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Consolidated Financial Results for the Nine Months Ended May 31, 2019 [J-GAAP]

July 10, 2019

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: July 12, 2019
 Supplementary documents for the 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 nine months ended May 31, 2019 (September 1, 2018 – May 31, 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 yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended May 31, 2019	47,711	—	2,369	—	2,378	—	1,328	—
Nine months ended May 31, 2018	—	—	—	—	—	—	—	—

Note: Comprehensive income: Nine months ended May 31, 2019: ¥1,436 million (—%) Nine months ended May 31, 2018: ¥— million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended May 31, 2019	74.21	—
Nine months ended May 31, 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 May 31, 2019	23,639	11,015	43.9
As of August 31, 2018	—	—	—

(Reference) Equity capital: As of May 31, 2019: ¥10,376 million As of August 31, 2018: ¥— million

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. Dividends

	Dividends per share				
	First quarter -end	Second quarter -end	Third quarter -end	Year-end	Annual
Year ended August 31, 2018	Yen —	Yen —	Yen —	Yen —	Yen —
Year ending August 31, 2019	—	—	—	—	—
Year ending August 31, 2019 (Forecast)	—	—	—	10.00	10.00

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

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, 2019 (September 1, 2018 – August 31, 2019)

(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
Full year	65,500	—	3,000	—	3,010	—	1,658	—	92.63

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

Note: No data is available for the previous fiscal year, 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): Yes
New: SALES ROBOTICS Co., Ltd. Excluded: —
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
Notes: For details, please refer to Attachment P.5 “Application of accounting treatment peculiar to quarterly consolidated financial statement preparation”.
- (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 May 31, 2019	17,899,333 shares	As of August 31, 2018	— shares
2) Number of treasury shares	As of May 31, 2019	— shares	As of August 31, 2018	— shares
3) Average number of shares issued and outstanding in each period	As of May 31, 2019	17,899,333 shares	As of May 31, 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.

2. Consolidated financial statements for this quarterly term (September 1, 2018 – May 31, 2019) have been prepared based on the consolidated financial statements of HITO-Communications, Inc., which became a wholly owned subsidiary through a sole-share transfer.

Consolidated financial statements and related notes

(1) Consolidated balance sheet

(Millions of yen)

As of May 31, 2019	
Assets	
Current assets	
Cash and deposits	6,668
Notes and accounts receivable - trade	6,643
Merchandise	745
Work in process	4
Prepaid expenses	223
Others	59
Allowance for doubtful accounts	(32)
Total current assets	14,312
Non-current assets	
Property, plant and equipment	
Buildings and structures	1,004
Accumulated depreciation	(394)
Buildings and structures, net	609
Machinery, equipment and vehicles	30
Accumulated depreciation	(28)
Machinery, equipment and vehicles, net	2
Tools, furniture and fixtures	387
Accumulated depreciation	(256)
Tools, furniture and fixtures, net	130
Land	1,273
Leased assets	79
Accumulated depreciation	(50)
Leased assets, net	29
Total property, plant and equipment	2,045
Intangible assets	
Goodwill	4,844
Software	536
Others	5
Total intangible assets	5,387
Investments and other assets	
Investment securities	436
Investments in capital of subsidiaries and affiliates	5
Shares of subsidiaries and associates	606
Claims provable in bankruptcy, claims provable in rehabilitation and other	84
Lease and guarantee deposits	343
Deferred tax assets	310
Others	191
Allowance for doubtful accounts	(84)
Total investments and other assets	1,893
Total non-current assets	9,326
Total assets	23,639

(Millions of yen)

As of May 31, 2019

Liabilities	
Current liabilities	
Accounts payable - trade	2,860
Short-term loans payable	35
Current portion of long-term loans payable	967
Accounts payable – other	2,166
Accrued expense	115
Lease obligations	16
Income taxes payable	348
Consumption tax payable	306
Deposits payable	112
Provision for bonuse	141
Others	39
Total current liabilities	7,111
Non-current liabilities	
Long-term loans payable	5,225
Lease obligations	12
Provision for directors' retirement benefits	103
Net defined benefit liability	89
Asset retirement obligations	59
Others	20
Total non-current liabilities	5,512
Total liabilities	12,623
Net assets	
Shareholders' equity	
Capital stock	450
Capital surplus	287
Retained earnings	9,640
Total shareholders' equity	10,377
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	(0)
Foreign currency translation adjustment	(0)
Total accumulated other comprehensive income	(1)
Non-controlling interests	638
Total net assets	11,015
Total liabilities and net assets	23,639

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

	(Millions of yen)
	Nine months ended May 31, 2019
Net sales	47,711
Cost of sales	39,468
Gross profit	8,242
Selling, general and administrative expenses	5,873
Operating income	2,369
Non-operating income	
Interest income	0
Dividend income	3
Grant income	1
Land and house rent received	3
Insurance income	1
Miscellaneous income	7
Total non-operating income	17
Non-operating expenses	
Interest expenses	7
Compensation expenses	1
Others	0
Total non-operating expenses	8
Ordinary income	2,378
Extraordinary loss	
Loss on disposal of fixed assets	0
Gain on sale of investment securities	3
Total extraordinary loss	4
Profit for the period before income taxes	2,374
Total income taxes	939
Profit for the period	1,435
Profit attributable to non-controlling interests	106
Profit attributable to owners of parent	1,328

(Consolidated statement of comprehensive income)

(Millions of yen)

	Nine months ended May 31, 2019
Profit for the period	1,435
Other comprehensive income	
Valuation difference on available-for-sale securities	(1)
Foreign currency translation adjustment	2
Total other comprehensive income	1
Comprehensive income	1,436
(Breakdown of comprehensive income)	
Comprehensive income attributable to owners of parent	1,329
Comprehensive income attributable to non-controlling interests	106

(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 third-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, 2019 including the third quarter under review.

(Additional Information)

"Partial revision of" Accounting Standards for Tax Effect Accounting "" (Corporate Accounting Standard No. 28, February 16, 2018) has been applied from the beginning of the first quarter consolidated accounting period, and deferred tax assets are displayed in the category of investment and other assets.

(Segment information, etc.)

(Segment information)

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

Nine months ended May 31, 2019 (September 1, 2018 – May 31, 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	14,388	6,759	20,410	5,824	47,383	328	47,711	—	47,711
Intersegment sales and transfers		45	10	—	56	8	64	(64)	—
Total	14,388	6,805	20,420	5,824	47,439	336	47,776	(64)	47,711
Segment income (loss) ^{Note 1}	1,314	376	438	253	2,382	0	2,383	(13)	2,369

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

2. Others is not a reportable segment, and includes businesses such as social welfare services, instruction and training, luxury limousine services for wealthy individuals.

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)

Since we acquired 99.7% of the issued shares of SALES ROBOTICS Co., Ltd. in April 2019, beginning from the third quarter of the current consolidated fiscal year, we have included it in the scope of consolidation.

As a result, new goodwill of ¥ 2,169 million has been generated in Others.

The amount of goodwill is a provisionally calculated amount because the allocation of acquisition costs has not been completed at the end of the third quarter of the current consolidated fiscal year.

(Material profit from negative goodwill)

There is no related information.