262
Cost of sales	212,630	205,351
Gross profits	30,393	28,910
Selling, general and administrative expenses	17,434	16,508
Operating profit	12,959	12,402
Non-operating income:		
Interest income	13	11
Dividend income	429	513
Rental income from non-current assets	164	148
Other	217	231
Total non-operating income	824	904
Non-operating expenses:		
Interest expenses	27	18
Rent expenses	92	80
COVID-19 related expenses	—	192
Other	31	81
Total non-operating expenses	152	372
Ordinary profit	13,631	12,934
Extraordinary income:		
Gain on sales of investment securities	39	681
Gain on sales of non-current assets	23	6
Gain on transfer of business	—	273
Compensation income	84	6
Other	13	72
Total extraordinary income	161	1,039
Extraordinary losses:		
Loss on retirement of non-current assets	28	14
Special retirement expenses	70	50
Impairment loss	—	78
Other	54	66
Total extraordinary losses	152	209
Profit before income taxes	13,640	13,763
Income taxes	4,722	4,894
Profit	8,918	8,869
Profit (loss) attributable to non-controlling interests	62	(64)
Profit attributable to owners of parent	8,855	8,934

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	8,918	8,869
Other comprehensive income:		
Valuation difference on available-for-sale securities	(344)	1,624
Deferred gains or losses on hedges	0	(32)
Remeasurements of defined benefit plans	(31)	160
Total other comprehensive income (loss)	(375)	1,752
Comprehensive income	8,542	10,621
(Breakdown)		
Comprehensive income attributable to owners of parent	8,478	10,676
Comprehensive income (loss) attributable to non-controlling interests	64	(54)

(Significant Subsequent Event)

Acquisition of Treasury Stock

The meeting of the Board of Directors held on November 6, 2020 resolved as follows on the matters related to the acquisition of treasury stock in accordance with Article 156 of Japan's Companies Act, as applied pursuant to paragraph 3, Article 165 of the Act.

(1) Reason for Purchase of Treasury Shares

The Company will acquire treasury stock in order to facilitate enhancement of shareholder returns and the execution of flexible capital policies that respond to changes in the corporate environment.

(2) Details of Matter Related to the Acquisition

1) Type of Shares to be Acquired	Common shares of the Company
2) Total Number of Shares to be Acquired	Up to 2,000,000 shares
3) Total Acquisition Price	Up to ¥4,000,000,000
4) Acquisition Period	From November 9, 2020 to March 31, 2021
5) Method of Acquisition	Market purchase on the Tokyo Stock Exchange