

COMSYS Holdings Corporation

Consolidated Financial Results for the Second Quarter Ended September 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
 For Inquiry: Toru Mashimo, Director and General Manager of Financial Department (Telephone:81-3-3448-7000)
 Scheduled Filing of Quarterly Securities Report: November 10, 2023
 Scheduled Commencement of Dividend Payment: December 5, 2023
 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, 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 (%)
Six months ended September 30, 2023	¥244,889	6.1%	¥14,167	49.5%	¥14,883	45.8%	¥9,536	45.9%
Six months ended September 30, 2022	230,867	(9.0)	9,474	(47.6)	10,209	(45.4)	6,537	(47.2)

Notes: 1. Comprehensive income: Six months ended September 30, 2023: ¥12,027 million [88.0%] Six months ended September 30, 2022: ¥6,397 million [(49.8%)]
 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, 2023	¥79.14	¥79.07
Six months ended September 30, 2022	53.45	53.41

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2023	¥474,014	¥351,219	72.9%
As of March 31, 2023	502,133	346,725	67.9

(Reference) Shareholders' Equity: As of September 30, 2023: ¥345,447 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	—	50.00			
Year ending March 31, 2024 (Forecast)			—	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: 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, 2023</u>	<u>As of March 31, 2023</u>
a) Number of shares issued (including treasury stock)	133,000,000 shares	141,000,000 shares
b) Number of treasury stock	12,805,462 shares	20,221,171 shares
	<u>Six months ended September 30, 2023</u>	<u>Six months ended September 30, 2022</u>
c) Average number of shares issued in the period	120,509,569 shares	122,305,469 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 livestream the results briefing for institutional investors and analysts on Thursday, November 16, 2023 (available only in Japanese). The materials for the briefing and a video of it will be uploaded to the corporate website.

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, 2023 to September 30, 2023) of the current fiscal year ending March 31, 2024, the Japanese economy was expected to maintain a moderate recovery, with social and economic activity normalizing as COVID-19 became a Category V infectious disease. 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, initiatives for the development of digital infrastructure were strongly promoted in order to accelerate the digitalization of regional areas under the Vision for a Digital Garden City Nation. These initiatives included working to eliminate areas with insufficient fixed broadband coverage by developing optic fiber and 5G and decentralizing the locations of 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 work. In these circumstances, the COMSYS Group worked to strengthen its area management system with the aim of Group-wide optimization. The Group also endeavored to strengthen its business foundation, by, for instance, training multidisciplinary engineers with a view to integrating the management of the access and mobile-related businesses. In growth IT solutions and social system-related fields, the Group worked to increase orders by strengthening sales efforts leveraging the virtual company structure and collaborating with alliance partners. The Group also worked to train engineers and strengthen project management, such as risk management, with a focus on large-scale projects, with the aim of business expansion. Going forward, the COMSYS Group will continue working to strengthen its management base, for instance by improving productivity utilizing DX, fostering more diverse and flexible workstyles, and training human resources for the new business environment. Moreover, in the area of sustainability initiatives, the COMSYS Group acquired Science Based Targets (SBT) certification in October 2023. The Group will continue working actively to reduce greenhouse gas emissions and will contribute to the realization of the 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 increased 12.6% year on year to ¥301,518 million, and net sales increased 6.1% year on year to ¥244,889 million. From a profit perspective, operating profit increased by 49.5% year on year to ¥14,167 million, while profit attributable to owners of parent increased 45.9% year on year to ¥9,536 million.

(2) Discussion of Financial Position

Total assets as of September 30, 2023 amounted to ¥474,014 million, down ¥28,118 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 ¥32,612 million compared with the end of the previous fiscal year, to ¥122,795 million. This was largely attributable to a decrease in notes payable, accounts payable for construction contracts and other.

Net assets increased by ¥4,493 million compared with the end of the previous fiscal year, to ¥351,219 million. This was primarily attributable to the increase in retained 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 72.9%, 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 September 30, 2023
ASSETS		
Current assets:		
Cash and deposits	41,367	56,618
Notes receivable, accounts receivable from completed construction contracts and other	187,954	124,175
Inventories:		
Costs on construction contracts in progress	51,992	68,547
Other	5,598	6,373
Other current assets	18,362	20,628
Allowance for doubtful accounts	(1,291)	(105)
Total current assets	303,983	276,238
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	44,498	45,743
Land	70,084	69,926
Other, net	28,654	26,970
Total property, plant and equipment	143,236	142,641
Intangible assets		
Goodwill	1,648	1,101
Other intangible assets	5,089	4,846
Total intangible assets	6,737	5,947
Investments and other assets:		
Investment securities	25,454	28,728
Other assets	25,530	23,277
Allowance for doubtful accounts	(2,809)	(2,819)
Total investments and other assets	48,175	49,186
Total non-current assets	198,149	197,775
Total assets	502,133	474,014

