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Consolidated Financial Results for the three months Ended November 30, 2019 [J-GAAP]

January 14, 2020

Name of listed company: HITO-Communications Holdings Inc. Listed on: Tokyo Stock Exchange, 1st Section
 Securities code: 4433 URL: <http://www.hitocom-hd.com/ja/ir.html>
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Scheduled date to start dividends distribution: -
 Scheduled date of filing the financial report: January 14, 2020
 Supplementary documents for this summary of financial statements: Yes (only in Japanese)
 Explanation meeting for financial results: No
 (Figures shown are rounded down to the nearest million yen.)

1. Consolidated results for the three month ended November 30, 2019 (September 1, 2019 – November 30, 2019)

(1) Consolidated operating results (Percentage figures show changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Nov 30, 2019	18,103	—	1,018	—	1,025	—	557	—
Three months ended Nov 30, 2018	—	—	—	—	—	—	—	—

Note: Comprehensive income: Three months ended Nov. 30, 2019: ¥602 million (—%) Three months ended Nov 30, 2018: ¥— million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended Nov 30, 2019	31.13	—
Three months ended Nov 30, 2018	—	—

Note: No data is available for the previous fiscal year, as the Company was established on March 1, 2019 through a sole-share transfer.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2019	25,975	11,813	42.8
As of August 31, 2019	24,529	11,423	43.9

(Reference) Equity capital: As of November 30, 2019: ¥11,113 million As of August 31, 2019: ¥10,766 million

2. Dividends

	Dividends per share				
	First quarter -end	Second quarter -end	Third quarter -end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended August 31, 2019	—	—	—	10.00	10.00
Year ending August 31, 2020	—	—	—	—	—
Year ending August 31, 2020 (Forecast)	—	10.25	—	10.25	20.50

Notes: 1. Breakdown of year-end dividend for the fiscal year ended August 31, 2019: ordinary dividend ¥8.50, commemorative dividend ¥1.50
 2. No data is available for the first two quarters of the previous fiscal year, as the Company was established on March 1, 2019 through a sole-share transfer.

3. Consolidated financial forecast for the fiscal year ending August 31, 2020 (September 1, 2019 – August 31, 2020)

(Percentage figures show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months	36,000	—	1,670	—	1,680	—	945	—	52.80
Full year	72,000	12.8	3,350	12.5	3,370	12.6	1,900	10.8	106.15

Note: Changes to the latest consolidated results forecast announced: None

Note: No year-on-year changes are shown for the first six months, as the Company was established on March 1, 2019 through a sole-share transfer.

Notes:

(1) Significant changes to subsidiaries during the term (Transfers of specific subsidiaries with changes in the scope of consolidation): None
New: — Excluded: — Company name: —

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, accounting estimates and restatement of revisions

1) Changes in accounting policies due to revision of accounting standard, etc.: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatement of revisions: None

(4) Number of outstanding shares (common stock):

1) Number of shares issued and outstanding (including treasury shares)	As of November 30, 2019	17,899,333 shares	As of August 31, 2018	— shares
2) Number of treasury shares	As of November 30, 2019	— shares	As of August 31, 2018	— shares
3) Average number of shares issued and outstanding in each period	Year ended November 30, 2019	17,899,333 shares	Year ended November 30, 2018	— shares

Note: No data is available for the previous fiscal year, as the Company was established on March 1, 2019 through a sole-share transfer.

*** This financial statement is outside the scope of audit procedures conducted by certified public accountants or the independent auditor.**

*** Explanation of appropriate use of forecasts of financial results and other important items**

1. The forward-looking statements in this document, including forecasts, are based on information available at the time of disclosure and on certain assumptions deemed to be reasonable by the Company. Actual results may differ materially from forward-looking statements due to a number of factors.

Consolidated financial statements and related notes

(1) Consolidated balance sheet

(Millions of yen)

	As of August 31, 2019 (Previous Fiscal Year)	As of November 30, 2019 (Current Fiscal Year)
Assets		
Current assets		
Cash and deposits	6,888	6,961
Notes and accounts receivable - trade	6,916	8,293
Merchandise	856	570
Work in process	66	175
Others	272	517
Allowance for doubtful accounts	(31)	(32)
Total current assets	14,967	16,486
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,010	1,018
Accumulated depreciation	(404)	(415)
Buildings and structures, net	606	602
Machinery, equipment and vehicles	30	29
Accumulated depreciation	(28)	(28)
Machinery, equipment and vehicles, net	2	1
Tools, furniture and fixtures	395	421
Accumulated depreciation	(272)	(286)
Tools, furniture and fixtures, net	123	134
Land	1,273	1,273
Leased assets	92	123
Accumulated depreciation	(51)	(54)
Leased assets, net	40	68
Others	—	5
Total property, plant and equipment	2,045	2,086
Intangible assets		
Goodwill	4,562	5,388
Software	787	792
Others	5	5
Total intangible assets	5,355	6,186
Investments and other assets		
Investment securities	444	450
Shares of subsidiaries and associates	876	—
Deferred tax assets	289	340
Others	553	428
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	2,161	1,216
Total non-current assets	9,562	9,488
Total assets	24,529	25,975

