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## Consolidated Financial Results for the Fiscal Year Ended August 31, 2020 [J-GAAP]

October 12, 20

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 of holding the ordinary general meeting of shareholders: November 27, 2020  
 Scheduled date to start dividends distribution: November 30, 2020  
 Scheduled date of filing the financial report: November 30, 2020  
 Supplementary documents for this summary of financial statements: Yes  
 Explanation meeting for financial results: Yes (for institutional investors and analysts)  
 (Figures shown are rounded down to the nearest million yen.)

### 1. Consolidated results for the year ended August 31, 2020 (September 1, 2019 – August 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 yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended August 31, 2020	71,499	12.0	3,149	5.3	3,361	11.9	1,370	(20.5)
Year ended August 31, 2019	63,819	—	2,991	—	3,004	—	1,723	—

Note: Comprehensive income: Year ended August 31, 2020: ¥1,480 million ((19.7%)) Year ended August 31, 2019: ¥1,844 million (—%)

	Profit per share	Diluted profit per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended August 31, 2020	76.73	—	12.2	12.9	4.4
Year ended August 31, 2019	96.31	—	17.2	13.7	4.7

(Reference) Equity in earnings of affiliates: Year ended August 31, 2020: ¥— million Year ended August 31, 2019: ¥— million

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2020	27,475	12,408	42.4	652.29
As of August 31, 2019	24,529	11,423	43.9	601.50

(Reference) Equity capital: As of August 31, 2020: ¥10,638 million As of August 31, 2019: ¥10,766— million

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended August 31, 2020	3,663	(531)	(1,297)	8,734
Year ended August 31, 2019	2,459	(3,424)	1,781	6,796

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					Total dividends (annual)	Dividends payout ratio (consolidated)	Dividends on net assets (consolidated)
	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	Millions of yen 178	% 10.4	% 1.8
Year ended August 31, 2020	—	10.25	—	10.25	20.50	365	26.7	3.3
Year ending August 31, 2021 (Forecast)	—	10.75	—	10.75	21.50		20.4	

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 previous fiscal year and the first two quarters of the current 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, 2021 (September 1, 2020 – August 31, 2021)

(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	35,500	(1.9)	1,700	(10.2)	1,780	(6.9)	970	(12.8)	54.36
Full year	73,000	2.1	3,500	11.1	3,600	7.1	1,880	37.1	105.37

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: -
- (2) 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 |

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

1) Number of shares issued and outstanding (including treasury shares)	As of August 31, 2020	17,899,333 shares	As of August 31, 2019	17,899,333 shares
2) Number of treasury shares	As of August 31, 2020	56,830 shares	As of August 31, 2019	— shares
3) Average number of shares issued and outstanding in each period	Year ended August 31, 2020	17,865,641 shares	Year ended August 31, 2019	17,899,333 shares

**\* These financial statements are 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. For more details about these assumptions and other conditions that form the basis of these forecasts, please refer to page 6 of the supplementary materials, “1. Consolidated operating performance, (4) Outlook.”

2. Consolidated financial statements for the current fiscal year (September 1, 2019 – August 31, 2020) have been prepared based on the consolidated financial statements of HITO-Communications, Inc., which became a wholly owned subsidiary through a sole-share transfer.

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## 1. Results of Operation Overview

### (1) Overview of consolidated operating results of the current term

HITO-Communications Holdings Inc. was established on March 1, 2019 as the wholly owning parent company of HITO-Communications, Inc. through a sole-share transfer. However, as there is no practical change in the scope of consolidation, year-on-year comparisons are based on the consolidated results of HITO-Communications, Inc. for the previous fiscal year (September 1, 2018 – February 28, 2019).

During the fiscal year under review (September 1, 2019 – August 31, 2020), the Japanese economy, which had been recovering at a moderate pace, drastically dropped and continuously getting worse, due to COVID-19 outbreak and the countermeasure against it; such as quarantine of corporate activities and the state of emergency. As an outlook, economic activity is expected to resurgence step by step supported by political measurements to activate the economic, e.g. Go To Travel Campaign, while new positive cases are increasing even after the end of state of emergency.

In such environment, the Group explored the possibilities of omni-channel sales support for physical retail (physical stores) and virtual retail (e-commerce and other non-physical channels). We also focused on expanding our business reach and increasing the specialization of Group companies while adding in the aspect of the rapidly advancing digital transformation, as an innovative “Corporate Group Building the Future of Marketing.”

