

COMSYS Holdings Corporation

Consolidated Financial Results for the First Quarter Ended June 30, 2023 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: August 8, 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 three months ended June 30, 2023)

(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, 2023	¥110,769	3.1%	¥4,651	30.6%	¥5,237	23.2%	¥3,234	20.1%
Three months ended June 30, 2022	107,466	(10.6)	3,560	(57.3)	4,252	(52.8)	2,692	(54.6)

Notes: 1. Comprehensive income: Three months ended June 30, 2023: ¥4,913 million [57.8%] Three months ended June 30, 2022: ¥3,114 million [(45.0)%]
 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, 2023	¥26.80	¥26.78
Three months ended June 30, 2022	22.03	22.01

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2023	¥467,199	¥344,674	72.6%
As of March 31, 2023	502,133	346,725	67.9

(Reference) Shareholders' Equity: As of June 30, 2023: ¥339,007 million As of March 31, 2023: ¥341,093 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, 2023	¥ —	¥50.00	¥ —	¥50.00	¥100.00
Year ending March 31, 2024	—				
Year ending March 31, 2024 (Forecast)		50.00	—	55.00	105.00

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending March 31, 2024)

(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, 2024	¥570,000	1.2%	¥34,000	5.9%	¥34,500	11.5%	¥23,000	18.9%	¥190.43

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 June 30, 2023</u>	<u>As of March 31, 2023</u>
a) Number of shares issued (including treasury shares)	133,000,000 shares	141,000,000 shares
b) Number of treasury shares	12,557,722 shares	20,221,171 shares
	<u>Three months ended June 30, 2023</u>	<u>Three months ended June 30, 2022</u>
c) Average number of shares issued in the period	120,677,824 shares	122,252,310 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, 2023 to June 30, 2023) of the current fiscal year ending March 31, 2024, the Japanese economy was expected to maintain a moderate recovery as the impact of COVID-19 weakened and social and economic activity began to normalize. Nevertheless, it was necessary to continue monitoring soaring prices for energy and raw materials and turbulence in financial and capital markets.

As for the business environment surrounding the COMSYS Group, in the communications infrastructure field, the Japanese government promoted initiatives for the development of digital infrastructure in order to accelerate the digitalization of regional areas under its Vision for a Digital Garden City Nation. These initiatives included working to eliminate areas with insufficient fixed broadband coverage by fostering development of optic fiber and 5G and decentralizing data centers. In the social infrastructure field, developments related to disaster prevention or mitigation and promotion of national resilience measures were promoted to address increasingly severe and frequent natural disasters and aging infrastructure. Also, Green Transformation (GX) growth investment in the renewable energy sector was anticipated, with a view to achieving carbon neutrality by 2050. In addition, in recent years, improvements in the quality of national infrastructure have been required, including the development of greater complexity, multi-functionality, and maximization of effect through wide-area, strategic management. In the IT solutions field, there was a focus on developments to support digital transformation (DX), such as construction of data collaboration platforms that can share and utilize information in multiple sectors including the administrative and public sectors as well as healthcare and nursing care in order to solve local issues using digital technology.

The COMSYS Group faced a challenging business environment in the communications infrastructure field, including a decline in mobile-related construction work. In these circumstances, the COMSYS Group worked to secure profits by expanding market share and obtaining peripheral business by effectively leveraging the Group's resources. The Group also endeavored to strengthen its area management system with the aim of Group-wide optimization. Other efforts included expanding business domains by training multi-disciplinary engineers. In growth IT solutions and social system-related fields, the COMSYS Group worked to increase orders by strengthening Group-wide sales collaboration utilizing the virtual company structure and collaboration with alliance partners. The Group also strengthened project management, such as risk management with a focus on large-scale projects. The COMSYS Group will continue working to strengthen its management base, for instance by improving productivity with DX, deepening of diverse and flexible workstyles, and training human resources for the new business environment.

Under these circumstances, orders received in the first quarter period increased 13.8% year on year to ¥153,809 million, and net sales increased 3.1% year on year to ¥110,769 million. From a profit perspective, operating profit increased by 30.6% year on year to ¥4,651 million, while profit attributable to owners of parent increased 20.1% year on year to ¥3,234 million.

(2) Discussion of Financial Position

Total assets as of June 30, 2023 amounted to ¥467,199 million, down ¥34,933 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 ¥32,882 million compared with the end of the previous fiscal year, to ¥122,524 million. This was largely attributable to a decrease in notes payable, accounts payable for construction contracts and other.

