

COMSYS Holdings Corporation

Consolidated Financial Results for the Third Quarter Ended December 31, 2021 Under Japanese GAAP

Head Office: 17-1, Higashigotanda 2-chome, Shinagawa-ku, Tokyo 141-8647, Japan
 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: February 14, 2022
 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 nine months ended December 31, 2021) (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
Nine months ended December 31, 2021	¥389,873	5.1%	¥27,875	23.2%	¥28,866	21.1%	¥19,046	13.5%
Nine months ended December 31, 2020	370,817	(1.1)	22,624	6.9	23,832	7.3	16,786	16.1

Notes: 1. Comprehensive income: Nine Months Ended December 31, 2021: ¥19,292 million [7.9%] Nine Months Ended December 31, 2020: ¥17,872 million [18.8%]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Primary Earnings per Share	Diluted Earnings per Share
Nine months ended December 31, 2021	¥153.09	¥152.85
Nine months ended December 31, 2020	132.77	132.50

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of December 31, 2021	¥504,759	¥336,073	65.5%
As of March 31, 2021	479,419	330,807	68.3

(Reference) Shareholders' Equity: As of December 31, 2021: ¥330,783 million As of March 31, 2021: ¥327,554 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, 2021	¥ —	¥40.00	¥ —	¥45.00	¥85.00
Year ending March 31, 2022	—	45.00	—		
Year ending March 31, 2022 (Forecast)				50.00	95.00

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending March 31, 2022)

(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, 2022	¥580,000	3.0%	¥43,000	3.4%	¥43,500	1.3%	¥29,000	(1.3)%	¥231.93

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: Yes
- 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)

	<u>As of December 31, 2021</u>	<u>As of March 31, 2021</u>
a) Number of shares issued (including treasury shares)	141,000,000 shares	141,000,000 shares
b) Number of treasury shares	17,640,740 shares	15,961,855 shares
	<u>Nine Months Ended December 31, 2021</u>	<u>Nine Months Ended December 31, 2020</u>
c) Average number of shares issued in the period	124,415,765 shares	126,426,841 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 third quarter (April 1, 2021 to December 31, 2021) of the current fiscal year ending March 31, 2022, the Japanese economy continued to face challenging conditions due to the impact of COVID-19. Although a recovery in the economy is expected due to measures against infection such as the promotion of vaccinations and maintenance of social and economic activities, it will be necessary to continue monitoring impact from the spread of virus variants, supply side constraints, including shortages of semiconductors and various other parts and materials, and turbulence in financial and capital markets.

As for the business environment surrounding the COMSYS Group, in the information and communications field, the development of fiber optic networks was promoted, including installation of 5G wireless base stations and the High-Speed Wireless Environment Maintenance Promotion Project, forming an important piece of core social infrastructure for the realization of high-speed, large capacity digital services. In the public and private sectors, investment in the development of social infrastructure has been proceeding. This includes expanding installation of renewable energy, particularly solar power, to achieve carbon neutrality. Other investment in the development of social infrastructure includes disaster prevention and mitigation measures in response to increasingly severe and frequent natural disasters, as well as measures aimed at developing national resilience and addressing the accelerated aging of infrastructure. In the IT solutions field, the expansion of AI, IoT, cloud computing and other ICT-related investment is expected, including the development of data platforms, due to the promotion of digital transformation (DX), including digitalization and data-driven collaboration across various fields such as healthcare, education, government, and finance.

In the period under review, the COMSYS Group conducted its business activities with thorough infection control measures for COVID-19 in place, utilization of teleworking, and other strategies. In the communications infrastructure field, the COMSYS Group worked to increase productivity by optimizing Group resources and ensuring rigorous operational management in order to respond to nationwide projects amid the accelerating construction of digital communications infrastructure. In the IT solutions and social system-related field, the Group strengthened Group-wide sales collaboration utilizing the virtual company structure to increase orders and expanded business domains through M&A (FUJIKI Corporation became a consolidated subsidiary in November 2021). Going forward, the Group will continue working to strengthen its management base by developing a structure with the optimal resource shifts in response to the business environment, implementing structural reform utilizing DX, and deepening workstyle reform to accommodate diverse workstyles.

Under these circumstances, orders received in the cumulative third quarter period decreased 6.1% year on year to ¥403,488 million, and net sales increased 5.1% year on year to ¥389,873 million. From a profit perspective, operating profit increased by 23.2% year on year to ¥27,875 million, while profit attributable to owners of parent increased 13.5% year on year to ¥19,046 million.

