

COMSYS Holdings Corporation

Consolidated Financial Results for the Third Quarter Ended December 31, 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
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 Scheduled Filing of Quarterly Securities Report: February 13, 2023
 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, 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 (%)
Nine months ended December 31, 2022	¥357,930	(8.2)%	¥16,967	(39.1)%	¥18,138	(37.2)%	¥11,648	(38.8)%
Nine months ended December 31, 2021	389,873	5.1	27,875	23.2	28,866	21.1	19,046	13.5

Notes: 1. Comprehensive income: Nine Months Ended December 31, 2022: ¥11,554 million [(40.1)%] Nine Months Ended December 31, 2021: ¥19,292 million [7.9%]
 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, 2022	¥ 95.45	¥ 95.38
Nine months ended December 31, 2021	153.09	152.85

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of December 31, 2022	¥498,572	¥339,609	67.1%
As of March 31, 2022	524,062	343,489	64.5

(Reference) Shareholders' Equity: As of December 31, 2022: ¥334,405 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: 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)

	<u>As of December 31, 2022</u>	<u>As of March 31, 2022</u>
a) Number of shares issued (including treasury shares)	141,000,000 shares	141,000,000 shares
b) Number of treasury shares	19,810,174 shares	18,575,585 shares
	<u>Nine Months Ended December 31, 2022</u>	<u>Nine Months Ended December 31, 2021</u>
c) Average number of shares issued in the period	122,033,856 shares	124,415,765 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, 2022 to December 31, 2022) of the current fiscal year ending March 31, 2023, the Japanese economy was expected to recover as social and economic activity began to normalize as the nation adapted to living with COVID-19. Nevertheless, it was necessary to continue monitoring infection levels in Japan and overseas, soaring prices for energy and raw materials, 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 of digital infrastructure, including optic fiber and 5G, was promoted in order to accelerate the digitalization of regional areas under the Japanese government's Vision for a Digital Garden City Nation. In the social infrastructure field, developments related to local disaster prevention or mitigation and promotion of national resilience measures were expected to address increasingly severe and frequent natural disasters and aging infrastructure. Also, growth investment was anticipated for carbon neutrality to be achieved in 2050, by using renewable energy as the main power source, among other things. In the IT solutions field, there was development of digital infrastructure, including digital transformation in healthcare, nursing care, and education, with a view to building a digital society, based on the construction of nationwide information platforms. There were also efforts toward digitalization in the administrative and public sectors involving construction of data collaboration platforms.

The COMSYS Group faced a challenging business environment in the communications infrastructure field, including a decrease in large-scale projects such as the High-Speed Wireless Environment Maintenance Promotion Project as well as mobile-related work. In these circumstances, the COMSYS Group worked to reinforce its business base with the aim of Group-wide optimization by strengthening its area management system. Other efforts included expanding business domains leveraging the Group's mobile-business resources, and training multi-disciplinary engineers in preparation for the integration of access and mobile business operations. In growth IT solutions and social system-related fields, business performance deteriorated due to slow construction progress caused by delivery delays for parts and materials and due to decreased profitability caused by soaring raw material prices. However, the COMSYS Group worked to secure profits by winning orders utilizing its virtual company structure and improving productivity by increasing construction efficiency. The COMSYS Group will continue to strive for sustainable growth by optimizing formation to address the changing business environment, pursuing DX-based structural reform, and making further progress on sustainability initiatives.

Under these circumstances, orders received in the cumulative third quarter period decreased 0.3% year on year to ¥402,309 million, and net sales decreased 8.2% year on year to ¥357,930 million. From a profit perspective, operating profit decreased by 39.1% year on year to ¥16,967 million, while profit attributable to owners of parent decreased 38.8% year on year to ¥11,648 million.

(2) Discussion of Financial Position

Total assets as of December 31, 2022 amounted to ¥498,572 million, down ¥25,490 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 ¥21,610 million compared with the end of the previous fiscal year, to ¥158,962 million. This was largely attributable to a decrease in notes payable, accounts payable for construction contracts and other.

Net assets decreased by ¥3,879 million compared with the end of the previous fiscal year, to ¥339,609 million. This was primarily attributable to the decrease in retained earnings due to dividends paid from surplus and to the purchase of treasury shares.