Specifically, in the field of digital marketing, focusing on the e-commerce platform support and inside sales as a growth driver, the Group enhanced relationship between existing clients and developed new clients in accordance of change of consumption behavior. Regarding to store sales support, despite some store temporarily close due to COVID-19, the Group increased presence in the outsourcing industry by expanding the business field such as developing a nationwide business operation office\*<sup>1</sup> in the field of Mobile.

In the consolidated fiscal year, sales increased 12.0% year to year to ¥71,499 million, supported by the expansion of digital marketing field and increase of retail sales support.

The Group reported operating income of ¥3,149 million (up 5.3% year-on-year) and ordinary income of ¥3,361 million (up 11.9% year-on-year), supported by the sales increase mentioned above and the effort to saving in selling, general and administrative expense.

Profit attributable to owners of parent decreased 20.5% year-on-year to ¥1,370 million which reason comes from the unforeseeable market situation from the impact of COVID-19 and write-down of goodwill and leased assets.

Business segment results are as follows:

#### **(Outsourcing business)** \*<sup>2</sup>

As for outsourcing business, the number of mobile phone contract in the market increased 3.6% year-on-year\*<sup>3</sup> to 183.52 million which shows that the growth continues to support strong demand for sales support in the field.

In the consolidated fiscal year, although there being the negative impact of some client retail store temporarily close and shorten operating hour due to COVID-19, the Group has expand the business field by putting power in the field of telecommunication and mobile for the increasing demand for 5G mobile line, and operating nationwide business operation office in the field of mobile. In addition, the Group is aware of the strong demand to non-face-to-face sales and strengthened the inside sales business field by newly consolidated SALES ROBOTICS in the previous consolidated fiscal year.

As result, sales increased 10.9% year-to-year to ¥22,106 million and the operating income increased 19.0% year-to-year to ¥2,027 million.

#### **(Personnel staffing business)** \*<sup>4</sup>

Due to COVID-19, the employment situation worsened and temporary layoff increase, the difficult situation continues in the staffing market.

In the consolidated fiscal year, the Group reviewed its earning structure for the law amendment regarding equal pay for equal value of work however, the business downsized due to demand of staffing especially in the tourism industry greatly decreasing and retail stores of other industry temporarily closing and shortening operating hour.

As result, sales decreased 18.9% year-to-year to ¥7,329 million and the operating income decreased 34.2% year-to-year to ¥350 million.

#### **(EC/TC support business)** \*<sup>5</sup>

In the EC/TC support business, the market size of BtoC e-commerce in Japan in 2019 was ¥19,360.9 billion (up 7.65% year-to-year\*<sup>6</sup> and the EC ratio was 6.76% (up 0.54% year-to-year\*<sup>6</sup>) which shows the BtoC e-commerce market, to which the Group provides services, has continued to grow.

In the consolidated fiscal year, taking into consideration the consumption behavior change due to COVID-19, business transaction increased by putting effort in new E-commerce website of various fields such as food while at the same time, continue strengthening the existing E-commerce site of fashion and sports.

As result, sales increased 17.4% year-to-year to ¥31,533 million and the operating income increased 51.4% year-to-year to ¥726 million.

#### **(Wholesale business)** \*<sup>7</sup>

In the wholesale business, the market scale of Japanese clothing retail sales from January to June in 2019 has decreased 21.7% year-to-year to ¥356.4 billion therefore the condition remained challenging.

In the consolidated fiscal year, the Group worked on building up the sustainable growth platform by reinforcing sales towards domestic major retail store and developing new clients. In addition, the Group utilized the planning ability to create and propose high profit products and put effort in saving cost by integrating the logistic warehouses, while creating and manufacturing licensed products to increase sales.

As result, sales increased 5.4% year-to-year to ¥7,706 million and the operating income increased 9.7% year-to-year to ¥319 million.

**(Other)**

Due to the COVID-19, the estimated figure of overseas visitors in August 2020 decreased 82.1%\*9 year-to-year to 3.96 million and the situation of the luxury limousine service of the Group whose main market is inbound tourism industry, is quite challenging.

In the current consolidated fiscal year, the newly consolidated company in September 2019, Triangle and LOWCAL contributed to the sales increase, although the business environment was fundamentally difficult due to the great loss of inbound tourism business. In addition, product sales of the e-commerce website for sports events were strong, which the Group operated in the first quarter of this fiscal year under review and the performance of social welfare service is steadily firm as well. On the other hand, the operational loss for the increased depreciation of goodwill upon the new consolidation is recorded.

As a result, the sales increased 311.5% year-to-year to ¥2,823 million and the operating loss was ¥256 million (1 million year-to-year).

Thus, in order to understand the company management according to the actual figures, the Group also control based on the following six sectors.