(Millions of yen)

	As of August 31, 2019 (Previous Fiscal Year)	As of November 30, 2019 (Current Fiscal Year)
Liabilities		
Current liabilities		
Accounts payable - trade	2,866	3,621
Short-term loans payable	35	35
Current portion of long-term loans payable	995	976
Accounts payable – other	2,477	2,597
Lease obligations	19	27
Income taxes payable	550	413
Provision for bonuses	185	43
Provision for directors' bonuses	5	—
Others	658	1,256
Total current liabilities	7,794	8,972
Non-current liabilities		
Long-term loans payable	4,981	4,821
Lease obligations	21	46
Provision for directors' retirement benefits	105	107
Net defined benefit liability	95	105
Deferred tax liabilities	29	24
Asset retirement obligations	59	65
Others	20	19
Total non-current liabilities	5,312	5,189
Total liabilities	13,106	14,161
Net assets		
Shareholders' equity		
Capital stock	450	450
Capital surplus	287	287
Retained earnings	10,035	10,384
Total shareholders' equity	10,773	11,122
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(1)
Foreign currency translation adjustment	(6)	(8)
Total accumulated other comprehensive income	(6)	(9)
Non-controlling interests	656	700
Total net assets	11,414	11,813
Total liabilities and net assets	24,515	25,975

(2) Consolidated statement of income and comprehensive income
(Consolidated statement of income)

	(Millions of yen)
	Three months ended November 30, 2019
Net sales	18,103
Cost of sales	14,748
Gross profit	3,355
Selling, general and administrative expenses	2,336
Operating income	1,018
Non-operating income	
Interest income	0
Dividend income	2
Land and house rent received	1
Others	7
Total non-operating income	11
Non-operating expenses	
Interest expenses	4
Others	0
Total non-operating expenses	4
Ordinary income	1,025
Profit for the period before income taxes	1,025
Total income taxes	419
Profit for the period	605
Profit attributable to non-controlling interests	48
Profit attributable to owners of parent	557

(Consolidated statement of comprehensive income)

(Millions of yen)

	Three months ended November 30, 2019
Profit for the period	605
Other comprehensive income	
Valuation difference on available-for-sale securities	(0)
Foreign currency translation adjustment	(2)
Total other comprehensive income	(2)
Comprehensive income	602
(Breakdown of comprehensive income)	
Comprehensive income attributable to owners of parent	554
Comprehensive income attributable to non-controlling interests	47

(3) Notes on consolidated financial statements

(Notes related to the going concern assumption)

There is no related information.

(Notes if there are substantial changes in the amount of shareholders' equity)

There is no related information.

(Application of accounting treatment peculiar to quarterly consolidated financial statement preparation)

Calculation of taxes

Taxes for the Company and certain subsidiaries are calculated by multiplying profit before income taxes for the first-quarter period under review by the reasonably estimated effective tax rate subsequent to the application of tax effect accounting to the profit income before income taxes for the current consolidated fiscal year ending August 31, 2020 including the first quarter under review.

(Segment information, etc.)

(Segment information)

1. Information regarding sales and income (loss) by reportable segment

Three months ended November 30, 2019 (September 1, 2019 – November 30, 2019)

(Millions of yen)

	Reportable segment					Others Note 2	Total	Adjustment Note 3	Carried on consolidated financial statements
	Outsourcing	Personnel staffing	EC/TC support	Wholesale	Total				
Net sales									
Sales to external customers	5,774	2,278	6,917	1,948	16,919	1,183	18,103	—	18,103
Intersegment sales and transfers	4	40	67	—	112	43	156	(156)	—
Total	5,779	2,319	6,984	1,948	17,031	1,227	18,259	(156)	18,103
Segment income (loss) ^{Note 1}	547	188	229	116	1,083	(60)	1,023	(4)	1,018

Notes: 1. Segment income (loss) has been adjusted for the operating income appearing in the consolidated financial statements.

2. Other is not a reportable segment, and includes businesses such as sales of goods through EC sites, social welfare services, instruction and training, luxury limousine services for wealthy individuals, and systems-related services.

3. Adjustments to segment income (loss) are companywide expenses (depreciation and amortization) not allocated to a reportable segment.

2. Information on impairment loss on fixed assets and goodwill by reported segment

(Significant impairment loss relating to fixed assets)

There is no related information.

(Significant changes in amount of goodwill)

Beginning from the first quarter of the current consolidated fiscal year, the Company includes Triangle Japan DMC Limited and LOWCAL INC. within the scope of consolidation because their material importance increased.

Hereby, new good will occurs 972 million yen in Others from the beginning of the first quarter of the current consolidated fiscal year.

(Material profit from negative goodwill)

There is no related information.