(2) Discussion of Financial Position

Total assets as of December 31, 2021 amounted to ¥504,759 million, up ¥25,340 million compared with the end of the previous fiscal year. This was mainly attributable to an increase in costs on construction contracts in progress and other. Liabilities increased by ¥20,074 million compared with the end of the previous fiscal year, to ¥168,686 million. This was largely attributable to an increase in short-term borrowings and other.

Net assets increased by ¥5,265 million compared with the end of the previous fiscal year, to ¥336,073 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 shares.

In accordance with each of the aforementioned factors, the equity ratio stood at 65.5%, 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, 2022 published in "COMSYS Holdings Announces Revision to Earnings Forecast" dated May 14, 2021.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2021	As of December 31, 2021
ASSETS		
Current assets:		
Cash and deposits	33,259	43,647
Notes receivable, accounts receivable		
from completed construction contracts and other	194,671	161,686
Costs on construction contracts in progress	28,178	72,443
Other inventories	6,261	5,954
Other current assets	16,629	17,778
Allowance for doubtful accounts	(139)	(106)
Total current assets	278,860	301,403
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	43,679	45,468
Land	67,483	70,778
Other, net	29,531	29,696
Total property, plant and equipment	140,694	145,943
Intangible assets		
Goodwill	3,062	2,510
Other intangible assets	4,414	5,336
Total intangible assets	7,477	7,847
Investments and other assets:		
Investment securities	25,098	23,280
Other assets	27,714	26,700
Allowance for doubtful accounts	(425)	(414)
Total investments and other assets	52,387	49,566
Total non-current assets	200,559	203,356
Total assets	479,419	504,759

	Millions of yen	
	As of March 31, 2021	As of December 31, 2021
LIABILITIES		
Current liabilities:		
Notes payable, accounts payable for construction contracts and other	87,812	63,069
Short-term borrowings	5,141	35,319
Income taxes payable	9,251	1,062
Advances received on construction contracts in progress	5,346	22,464
Allowances	1,226	1,692
Other current liabilities	19,451	22,383
Total current liabilities	128,229	145,991
Non-current liabilities:		
Long-term borrowings	464	1,011
Deferred tax liabilities for land revaluation	1,303	1,303
Retirement benefit liability	13,535	14,547
Provision for retirement benefits for directors (and other officers)	612	684
Provision for environmental measures	—	400
Other long-term liabilities	4,466	4,747
Total non-current liabilities	20,382	22,694
Total liabilities	148,611	168,686
NET ASSETS		
Shareholders' equity:		
Share capital	10,000	10,000
Capital surplus	92,552	92,696
Retained earnings	260,846	268,792
Treasury shares	(33,284)	(38,307)
Total shareholders' equity	330,114	333,181
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	3,322	3,258
Deferred gains or losses on hedges	0	0
Revaluation reserve for land	(8,046)	(8,046)
Remeasurements of defined benefit plans	2,163	2,390
Total accumulated other comprehensive income	(2,559)	(2,397)
Share acquisition rights	764	763
Non-controlling interests	2,489	4,525
Total net assets	330,807	336,073
Total liabilities and net assets	479,419	504,759

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

	Millions of yen	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	370,817	389,873
Cost of sales	323,334	336,123
Gross profits	47,482	53,750
Selling, general and administrative expenses	24,857	25,874
Operating profit	22,624	27,875
Non-operating income:		
Interest income	17	17
Dividend income	1,131	840
Rental income from non-current assets	216	208
Other	374	364
Total non-operating income	1,739	1,430
Non-operating expenses:		
Interest expenses	24	18
Rent expenses	116	117
COVID-19 related expenses	261	122
Other	130	181
Total non-operating expenses	532	439
Ordinary profit	23,832	28,866
Extraordinary income:		
Gain on sales of investment securities	2,294	219
Gain on sales of non-current assets	24	21
Gain on extinguishment of tie-in shares	—	182
Gain on bargain purchase	—	170
Gain on transfer of business	273	210
Other	117	63
Total extraordinary income	2,709	867
Extraordinary losses:		
Loss on retirement of non-current assets	33	61
Business structure reform expenses	—	252
Impairment loss	711	—
Provision of allowance for loss on compensation	—	444
Other	208	170
Total extraordinary losses	952	928
Profit before income taxes	25,588	28,804
Income taxes	8,801	9,677
Profit	16,787	19,126
Profit attributable to non-controlling interests	0	79
Profit attributable to owners of parent	16,786	19,046

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	16,787	19,126
Other comprehensive income:		
Valuation difference on available-for-sale securities	906	(61)
Deferred gains or losses on hedges	(50)	(0)
Remeasurements of defined benefit plans	228	227
Total other comprehensive income	1,085	165
Comprehensive income	17,872	19,292
(Breakdown)		
Comprehensive income attributable to owners of parent	17,860	19,209
Comprehensive income attributable to non-controlling interests	11	82