**(a) Store Sales Support**

The sales was affected by some client store temporarily close and shorten operating hours because of COVID-19, however the telecommunication and mobile field became strong owing to the order of nationwide business operation office from major telecom carrier and the strong demand of 5G line.

As a result, for the current consolidated fiscal year, the sales increased 6.1% year-to-year to ¥22,140 million.

**(b) Digital Sales Support**

In the EC/TC support business, the Group expanded business to launching new e-commerce website in new field such as food, considering the change of consumption behavior of customer due to COVID-19 and the sales increased simultaneously with the demands toward e-commerce website. In addition, the newly consolidated company SALES ROBOTICS (June 2019) expanded business of inside sales and LOWCAL, newly consolidated in September 2019 contributed to the sales increase.

As a result, for the current consolidated fiscal year, the sales increased 21.6% year-to-year to ¥33,106 million.

**(c) Tourism & Sports**

In the Tourism & Sports business, during the first half of the year before the outbreak of COVID-19, the staffing of airport and hotel for overseas travelers were successful and the order for operation such as sports events greatly increased. Moreover, the sales of the newly consolidated company Triangle in September 2019, contributed to the increase of sales.

As a result, for the current consolidated fiscal year, the sales increased 6.6% year-to-year to ¥5,637 million.

In addition, from the third quarter of consolidated period, the figure remain the same however, the name of the sector changed to “Inbound Tourism.”

**(d) Wholesale**

Some delay and confusion were seen in the manufacturing and logistic in China due to COVID-19, however, the Group put effort in developing new clients and strengthened the sales proposal by using the license it possesses.

As a result, for the current consolidated fiscal year, the sales increased 5.4% year-to-year to ¥7,706 million.

**(e) Business Sales Support**

In the Business Sales Support field, because of the spread of cash-less service in the market, the demand to sales visits made a full cycle and came back to the point of decline.

As a result, for the current consolidated fiscal year, the sales decreased 36.3% year-to-year to ¥755 million.

**(f) Other**

The Group had to downsize the call center for foreign language because of the decrease of overseas traveler due to COVID-19, however, on the other hand, engaged the operation of various political economic measurements for enterprises and individuals under COVID-19.

As a result, for the current consolidated fiscal year, the sales increased 11.0% year-to-year to ¥2,152 million.

Notes:

\*1 In the outsourcing business, the Group sets up business operation offices (HITO-Communications offices) on site at the client to share strategies and resolve any issues related to the provision of sales support and other services. These offices are the first point of contact for negotiations with clients and for the development of strategies related to provision of sales support and other services, under the leadership of the office chief. Directors are positioned at the offices to issue instructions to staff working at each site, and office teams are made up of personnel who are experienced in sales support and provision of other services. Business operation offices are responsible for all operational areas related to product sales and service provision, including the recruitment of sales staff, development of training programs, creation of curriculums for product sales and other areas, work site inspections, and the provision of feedback to clients regarding sales support and other services.

This approach helps reduce the burden of personnel management and training for clients, allowing them to benefit in a number of ways, such as increased efficiency through the separation of frontline operations and marketing functions, supporting an improvement in earnings.

\*2 The table below shows the main target product and service fields in the outsourcing business and the type of business conducted in each field.

Sector	Type of business
Store Sales Support	<ul style="list-style-type: none"> <li>• Sales of large TVs, digital recorders, tablet PCs, etc.</li> <li>• Sales of household consumer electronics (air conditioners, refrigerators, washing machines, etc.)</li> <li>• Marketing of fixed-line internet access plans (fiber-optic, etc.)</li> <li>• Sales of mobile phones and high-performance mobile handsets (smartphones, etc.)</li> <li>• Sales of fresh food, cosmetics and fashion items</li> </ul>
Digital Sales Support	<ul style="list-style-type: none"> <li>• Obtaining customer information using the system and inside sales through call center</li> </ul>
Tourism & Sports	<ul style="list-style-type: none"> <li>• Staffing for service to foreign travelers, duty free counters, staffing for various service in airports</li> <li>• Bus guide</li> <li>• Exhibition, convention and sports event management services and other services</li> </ul>
Business Sales Support	<ul style="list-style-type: none"> <li>• Visiting sales support mainly utilizing cash-less service</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Multilingual call centers for foreign visitors to Japan</li> </ul>

\*3 Source: "Number of Subscribers by Carriers" (June 2020), Telecommunications Carriers Association

\*4 The table below shows the main target product and service fields in the personnel staffing business and the type of business conducted in each field.

