

COMSYS Holdings Corporation

Consolidated Financial Results for the Second Quarter Ended September 30, 2022 Under Japanese GAAP

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 Stock Exchange Listings: Prime Market 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 Department (Telephone:81-3-3448-7000)
 Scheduled Filing of Quarterly Securities Report: November 11, 2022
 Scheduled Commencement of Dividend Payment: December 5, 2022
 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, 2022)

(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, 2022	¥230,867	(9.0)%	¥ 9,474	(47.6)%	¥10,209	(45.4)%	¥ 6,537	(47.2)%
Six months ended September 30, 2021	253,746	8.3	18,079	45.8	18,711	44.7	12,375	38.5

Notes: 1. Comprehensive income: Six months ended September 30, 2022: ¥6,397 million [(49.8)%] Six months ended September 30, 2021: ¥12,741 million [20.0%]
 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, 2022	¥53.45	¥53.41
Six months ended September 30, 2021	99.19	99.00

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2022	¥491,640	¥342,029	68.5%
As of March 31, 2022	524,062	343,489	64.5

(Reference) Shareholders' Equity: As of September 30, 2022: ¥336,853 million As of March 31, 2022: ¥338,031 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, 2022	¥ —	¥45.00	¥ —	¥50.00	¥95.00
Year ending March 31, 2023	—	50.00			
Year ending March 31, 2023 (Forecast)			—	50.00	100.00

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending March 31, 2023)

(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, 2023	¥580,000	(1.5)%	¥38,000	(11.6)%	¥39,000	(11.4)%	¥26,000	(11.0)%	¥213.44

Notes: 1. Most recently announced revisions to consolidated earnings forecast: Yes
 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, 2022</u>	<u>As of March 31, 2022</u>
a) Number of shares issued (including treasury stock)	141,000,000 shares	141,000,000 shares
b) Number of treasury stock	19,185,696 shares	18,575,585 shares
	<u>Six months ended September 30, 2022</u>	<u>Six months ended September 30, 2021</u>
c) Average number of shares issued in the period	122,305,469 shares	124,765,183 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***

- 1. 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 4.*
- 2. The Company plans to stream a video of the results briefing for institutional investors and analysts on Wednesday, November 16, 2022 (available only in Japanese). The materials for the briefing will be uploaded to the corporate website before the video is streamed.*

Accompanying Materials

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

(1) Discussion of Operating Results

During the cumulative second quarter period (April 1, 2022 to September 30, 2022), the Japanese economy was expected to recover as the impact of COVID-19 weakened and social and economic activity began to normalize. However, it was necessary to continue monitoring case numbers and outbreaks of virus variants, the soaring prices for raw materials due to the prolonged situation in Ukraine and the rapid depreciation of the yen, supply side constraints including shortages of various parts and materials, and turbulence in financial and capital markets.

As for the business environment surrounding the COMSYS Group, in the communications infrastructure field, the development and expansion of ultra-high-speed, high-capacity 5G continued as part of the infrastructure for realizing the Japanese government's Vision for a Digital Garden City Nation. In the social infrastructure field, there were three trends: anticipated expansion of domestic investment to further promote disaster prevention and mitigation; national resilience measures in response to increasingly severe and frequent natural disasters; and the effort to achieve carbon neutrality, including the adoption of renewable energy as the main source of power. In the IT solutions field, there was expansion in investment related to ICT including AI, IoT, and cloud computing, driven by the need to strengthen data infrastructure essential for building a digital society amid the transformation of society as a whole. The development of digital infrastructure related to government administration, healthcare, education, and disaster prevention also moved forward.

The COMSYS Group faced a challenging business environment in the communications infrastructure field, including a decrease in large-scale projects in areas such as the High-Speed Wireless Environment Maintenance Promotion Project, as well as in mobile-related construction. In these circumstances, the COMSYS Group worked to increase productivity by optimizing the use of Group resources and integrating operations through a Group-wide standardization of construction-related systems. In the growth IT solutions and social system-related fields, there were negative factors such as delays in the progress of construction due to delayed supply of parts and materials, and a decline in profitability due to soaring prices of raw materials. However, the Group worked to increase orders received by strengthening Group-wide sales collaboration using the virtual company structure and to expand business domains through M&A, as WORLD ECO Corporation became a subsidiary in July 2022. The Group will continue working to strengthen its management foundation, including the operational organization, in response to the business environment, DX-based structural reform, and ongoing workstyle reform to accommodate diverse workstyles. The Group also established the Sustainability Committee in July 2022 and will help to build the global society envisioned by the SDGs while striving for the sustainable growth of the COMSYS Group.

Under these circumstances, orders received in the second quarter period decreased 1.7% year on year to ¥267,805 million, due in part to the decline from the high level of large-scale project orders received in the previous fiscal year, and net sales decreased 9.0% year on year to ¥230,867 million. From a profit perspective, operating profit decreased by 47.6% year on year to ¥9,474 million, while profit attributable to owners of parent decreased 47.2% year on year to ¥6,537 million.

(2) Discussion of Financial Position

Total assets as of September 30, 2022 amounted to ¥491,640 million, down ¥32,422 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 ¥30,962 million compared with the end of the previous fiscal year, to ¥149,610 million. This was largely attributable to a decrease in notes payable, accounts payable for construction contracts and other.

