

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.



Consolidated Financial Results for the Six months Ended February 29, 2020 [J-GAAP]

April 13, 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>
 Representative: Toyomi Yasui, President and Representative Director
 Contact: Ryota Washimori, Manager, Investor and Public Relations Department
 TEL: +81-3-5924-6075

Scheduled date to start dividends distribution: -
 Scheduled date of filing the financial report: April 13, 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 six month ended February 29, 2020 (September 1, 2019 – February 29, 2020)

(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	%
Six months ended Feb 29, 2020	36,198	—	1,894	—	1,912	—	1,032	—
Six months ended Feb 28, 2019	—	—	—	—	—	—	—	—

Note: Comprehensive income: Six months ended Feb 29, 2020: ¥1,107million (—%) Six months ended Feb 28, 2019: ¥— million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended Feb 29, 2020	57.74	—
Six months ended Feb 28, 2019	—	—

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 February 29, 2020	25,449	12,218	45.1
As of August 31, 2019	24,529	11,423	43.9

(Reference) Equity capital: As of February 29, 2020: ¥11,486 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
Year ended August 31, 2019	Yen —	Yen —	Yen —	Yen 10.00	Yen 10.00
Year ending August 31, 2020	—	10.25	—	—	—
Year ending August 31, 2020 (Forecast)	—	—	—	10.25	20.50

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, 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
Full year	72,000	12.8	3,350	12.0	3,370	12.2	1,900	10.2	106.15

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

Notes:

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

(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 February 29, 2020	17,899,333 shares	As of August 31, 2019	17,899,333 shares
2) Number of treasury shares	As of February 29, 2020	56,800 shares	As of August 31, 2019	— shares
3) Average number of shares issued and outstanding in each period	Year ended February 29, 2020	17,889,025 shares	Year ended February 28, 2019	— 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 February 29, 2020 (Current Fiscal Year)
Assets		
Current assets		
Cash and deposits	6,888	7,630
Notes and accounts receivable - trade	6,916	7,175
Merchandise	856	609
Work in process	66	103
Others	272	443
Allowance for doubtful accounts	(31)	(32)
Total current assets	14,967	15,931
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,010	1,034
Accumulated depreciation	(404)	(426)
Buildings and structures, net	606	608
Machinery, equipment and vehicles	30	29
Accumulated depreciation	(28)	(28)
Machinery, equipment and vehicles, net	2	1
Tools, furniture and fixtures	395	427
Accumulated depreciation	(272)	(301)
Tools, furniture and fixtures, net	123	126
Land	1,273	1,273
Leased assets	92	123
Accumulated depreciation	(51)	(60)
Leased assets, net	40	62
Others	—	5
Total property, plant and equipment	2,045	2,077
Intangible assets		
Goodwill	4,562	5,241
Software	787	777
Others	5	5
Total intangible assets	5,355	6,024
Investments and other assets		
Investment securities	444	626
Shares of subsidiaries and associates	876	—
Deferred tax assets	289	362
Others	553	429
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	2,161	1,415
Total non-current assets	9,562	9,518
Total assets	24,529	25,449

(Millions of yen)

	As of August 31, 2019 (Previous Fiscal Year)	As of February 29, 2020 (Current Fiscal Year)
Liabilities		
Current liabilities		
Accounts payable - trade	2,866	2,670
Short-term loans payable	35	180
Current portion of long-term loans payable	995	886
Accounts payable – other	2,477	2,329
Lease obligations	19	17
Income taxes payable	550	823
Provision for bonuses	185	168
Provision for directors' bonuses	5	—
Others	658	1,161
Total current liabilities	7,794	8,238
Non-current liabilities		
Long-term loans payable	4,981	4,619
Lease obligations	21	48
Provision for directors' retirement benefits	105	116
Net defined benefit liability	95	102
Deferred tax liabilities	29	20
Asset retirement obligations	59	65
Others	20	19
Total non-current liabilities	5,312	4,992
Total liabilities	13,106	13,230
Net assets		
Shareholders' equity		
Capital stock	450	450
Capital surplus	287	287
Retained earnings	10,035	10,860
Treasury stock		(99)
Total shareholders' equity	10,773	11,498
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(2)
Foreign currency translation adjustment	(6)	(9)
Total accumulated other comprehensive income	(6)	(11)
Non-controlling interests	656	731
Total net assets	11,414	12,218
Total liabilities and net assets	24,515	25,449