Sector	Type of business
Store Sales Support	<ul style="list-style-type: none"> <li>• Sales of large TVs, digital recorders, tablet PCs, etc.</li> <li>• Sales of household consumer electronics (air conditioners, refrigerators, washing machines, etc.)</li> <li>• Sales of mobile phones and high-performance mobile handsets (smartphones, etc.)</li> <li>• Sales of fresh food, cosmetics and fashion items</li> </ul>
Tourism & Sports	<ul style="list-style-type: none"> <li>• Tour guide services for domestic and overseas travel and bus guide</li> <li>• Duty free counters</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Operation of customer call centers</li> <li>• Back office support for the marketing, import-export and accounting sectors and other services</li> </ul>

\*5 The table below shows the main target product and service field in the EC/TC support business and the type of business conducted in the field.

Sector	Type of business
Digital Sales Support	<ul style="list-style-type: none"> <li>• Outsourced operation of e-commerce sites mainly in the fashion and sports fields</li> <li>• TV shopping sales support</li> </ul>

\*6 Source: "FY2019 Global Economy Survey for Formulating an Integrated Domestic and External Economic Growth Strategy (E-Commerce Market Survey)," Ministry of Economy, Trade and Industry (July 22, 2020)

\*7 The table below shows the main target product and service field in the wholesale business and the type of business conducted in the field.

Sector	Type of business
Wholesales	<ul style="list-style-type: none"> <li>• Planning, design, manufacturing, production management, wholesale of apparel</li> </ul>

\*8 Source: "Chain Store Sales Statistics" (Sales overview of first half of 2020), Japan Chain Stores Association

\*9 Source: "Visitor Arrivals" (preliminary figures, August 2020), Japan National Tourism Organization

## (2) Overview of consolidated financial position

### (Assets)

As of the end of current consolidated fiscal year, total assets stood at ¥27,475 million, an increase of ¥2,945 million (12.0%) from the end of the previous fiscal year.

Current assets totaled ¥18,679 million, up ¥3,712 million from the end of the previous fiscal year, mainly reflecting increases of ¥2,002 million in cash and deposits and ¥1,959 million in notes and accounts receivable – trade.

Non-current assets totaled ¥8,795 million, down ¥766 million from the end of the previous fiscal year. The main items were decrease of ¥876 million of stocks of subsidiaries and affiliates.

**(Liabilities)**

As of the end of current consolidated fiscal year, total liabilities stood at ¥15,066 million, an increase of ¥1,959 million (15.0%) from the end of the previous fiscal year.

Current liabilities totaled ¥10,540 million, up ¥2,746 million from the end of the previous fiscal year. This mainly reflected increases of ¥1,668 million in accounts payable – trade and ¥381 million in income taxes payable.

Non-current liabilities totaled ¥4,526 million, down ¥786 million from the end of the previous fiscal year. This mainly reflected decrease of ¥821 million in long-term loans payable.

**(Net Assets)**

As of the end of current consolidated fiscal year, net assets stood at ¥12,408 million, an increase of ¥985 million (8.6%) from the end of the previous fiscal year. That mainly reflected an increase in retained earnings of ¥980 million from the booking of profit attributable to owners of parent.

**(3) Overview of consolidated cash flows**

(Millions of yen)

	End of current consolidated fiscal year
Cash flows from operating activities	3,663
Cash flows from investing activities	△531
Cash flows from financing activities	△1,297
Effect of exchange rate change on cash and cash equivalents	△8
Net increase (decrease) in cash and cash equivalents	1,825
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	8,734

As of the end of the fiscal year, cash and cash equivalents totaled ¥8,734 million, an increase of ¥1,938 million from the end of the previous fiscal year, as cash provided by operating activities and financing activities exceeded cash used by investing activities.

The main factors behind changes in cash flow during the fiscal year under review are as follows.

**1. Cash flows from operating activities**

Cash provided by operating activities mainly comprised profit before income taxes of ¥2,941 million, plus increase in operating debt of ¥1,582 million and amortization of goodwill of ¥586 million and minus cash used of ¥1,708 million for increase in trade receivables and ¥1,217 million for income tax payable.

**2. Cash flows from investing activities**

The main item was cash of ¥210 million to acquire investment account security and ¥184 million to acquire intangible assets.

**3. Cash flows from financing activities**

The main item was cash provided of ¥1,274 million from proceeds from long-term loans payable.

**(4) Outlook**

The Company's outlook for the future is as follows.

Guided by our motto, "Being Corporate Group Building the Future of Marketing," we will strengthen the omni-channel sales support by combining personnel and IT, and at the same time, brush up the ability to find high-values added solution using latest technology. Our goal is to continue delivering results-driven sales support services tailored to client needs by working with them as their marketing partner to develop new businesses designed for the changing demands of society.