In accordance with each of the aforementioned factors, the equity ratio stood at 67.1%, compared with 64.5% 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, 2023 published in "COMSYS Holdings Announces Revision to Earnings Forecast" dated November 10, 2022.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2022	As of December 31, 2022
ASSETS		
Current assets:		
Cash and deposits	35,107	63,692
Notes receivable, accounts receivable		
from completed construction contracts and other	222,954	121,346
Costs on construction contracts in progress	46,027	86,256
Other inventories	5,544	5,922
Other current assets	12,692	20,750
Allowance for doubtful accounts	(109)	(107)
Total current assets	322,216	297,861
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	45,338	44,057
Land	70,714	70,077
Other, net	29,329	28,665
Total property, plant and equipment	145,382	142,800
Intangible assets		
Goodwill	2,261	1,921
Other intangible assets	5,587	5,019
Total intangible assets	7,848	6,941
Investments and other assets:		
Investment securities	22,890	25,508
Other assets	26,135	25,877
Allowance for doubtful accounts	(411)	(417)
Total investments and other assets	48,615	50,969
Total non-current assets	201,846	200,711
Total assets	524,062	498,572

	Millions of yen	
	As of March 31, 2022	As of December 31, 2022
LIABILITIES		
Current liabilities:		
Notes payable, accounts payable for construction contracts and other	87,514	60,941
Short-term borrowings	31,845	24,292
Income taxes payable	4,967	1,867
Advances received on construction contracts in progress	11,585	22,237
Allowances	2,757	3,414
Other current liabilities	20,093	24,782
Total current liabilities	158,764	137,535
Non-current liabilities:		
Long-term borrowings	486	208
Deferred tax liabilities for land revaluation	1,213	1,213
Retirement benefit liability	14,200	14,453
Provision for retirement benefits for directors (and other officers)	628	562
Provision for environmental measures	400	400
Other long-term liabilities	4,880	4,589
Total non-current liabilities	21,809	21,426
Total liabilities	180,573	158,962
NET ASSETS		
Shareholders' equity:		
Share capital	10,000	10,000
Capital surplus	92,700	93,113
Retained earnings	279,157	278,594
Treasury shares	(40,851)	(44,331)
Total shareholders' equity	341,006	337,375
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	3,117	3,185
Deferred gains or losses on hedges	0	(182)
Revaluation reserve for land	(8,250)	(8,250)
Remeasurements of defined benefit plans	2,157	2,277
Total accumulated other comprehensive income	(2,975)	(2,970)
Share acquisition rights	795	890
Non-controlling interests	4,662	4,313
Total net assets	343,489	339,609
Total liabilities and net assets	524,062	498,572

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

	Millions of yen	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	389,873	357,930
Cost of sales	336,123	314,331
Gross profits	53,750	43,599
Selling, general and administrative expenses	25,874	26,631
Operating profit	27,875	16,967
Non-operating income:		
Interest income	17	18
Dividend income	840	847
Rental income from non-current assets	208	228
Other	364	394
Total non-operating income	1,430	1,488
Non-operating expenses:		
Interest expenses	18	21
COVID-19 related expenses	122	89
Rent expenses	117	74
Other	181	131
Total non-operating expenses	439	317
Ordinary profit	28,866	18,138
Extraordinary income:		
Gain on sales of investment securities	219	24
Gain on sales of non-current assets	21	26
Gain on sales of shares of subsidiaries and associates	—	218
Gain on bargain purchase	170	28
Gain on transfer of business	210	—
Gain on extinguishment of tie-in shares	182	—
Other	63	41
Total extraordinary income	867	339
Extraordinary losses:		
Loss on retirement of non-current assets	61	153
Loss on sales of non-current assets	8	143
Business structure reform expenses	252	98
Provision of allowance for loss on compensation	444	—
Other	161	106
Total extraordinary losses	928	502
Profit before income taxes	28,804	17,976
Income taxes	9,677	6,425
Profit	19,126	11,550
Profit (loss) attributable to non-controlling interests	79	(97)
Profit attributable to owners of parent	19,046	11,648

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	19,126	11,550
Other comprehensive income:		
Valuation difference on available-for-sale securities	(61)	66
Deferred gains or losses on hedges	(0)	(183)
Remeasurements of defined benefit plans	227	120
Total other comprehensive income	165	3
Comprehensive income	19,292	11,554
(Breakdown)		
Comprehensive income attributable to owners of parent	19,209	11,653
Comprehensive income attributable to non-controlling interests	82	(99)