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Consolidated Financial Results for the Nine Months Ended May 31, 2020 [J-GAAP]

July 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>
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Scheduled date to start dividends distribution: -
 Scheduled date of filing the financial report: July 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 three month ended May 31, 2020 (September 1, 2019 – May 31, 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	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended May 31, 2020	52,938	11.0	2,549	7.6	2,578	8.4	1,328	(0.0)
Nine months ended May 31, 2019	47,711	—	2,369	—	2,378	—	1,328	—

Note: Comprehensive income: Nine months ended May 31, 2020: ¥1,435 million ((0.1%)) Nine months ended May 31, 2019: ¥1,436 million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended May 31, 2020	74.32	—
Nine months ended May 31, 2019	74.21	—

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	%
Nine months ended May 31, 2020	27,001	12,363	42.9
As of August 31, 2019	24,529	11,423	43.9

(Reference) Equity capital: As of May 31, 2020: ¥11,596 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	—	10.25	—	—	—
Year ending August 31, 2020 (Forecast)	—	—	—	10.25	20.50

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

Note: Breakdown of year-end dividend for the fiscal year ended August 31, 2019: ordinary dividend ¥8.50, commemorative dividend ¥1.50

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 May 31, 2020	17,899,333 shares	Year ended August 31, 2019	17,899,333 shares
2) Number of treasury shares	As of May 31, 2020	56,830 shares	Year ended August 31, 2019	— shares
3) Average number of shares issued and outstanding in each period	As of May 31, 2020	17,873,410 shares	As of May 31, 2019	17,899,333 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 May 31, 2020 (Current Fiscal Year)
Assets		
Current assets		
Cash and deposits	6,888	8,926
Notes and accounts receivable - trade	6,916	7,777
Merchandise	856	559
Work in process	66	94
Others	272	291
Allowance for doubtful accounts	(31)	(32)
Total current assets	14,967	17,616
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,010	1,036
Accumulated depreciation	(404)	(436)
Buildings and structures, net	606	599
Machinery, equipment and vehicles	30	29
Accumulated depreciation	(28)	(28)
Machinery, equipment and vehicles, net	2	1
Tools, furniture and fixtures	395	436
Accumulated depreciation	(272)	(315)
Tools, furniture and fixtures, net	123	121
Land	1,273	1,273
Leased assets	92	123
Accumulated depreciation	(51)	(67)
Leased assets, net	40	55
Others	—	5
Total property, plant and equipment	2,045	2,056
Intangible assets		
Goodwill	4,562	5,094
Software	787	772
Others	5	5
Total intangible assets	5,355	5,872
Investments and other assets		
Investment securities	444	655
Shares of subsidiaries and associates	876	—
Deferred tax assets	289	378
Others	553	424
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	2,161	1,456
Total non-current assets	9,562	9,385
Total assets	24,529	27,001

(Millions of yen)

	As of August 31, 2019 (Previous Fiscal Year)	As of May 31, 2020 (Current Fiscal Year)
Liabilities		
Current liabilities		
Accounts payable - trade	2,866	4,478
Short-term loans payable	35	300
Current portion of long-term loans payable	995	884
Accounts payable – other	2,477	2,274
Lease obligations	19	15
Income taxes payable	550	615
Provision for bonuses	185	201
Provision for directors' bonuses	5	—
Others	658	1,095
Total current liabilities	7,794	9,865
Non-current liabilities		
Long-term loans payable	4,981	4,398
Lease obligations	21	44
Provision for directors' retirement benefits	105	122
Net defined benefit liability	95	107
Deferred tax liabilities	29	16
Asset retirement obligations	59	65
Others	20	18
Total non-current liabilities	5,312	4,772
Total liabilities	13,106	14,637
Net assets		
Shareholders' equity		
Capital stock	450	450
Capital surplus	287	287
Retained earnings	10,035	10,972
Treasury stock		(100)
Total shareholders' equity	10,773	11,609
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(2)
Foreign currency translation adjustment	(6)	(11)
Total accumulated other comprehensive income	(6)	(13)
Non-controlling interests	656	767
Total net assets	11,423	12,363
Total liabilities and net assets	24,529	27,001

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

(Millions of yen)

	Nine months ended May 31, 2019	Nine months ended May 31, 2020
Net sales	47,711	52,938
Cost of sales	39,468	43,337
Gross profit	8,242	9,600
Selling, general and administrative expenses	5,873	7,050
Operating income	2,369	2,549
Non-operating income		
Interest income	0	1
Dividend income	3	4
Grant income		260
Others	12	45
Total non-operating income	17	312
Non-operating expenses		
Interest expenses	7	12
Compensation expenses		266
Others	1	3
Total non-operating expenses	8	283
Ordinary income	2,378	2,578
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	2,578
Total income taxes	939	1,135
Profit for the period	1,435	1,443
Profit attributable to non-controlling interests	106	115
Profit attributable to owners of parent	1,328	1,328

(Consolidated statement of comprehensive income)

(Millions of yen)

	Nine months ended May 31, 2019	Nine months ended May 31, 2020
Profit for the period	1,435	1,443
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	(2)
Foreign currency translation adjustment	2	(5)
Total other comprehensive income	1	(7)
Comprehensive income	1,436	1,435
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	1,329	1,321
Comprehensive income attributable to non-controlling interests	106	114

(3) Consolidated statement of cash flows

(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

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. 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.