In the outsourcing business, with the strong growing demand of 5G line, the Group will focus on telecommunication and mobile field reinforcing management and improving the profitability of business operation office. Moreover, the Group will also expand business to the digital marketing business by inside sales which is expected to increase and by capital and business alliance with advanced technology owning start-up companies. In addition, through the advantage of omni-channel sales support, we plan to develop new business field such as public business.

In the personnel staffing business, the Group will work to secure staff and enhance training programs in order to deliver qualitative and quantitative improvements in staffing, focusing mainly on the consumer electronics, store services and logistics. As for the domestic tourism field, the situation is gradually recovering through Go To campaign and the Group will reinforce staffing of tour guide, back office, and call center.

In the EC/TC support business, the Group will strengthen the business basis from developing outsource and support for

companies in new field other than the existing field, fashion. Moreover, we will increase business synergies within the Group and step up efforts to realize a framework of omni-channel sales support.

In the wholesale business, we will promote sales using the licenses, develop new clients and enrich the variety of in-house products.

As for other fields, the Group will strengthen the SES and continue empowering the group synergies.

Based on the above initiatives, the Group forecasts fiscal 2021 sales of ¥73,000 million, operating income of ¥3,500 million, ordinary income of ¥3,600 million and profit attributable to owners of parent of ¥1,880 million.

(5) Material events related to the going concern assumption

There is no related information.

**2. Basic stance on selection of accounting standards**

The HITO-Communications Group intends to use Japanese accounting standards to prepare consolidated financial statements for the time being in order to facilitate comparison with previous financial statements and with other companies.

The Group intends to respond appropriately to the adoption of international financial reporting standards (IFRS) based on factors such as trends in Japan and overseas.



**3. Consolidated financial statements and related notes****(1) Consolidated balance sheet**

(Millions of yen)

	As of August 31, 2019 (Previous Fiscal Year)	As of August 31, 2020 (Current Fiscal Year)
<b>Assets</b>		
Current assets		
Cash and deposits	6,888	8,890
Notes and accounts receivable - trade	6,916	8,875
Merchandise	856	615
Work in process	66	25
Others	272	323
Allowance for doubtful accounts	(31)	(50)
Total current assets	14,967	18,679
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,010	1,030
Accumulated depreciation	(404)	(447)
Buildings and structures, net	606	583
Machinery, equipment and vehicles	30	29
Accumulated depreciation	(28)	(28)
Machinery, equipment and vehicles, net	2	0
Tools, furniture and fixtures	395	438
Accumulated depreciation	(272)	(333)
Tools, furniture and fixtures, net	123	104
Land	1,273	1,273
Leased assets	92	73
Accumulated depreciation	(51)	(73)
Leased assets, net	40	
Others		5
Total property, plant and equipment	2,045	1,967
Intangible assets		
Goodwill	4,562	4,611
Software	787	752
Others	5	1
Total intangible assets	5,355	5,365
Investments and other assets		
Investment securities	444	655
Shares of subsidiaries and associates	876	
Deferred tax assets	289	377
Others	553	431
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	2,161	1,462
Total non-current assets	9,562	8,795
Total assets	24,529	27,475

(Millions of yen)

	As of August 31, 2019 (Previous Fiscal Year)	As of August 31, 2020 (Current Fiscal Year)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	2,866	4,535
Short-term loans payable	35	300
Current portion of long-term loans payable	995	876
Accounts payable – other	2,477	2,697
Lease obligations	19	11
Income taxes payable	550	932
Provision for bonuses	185	210
Provision for directors' bonuses	5	
Others	658	976
Total current liabilities	7,794	10,540
Non-current liabilities		
Long-term loans payable	4,981	4,160
Lease obligations	21	41
Provision for directors' retirement benefits	105	128
Provision for stock benefits		12
Net defined benefit liability	95	105
Deferred tax liabilities	29	0
Asset retirement obligations	59	64
Others	20	13
Total non-current liabilities	5,312	4,526
<b>Total liabilities</b>	<b>13,106</b>	<b>15,066</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	450	450
Capital surplus	287	287
Retained earnings	10,035	11,016
Treasury Stock		(99)
Total shareholders' equity	10,773	11,653
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(3)
Foreign currency translation adjustment	(6)	(12)
Total accumulated other comprehensive income	(6)	(15)
Non-controlling interests	656	770
<b>Total net assets</b>	<b>11,423</b>	<b>12,408</b>
<b>Total liabilities and net assets</b>	<b>24,529</b>	<b>27,475</b>

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

(Millions of yen)