	Millions of yen	
	As of March 31, 2023	As of September 30, 2023
LIABILITIES		
Current liabilities:		
Notes payable, accounts payable for construction contracts and other	82,842	61,359
Short-term borrowings	3,950	3,693
Income taxes payable	5,075	3,392
Advances received on construction contracts in progress	7,771	12,114
Allowances	6,061	276
Other current liabilities	28,745	20,097
Total current liabilities	134,446	100,933
Non-current liabilities:		
Long-term borrowings	179	119
Deferred tax liabilities for land revaluation	1,213	1,213
Retirement benefit liability	14,151	14,259
Provision for retirement benefits for directors (and other officers)	616	547
Provision for environmental measures	400	400
Other long-term liabilities	4,399	5,321
Total non-current liabilities	20,961	21,861
Total liabilities	155,407	122,795
NET ASSETS		
Shareholders' equity:		
Share capital	10,000	10,000
Capital surplus	93,113	75,213
Retained earnings	286,284	289,726
Treasury shares	(45,318)	(29,121)
Total shareholders' equity	344,079	345,819
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	3,722	5,995
Deferred gains or losses on hedges	(78)	(0)
Revaluation reserve for land	(8,250)	(8,019)
Remeasurements of defined benefit plans	1,620	1,651
Total accumulated other comprehensive income	(2,985)	(372)
Share acquisition rights	939	992
Non-controlling interests	4,692	4,779
Total net assets	346,725	351,219
Total liabilities and net assets	502,133	474,014

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

	Millions of yen	
	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	230,867	244,889
Cost of sales	203,497	213,798
Gross profits	27,369	31,091
Selling, general and administrative expenses	17,895	16,924
Operating profit	9,474	14,167
Non-operating income:		
Interest income	11	11
Dividend income	555	471
Rental income from non-current assets	142	141
Other	259	234
Total non-operating income	969	858
Non-operating expenses:		
Interest expenses	15	9
Rent expenses	56	44
Depreciation of idle assets	34	38
Other	127	48
Total non-operating expenses	234	141
Ordinary profit	10,209	14,883
Extraordinary income:		
Gain on sales of non-current assets	14	30
Gain on sales of investment securities	18	22
Gain on payback of insurance payments	0	135
Compensation for damage received	3	74
Gain on sales of shares of subsidiaries and associates	218	—
Other	37	57
Total extraordinary income	294	320
Extraordinary losses:		
Loss on retirement of non-current assets	81	50
Special retirement expenses	70	109
Loss on impairment of fixed assets	—	87
Business structure improvement expenses	67	59
Other	48	40
Total extraordinary losses	267	346
Profit before income taxes	10,236	14,858
Income taxes	3,772	5,233
Profit	6,464	9,624
Profit (loss) attributable to non-controlling interests	(72)	88
Profit attributable to owners of parent	6,537	9,536

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	6,464	9,624
Other comprehensive income:		
Valuation difference on available-for-sale securities	(144)	2,292
Deferred gains or losses on hedges	25	78
Remeasurements of defined benefit plans	52	31
Total other comprehensive income (loss)	(67)	2,402
Comprehensive income	6,397	12,027
(Breakdown)		
Comprehensive income attributable to owners of parent	6,472	11,919
Comprehensive income (loss) attributable to non-controlling interests	(75)	107

(Significant Subsequent Event)

(Increase in Limit for Acquisition of Treasury Shares)

The meeting of the Board of Directors held on May 11, 2023 resolved on the matters related to the acquisition of treasury shares in accordance with Article 156 of Japan's Companies Act, as applied pursuant to Article 165, paragraph 3 of the Act. Furthermore, the meeting of the Board of Directors on November 9, 2023 resolved to increase the limit for the acquisition of treasury shares.

(1) Reasons for changes

The Company will increase the total number of shares that can be acquired and the total acquisition price of shares 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 Acquisition

Changes are underlined.

	Before Changes (Resolution of the meeting of the Board of Directors held on May 11, 2023)	After Changes (Resolution of the meeting of the Board of Directors held on November 9, 2023)
1) Type of Shares to be Acquired	Common shares of the Company	Common shares of the Company
2) Total Number of Shares to be Acquired (Percentage of number of shares issued, excluding treasury shares)	Up to <u>2,000,000</u> shares (1.65%)	Up to <u>2,500,000</u> shares (2.07%)
3) Total Acquisition Price	Up to <u>¥4,000,000,000</u>	Up to <u>¥5,000,000,000</u>
4) Acquisition Period	From May 12, 2023 to March 31, 2024	From May 12, 2023 to March 31, 2024
5) Acquisition Method	Purchase on the Tokyo Stock Exchange	Purchase on the Tokyo Stock Exchange

(Reference) Treasury shares held as of September 30, 2023

Number of shares issued (excluding treasury shares)	120,194,538 shares
Number of treasury shares	12,805,462 shares