Net assets decreased by ¥2,051 million compared with the end of the previous fiscal year, to ¥344,674 million. This was primarily attributable to payment of dividends from retained earnings.

In accordance with each of the aforementioned factors, the equity ratio stood at 72.6%, compared with 67.9% 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, 2024 published in "COMSYS Holdings Announces Revision to Earnings Forecast" dated May 11, 2023.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2023	As of June 30, 20223
ASSETS		
Current assets:		
Cash and deposits	41,367	67,655
Notes receivable, accounts receivable		
from completed construction contracts and other	187,954	110,646
Costs on construction contracts in progress	51,992	65,173
Other inventories	5,598	5,978
Other current assets	18,362	21,152
Allowance for doubtful accounts	(1,291)	(1,277)
Total current assets	303,983	269,328
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	44,498	44,624
Land	70,084	69,824
Other, net	28,654	28,429
Total property, plant and equipment	143,236	142,878
Intangible assets		
Goodwill	1,648	1,374
Other intangible assets	5,089	5,030
Total intangible assets	6,737	6,404
Investments and other assets:		
Investment securities	25,454	27,714
Other assets	25,530	23,695
Allowance for doubtful accounts	(2,809)	(2,821)
Total investments and other assets	48,175	48,587
Total non-current assets	198,149	197,871
Total assets	502,133	467,199

	Millions of yen	
	As of March 31, 2023	As of June 30, 2023
LIABILITIES		
Current liabilities:		
Notes payable, accounts payable for construction contracts and other	82,842	59,781
Short-term borrowings	3,950	3,823
Income taxes payable	5,075	1,150
Advances received on construction contracts in progress	7,771	11,106
Allowances	6,061	921
Other current liabilities	28,745	24,570
Total current liabilities	134,446	101,353
Non-current liabilities:		
Long-term borrowings	179	149
Deferred tax liabilities for land revaluation	1,213	1,213
Retirement benefit liability	14,151	14,047
Provision for retirement benefits for directors (and other officers)	616	512
Provision for environmental measures	400	400
Other long-term liabilities	4,399	4,848
Total non-current liabilities	20,961	21,171
Total liabilities	155,407	122,524
NET ASSETS		
Shareholders' equity:		
Share capital	10,000	10,000
Capital surplus	93,113	75,163
Retained earnings	286,284	283,249
Treasury shares	(45,318)	(28,313)
Total shareholders' equity	344,079	340,099
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	3,722	5,286
Deferred gains or losses on hedges	(78)	4
Revaluation reserve for land	(8,250)	(8,019)
Remeasurements of defined benefit plans	1,620	1,635
Total accumulated other comprehensive income	(2,985)	(1,092)
Share acquisition rights	939	972
Non-controlling interests	4,692	4,694
Total net assets	346,725	344,674
Total liabilities and net assets	502,133	467,199

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

	Millions of yen	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	107,466	110,769
Cost of sales	94,678	96,871
Gross profits	12,788	13,898
Selling, general and administrative expenses	9,228	9,247
Operating profit	3,560	4,651
Non-operating income:		
Interest income	5	4
Dividend income	532	450
Rental income from non-current assets	77	73
Other	181	137
Total non-operating income	796	666
Non-operating expenses:		
Interest expenses	8	4
Rent expenses	31	20
Depreciation of idle assets	17	19
Other	47	34
Total non-operating expenses	104	79
Ordinary profit	4,252	5,237
Extraordinary income:		
Gain on sales of non-current assets	10	19
Gain on sales of investment securities	18	6
Gain on sales of shares of subsidiaries and associates	218	—
Other	37	5
Total extraordinary income	285	32
Extraordinary losses:		
Loss on retirement of non-current assets	15	15
Special retirement expenses	40	102
Business structure reform expenses	51	13
Other	30	4
Total extraordinary losses	137	136
Profit before income taxes	4,400	5,133
Income taxes	1,737	1,890
Profit	2,663	3,243
Profit (loss) attributable to non-controlling interests	(29)	8
Profit attributable to owners of parent	2,692	3,234

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	2,663	3,243
Other comprehensive income:		
Valuation difference on available-for-sale securities	428	1,571
Deferred gains or losses on hedges	28	83
Remeasurements of defined benefit plans	(5)	15
Total other comprehensive income	451	1,670
Comprehensive income	3,114	4,913
(Breakdown)		
Comprehensive income attributable to owners of parent	3,147	4,897
Comprehensive income (loss) attributable to non-controlling interests	(33)	16