	Year ended August 31,2019	Year ended August 31,2020
Net sales	63,819	71,499
Cost of sales	52,619	58,891
Gross profit	11,200	12,607
Selling, general and administrative expenses	8,209	9,457
Operating income	2,991	3,149
Non-operating income		
Interest income	3	2
Dividend income	4	5
Insurance income		675
Others	21	15
Total non-operating income	29	699
Non-operating expenses		
Interest expenses	11	16
Foreign exchange losses		465
Others	4	5
Total non-operating expenses	15	487
Ordinary income	3,004	3,361
Extraordinary losses		
Loss on retirement of non-current assets	0	
Impairment loss		419
Loss on valuation of investment securities	3	
Total extraordinary losses	4	419
Profit before income taxes	3,000	2,941
Income taxes – current	1,179	1,502
Income taxes – deferred	(28)	(52)
Total income taxes	1,150	1,450
Profit	1,849	1,490
Profit attributable to non-controlling interests	125	119
Profit attributable to owners of parent	1,723	1,370

## (Consolidated statement of comprehensive income)

	(Millions of yen)	
	Year ended August 31, 2019	Year ended August 31, 2020
Profit	1,849	1,490
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	(2)
Foreign currency translation adjustment	(3)	(6)
Total other comprehensive income	(5)	(9)
Comprehensive income	1,844	1,480
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	1,719	1,362
Comprehensive income attributable to non-controlling interests	124	118

## (3) Consolidated statement of changes in net assets

Year ended August 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	737	—	8,598	(0)	9,335
Changes of items during period					
Increase (decrease) by share transfers	(287)	287			—
Dividends from surplus			(286)		(286)
Profit attributable to owners of parent			1,723		1,723
Purchase of treasury shares				(0)	(0)
Cancellation of treasury shares		(0)		0	—
Change of scope of equity method					—
Net changes of items other than shareholders' equity					
Total changes of items during period	(287)	287	1,437	0	1,437
Balance at end of current period	450	287	10,035	—	10,773

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	0	(3)	(2)	531	9,864
Changes of items during period					
Increase (decrease) by share transfers					—
Dividends from surplus					(286)
Profit attributable to owners of parent					1,723
Purchase of treasury shares					(0)
Cancellation of treasury shares					—
Change of scope of equity method					—
Net changes of items other than shareholders' equity	(0)	(3)	(4)	125	121
Total changes of items during period	(0)	(3)	(4)	125	1,558
Balance at end of current period	(0)	(6)	(6)	656	11,423

Year ended August 31, 2020

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	450	287	10,035	—	10,773
Changes of items during period					
Increase (decrease) by share transfers					—
Dividends from surplus			(362)		(362)
Profit attributable to owners of parent			1,370		1,370
Purchase of treasury shares				(99)	(99)
Cancellation of treasury shares					—
Change of scope of equity method			(28)		(28)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	980	(99)	880
Balance at end of current period	450	287	11,016	(99)	11,653

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	(0)	(6)	(6)	656	11,423
Changes of items during period					
Increase (decrease) by share transfers					—
Dividends from surplus					(362)
Profit attributable to owners of parent					1,370
Purchase of treasury shares					(99)
Cancellation of treasury shares					—
Change of scope of equity method					(28)
Net changes of items other than shareholders' equity	(2)	(5)	(8)	113	104
Total changes of items during period	(2)	(5)	(8)	113	985
Balance at end of current period	(3)	(12)	(15)	770	12,408

## (4) Consolidated statement of cash flows

(Millions of yen)

	Year ended August 31, 2019	Year ended August 31, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,000	2,941
Depreciation	194	334
Amortization of goodwill	335	586
Impairment Loss		419
Increase (decrease) in net defined benefit liability	8	3
Increase (decrease) in provision for directors' retirement benefits	8	23
Increase (decrease) in provision for directors' bonuses	5	(5)
Increase (decrease) in provision for bonuses	16	11
Increase (decrease) in allowance for doubtful accounts	(81)	18
Increase (decrease) in provision for stock benefits		12
Interest and dividend income	(7)	(7)
Interest expenses	11	16
Compensation income		(675)
Compensation expenses		465
Loss (gain) on valuation of investment securities	3	
Loss on retirement of non-current assets	0	
Decrease (increase) in notes and accounts receivable – trade	(475)	(1,708)
Decrease (increase) in inventories	(317)	286
Increase (decrease) in operating debt	598	1,582
Increase (decrease) in income taxes payable	(56)	0
Others	236	369
<b>Subtotal</b>	<b>3,482</b>	<b>4,674</b>
Interest and dividend income received	7	7
Interest expenses paid	(10)	(16)
Compensation income received		675
Compensation expenses paid		(461)
Income taxes paid	(1,019)	(1,217)
<b>Net cash provided by (used in) operating activities</b>	<b>2,459</b>	<b>3,663</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(60)	(65)
Proceeds from withdrawal of time deposits	120	14
Purchase of investment securities	(10)	(210)
Purchase of property, plant and equipment	(67)	(71)
Purchase of intangible assets	(198)	(184)
Purchase of shares of subsidiaries and associates	(876)	
Payments of loans receivable from subsidiaries and associates	(171)	
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,148)	
Others	(12)	(14)
<b>Net cash provided by (used in) investing activities</b>	<b>(3,424)</b>	<b>(531)</b>