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

	(Millions of yen)
	Six months ended February 29, 2020
Net sales	36,198
Cost of sales	29,540
Gross profit	6,658
Selling, general and administrative expenses	4,764
Operating income	1,894
Non-operating income	
Interest income	1
Dividend income	2
Land and house rent received	2
Grant income	14
Others	8
Total non-operating income	28
Non-operating expenses	
Interest expenses	8
Others	1
Total non-operating expenses	10
Ordinary income	1,912
Profit for the period before income taxes	1,912
Total income taxes	800
Profit for the period	1,112
Profit attributable to non-controlling interests	79
Profit attributable to owners of parent	1,032

(Consolidated statement of comprehensive income)

(Millions of yen)

	Six months ended February 29, 2020
Profit for the period	1,112
Other comprehensive income	
Valuation difference on available-for-sale securities	(2)
Foreign currency translation adjustment	(3)
Total other comprehensive income	(5)
Comprehensive income	1,107
(Breakdown of comprehensive income)	
Comprehensive income attributable to owners of parent	1,028
Comprehensive income attributable to non-controlling interests	78

(3) Consolidated statement of cash flows

	(Millions of yen)
	Six months ended February 29, 2020
Cash flows from operating activities	
Profit before income taxes	1,912
Depreciation	161
Amortization of goodwill	293
Increase (decrease) in net defined benefit liability	0
Increase (decrease) in provision for directors' retirement benefits	11
Increase (decrease) in provision for directors' bonuses	(5)
Increase (decrease) in provision for bonuses	(30)
Increase (decrease) in allowance for doubtful accounts	(0)
Interest and dividend income	(3)
Interest expenses	8
Decrease (increase) in notes and accounts receivable – trade	(0)
Decrease (increase) in inventories	214
Increase (decrease) in operating debt	(535)
Others	313
Subtotal	2,340
Interest and dividend income received	3
Interest expenses paid	(8)
Income taxes paid	(630)
Net cash provided by (used in) operating activities	1,705
Cash flows from investing activities	
Payments into time deposits	(33)
Proceeds from withdrawal of time deposits	14
Purchase of investment securities	(180)
Purchase of property, plant and equipment	(57)
Purchase of intangible assets	(90)
Others	(13)
Net cash provided by (used in) investing activities	(362)

	(Millions of yen)
	Six months ended February 29, 2020
Cash flows from financing activities	
Proceeds from short-term loans payable	145
Proceeds from long-term loans payable	200
Repayments of long-term loans payable	(804)
Repayments of lease obligations	(12)
Purchase of treasury stock	(99)
Cash dividends paid	(178)
Net cash provided by (used in) financing activities	(751)
Effect of exchange rate change on cash and cash equivalents	(2)
Net increase (decrease) in cash and cash equivalents	588
Cash and cash equivalents at the beginning of period	6,796
Increase in cash and cash equivalents from newly consolidated subsidiary	112
Cash and cash equivalents at the end of period	7,497

(4) 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 second-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

Six months ended February 29, 2020 (September 1, 2019 – February 29, 2020)

(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	11,665	4,324	14,293	3,707	33,990	2,208	36,198	—	36,198
Intersegment sales and transfers	7	72	91	—	171	147	319	(319)	—
Total	11,673	4,396	14,384	3,707	34,161	2,355	36,517	(319)	36,198
Segment income (loss) ^{Note 1}	1,142	276	409	162	1,990	(86)	1,903	(9)	1,894

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.