Net assets decreased by ¥1,460 million compared with the end of the previous fiscal year, to ¥342,029 million. This was primarily attributable to the purchase of treasury shares, which more than offset the increase in earnings resulting from the recording of profit attributable to owners of parent.

In accordance with each of the aforementioned factors, the equity ratio stood at 68.5%, compared with 64.5% at the end of the previous fiscal year.

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

The full-year consolidated earnings forecast for the fiscal year ending March 31, 2023 has been downwardly revised from the previously published earnings forecast in light of recent trends, including delays in the progress of construction due to supply delays of construction parts and materials and a decrease in profitability due to soaring prices of raw materials. Please see “COMSYS Group Announces Revision of Consolidated Earnings Forecast” published on November 10, 2022 for details (available only in Japanese).

The COMSYS Group will continue working for a recovery in earnings, by rigorously managing construction progress, reducing costs, and taking other measures.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2022	As of September 30, 2022
ASSETS		
Current assets:		
Cash and deposits	35,107	41,645
Notes receivable, accounts receivable from completed construction contracts and other	222,954	151,099
Inventories:		
Costs on construction contracts in progress	46,027	72,410
Other	5,544	6,536
Other current assets	12,692	18,308
Allowance for doubtful accounts	(109)	(106)
Total current assets	322,216	289,892
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	45,338	44,396
Land	70,714	70,371
Other, net	29,329	28,724
Total property, plant and equipment	145,382	143,492
Intangible assets		
Goodwill	2,261	2,193
Other intangible assets	5,587	5,248
Total intangible assets	7,848	7,442
Investments and other assets:		
Investment securities	22,890	25,228
Other assets	26,135	26,006
Allowance for doubtful accounts	(411)	(422)
Total investments and other assets	48,615	50,812
Total non-current assets	201,846	201,747
Total assets	524,062	491,640

	Millions of yen	
	As of March 31, 2022	As of September 30, 2022
LIABILITIES		
Current liabilities:		
Notes payable, accounts payable for construction contracts and other	87,514	64,991
Short-term borrowings	31,845	19,415
Income taxes payable	4,967	3,525
Advances received on construction contracts in progress	11,585	21,073
Allowances	2,757	3,478
Other current liabilities	20,093	15,615
Total current liabilities	158,764	128,100
Non-current liabilities:		
Long-term borrowings	486	238
Deferred tax liabilities for land revaluation	1,213	1,213
Retirement benefit liability	14,200	14,334
Provision for retirement benefits for directors (and other officers)	628	537
Provision for environmental measures	400	400
Other long-term liabilities	4,880	4,786
Total non-current liabilities	21,809	21,510
Total liabilities	180,573	149,610
NET ASSETS		
Shareholders' equity:		
Share capital	10,000	10,000
Capital surplus	92,700	93,113
Retained earnings	279,157	279,573
Treasury shares	(40,851)	(42,794)
Total shareholders' equity	341,006	339,893
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	3,117	2,974
Deferred gains or losses on hedges	0	25
Revaluation reserve for land	(8,250)	(8,250)
Remeasurements of defined benefit plans	2,157	2,209
Total accumulated other comprehensive income	(2,975)	(3,039)
Share acquisition rights	795	838
Non-controlling interests	4,662	4,337
Total net assets	343,489	342,029
Total liabilities and net assets	524,062	491,640

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

	Millions of yen	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	253,746	230,867
Cost of sales	218,486	203,497
Gross profits	35,259	27,369
Selling, general and administrative expenses	17,180	17,895
Operating profit	18,079	9,474
Non-operating income:		
Interest income	11	11
Dividend income	588	555
Rental income from non-current assets	136	142
Other	216	259
Total non-operating income	951	969
Non-operating expenses:		
Interest expenses	11	15
Rent expenses	74	56
COVID-19 related expenses	82	63
Other	150	99
Total non-operating expenses	319	234
Ordinary profit	18,711	10,209
Extraordinary income:		
Gain on sales of investment securities	212	18
Gain on sales of non-current assets	16	14
Gain on sales of shares of subsidiaries and associates	—	218
Gain on transfer of business	210	—
Other	40	42
Total extraordinary income	479	294
Extraordinary losses:		
Loss on retirement of non-current assets	47	81
Special retirement expenses	21	70
Business structure improvement expenses	156	67
Other	98	48
Total extraordinary losses	323	267
Profit before income taxes	18,867	10,236
Income taxes	6,446	3,772
Profit	12,420	6,464
Profit (loss) attributable to non-controlling interests	44	(72)
Profit attributable to owners of parent	12,375	6,537

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	12,420	6,464
Other comprehensive income:		
Valuation difference on available-for-sale securities	265	(144)
Deferred gains or losses on hedges	0	25
Remeasurements of defined benefit plans	54	52
Total other comprehensive income (loss)	321	(67)
Comprehensive income	12,741	6,397
(Breakdown)		
Comprehensive income attributable to owners of parent	12,691	6,472
Comprehensive income (loss) attributable to non-controlling interests	49	(75)

(Significant Subsequent Event)

Acquisition of Treasury Stock

The meeting of the Board of Directors held on November 10, 2022 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.

(a) Reason for Purchase

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.

(b) 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 1,000,000 shares
3) Total Acquisition Price	Up to ¥2,000,000,000
4) Acquisition Period	From November 11, 2022 to March 31, 2023
5) Method of Acquisition	Market purchase on the Tokyo Stock Exchange