(Millions of yen)

	Year ended August 31, 2019	Year ended August 31, 2020
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable		265
Proceeds from long-term loans payable	2,750	200
Repayments of long-term loans payable	(665)	(1,274)
Repayments of lease obligations	(16)	(26)
Repayments of treasury Stock		(99)
Cash dividends paid	(286)	(362)
Others	(0)	
Net cash provided by (used in) financing activities	1,781	(1,297)
Effect of exchange rate change on cash and cash equivalents	(6)	(8)
Net increase (decrease) in cash and cash equivalents	810	1,825
Cash and cash equivalents at the beginning of period	5,985	6,796
Increase in cash and cash equivalents from newly consolidated subsidiary		112
Cash and cash equivalents at the end of period	6,796	8,734



(5) Notes on consolidated financial statements  
(Notes related to the going concern assumption)

There is no related information.

(Additional Information)

(Accounting estimates associated with the outbreak of COVID-19)

The outbreak of COVID-19 has an extensive influence on economic activities and it is difficult to logically estimate the degree of the impact and when it will be stamped out. However, the Group has gather accessible information from the time being, especially focusing on the field of staffing for tourism and sports within the outsourcing and personnel staffing segment. As a result, we estimate the affect will linger until August 2021 and it will gradually fade away after that. From this assumption, we estimated taxable income of the realizability of deferred tax assets and the future cash flow from the impairment loss on fixed assets.

Nevertheless, the above estimation contain much uncertain data therefore, depending on when COVID-19 become fully contained and the economic situation then, the Group's financial and business performance may greatly change.

(Segment information, etc.)

(Segment information)

1 Overview of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available. These segments are subject to periodic examinations to enable the Company's Board of Directors to decide how to allocate resources and assess operating performance.

The Group has four reportable segments, the outsourcing business, personnel staffing business, EC/TC support business and wholesale business. The segments have been classified based on the characteristics of their business activities and in accordance with legal requirements related to business management.

The outsourcing business conducts work for a complete area of operations (sales strategy planning, personnel placement, customer-facing sales operations, etc.) on behalf of manufacturers, communications carriers and other client companies; the personnel staffing business primarily dispatches personnel to meet the needs of manufacturers, communications carriers, supermarkets / GMS and other clients; the EC/TC support business provides sales support for e-commerce and TV shopping channels; and the wholesale business mainly manufactures and sells apparel on a wholesale basis.

2 Method used to calculate sales, income (loss), assets, liabilities and other items by reportable segment

Accounting policies for the reportable segments are substantially the same as those described in "Basic important matters for the preparation of consolidated financial statements."

Profits for reportable segments are based on operating income. Intersegment sales and transfers are based on prevailing market prices.

3 Information regarding sales, income (loss), assets, liabilities and other items by reportable segment  
Year ended August 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	19,933	9,032	26,857	7,309	63,133	686	63,819	—	63,819
Intersegment sales and transfers	5	79	29	—	113	13	126	(126)	—
<b>Total</b>	<b>19,938</b>	<b>9,111</b>	<b>26,886</b>	<b>7,309</b>	<b>63,247</b>	<b>699</b>	<b>63,946</b>	<b>(126)</b>	<b>63,819</b>
Segment income (loss) <sup>Note 1</sup>	1,703	533	479	291	3,008	1	3,009	(18)	2,991
Segment assets	8,636	3,255	6,039	3,745	21,677	909	22,586	1,943	24,529
Other items									
Depreciation and amortization <sup>Note 4</sup> (Goodwill) Amortization during the period	54	9	83	9	157	18	176	18	194
Balance at end of period	1,998	137	1,272	1,139	4,548	13	4,562	—	4,562
Increase in property, plant and equipment and intangible assets	47	15	201	4	269	17	287	—	287

- 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 social welfare services, instruction and training, luxury limousine services for wealthy individuals, and systems-related services.
  3. Details of adjustments are as follows:
    - (1) Adjustments to segment income (loss) are companywide expenses (depreciation and amortization) not allocated to a reportable segment.
    - (2) Adjustments to segment assets are companywide assets (head office land and buildings) not allocated to a reportable segment.
    - (3) Adjustments to depreciation and amortization for other items are companywide depreciation and amortization expenses not allocated to a reportable segment
  4. Depreciation and amortization expenses include depreciation for long-term prepaid expenses.

Year ended August 31, 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	22,106	7,329	31,533	7,706	68,675	2,823	71,499	—	71,499
Intersegment sales and transfers	19	178	91	—	289	296	585	(585)	—
Total	22,126	7,507	31,624	7,706	68,965	3,119	72,084	(585)	71,499
Segment income (loss) <sup>Note 1</sup>	2,027	350	726	319	3,424	(256)	3,168	(18)	3,149
Segment assets	9,474	2,193	7,679	4,394	23,741	1,591	25,332	2,142	27,475
Other items									
Depreciation and amortization <sup>Note 4</sup> (Goodwill)	155	9	111	8	285	29	315	18	334
Amortization during the period	207	29	129	115	482	104	586	—	586
Balance at end of period	1,776	20	1,142	1,023	3,963	647	4,611	—	4,611
Increase in property, plant and equipment and intangible assets	104	13	110	8	238	56	294	—	294

- Notes:
- Segment income (loss) has been adjusted for the operating income appearing in the consolidated financial statements.
  - Other is not a reportable segment, and includes businesses such as social welfare services, instruction and training, luxury limousine services for wealthy individuals, and systems-related services.
  - Details of adjustments are as follows:
    - Adjustments to segment income (loss) are companywide expenses (depreciation and amortization) not allocated to a reportable segment.
    - Adjustments to segment assets are companywide assets (head office land and buildings) not allocated to a reportable segment.
    - Adjustments to depreciation and amortization for other items are companywide depreciation and amortization expenses not allocated to a reportable segment.
  - Depreciation and amortization expenses include depreciation for long-term prepaid expenses.

(Related information)

Year ended August 31, 2019

## 1. Information by product and service

This information has been omitted, as it is the same as segment information.

## 2. Information by region

## (1) Net sales

Information has been omitted, as net sales to outside customers in Japan exceeded 90% of net sales in the consolidated statement of income.

## (2) Property, plant and equipment

This information has been omitted, as property, plant and equipment in Japan accounts for more than 90% of the value of property, plant and equipment on the consolidated balance sheet.

## 3. Information by major customer

This information has not been provided, as sales to external customers does not include any customers that account for 10% or more of sales in the consolidated statement of income.

Year ended August 31, 2020

## 1. Information by product and service

This information has been omitted, as it is the same as segment information.

2. Information by region

(1) Net sales

Information has been omitted, as net sales to outside customers in Japan exceeded 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information has been omitted, as property, plant and equipment in Japan accounts for more than 90% of the value of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

This information has not been provided, as sales to external customers does not include any customers that account for 10% or more of sales in the consolidated statement of income.

(Information on non-current asset impairment losses by reportable segment)

Year ended August 31, 2019

There is no related information.

Year ended August 31, 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				
Impairment Loss	8	103	—	—	112	307	419	—	419

(Information on goodwill amortization amounts and outstanding amortization balances by reportable segment)

This information has been omitted, as it is the same as segment information.

(Information on gains on negative goodwill by reportable segment)

There is no related information.

(Per share information)

	Year ended August 31, 2019	Year ended August 31, 2020
Net assets per share (Yen)	601.50	652.29
Profit per share (Yen)	96.31	76.73

Notes: 1. Fully diluted profit per share is not shown, as the Company does not have any shares with dilutive effect.  
2. Basis for calculating profit per share is as follows:

	Year ended August 31, 2019	Year ended August 31, 2020
Profit per share		
Profit attributable to owners of parent (million yen)	1,723	1,370
Amounts attributable to owners of common stock (million yen)	1,723	1,370
Average number of shares of common stock during fiscal year (shares)	17,899,333	17,865,641

3. Basis for calculating net assets per share is as follows:

	As of August 31, 2019	As of August 31, 2020
Net assets (million yen)	11,423	12,408
Amount deducted from total net assets (million yen)	656	770
(Of which, non-controlling interests (million yen))	656	770
Year-end net assets related to common stock (million yen)	10,766	11,638
Number of shares of common stock at period-end used to calculate net assets per share (shares)	17,899,333	17,842,503

(Significant subsequent events)

There is no related information.