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Consolidated Financial Results for the Three Months Ended November 30, 2020 [J-GAAP]

January 12, 2021

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 12, 2021
 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, 2020 (September 1, 2020 – November 30, 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	%
Three months ended Nov 30, 2020	20,623	13.9	1,432	40.7	1,531	49.3	895	60.8
Three months ended Nov 30, 2019	18,103	—	1,018	—	1,025	—	557	—

Note: Comprehensive income: Three months ended Nov 30, 2020: ¥979 million (62.6%) Three months ended Nov 30, 2019: ¥602 million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
Three months ended Nov 30, 2020	50.21	—
Three months ended Nov 30, 2019	31.13	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
Three months ended Nov 30, 2020	28,807	13,205	42.9
As of August 31, 2019	27,475	12,408	42.4

(Reference) Equity capital: As of Nov 30, 2020: ¥12,355 million As of August 31, 2020: ¥11,638 million

2. Dividends

	Dividends per share				
	First quarter -end	Second quarter -end	Third quarter -end	Year-end	Annual
Year ended August 31, 2020	Yen —	Yen 10.25	Yen —	Yen 10.25	Yen 20.50
Year ending August 31, 2021	—	—	—	—	—
Year ending August 31, 2021 (Forecast)	—	10.75	—	10.75	21.50

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

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 Half	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: 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 Nov 30, 2020	17,899,333 shares	Year ended August 31, 2020	17,899,333 shares
2) Number of treasury shares	As of Nov 30, 2020	56,830 shares	Year ended August 31, 2020	56,830 shares
3) Average number of shares issued and outstanding in each period	As of Nov 30, 2020	17,842,503 shares	As of Nov 30, 2020	17,899,333 shares

*** 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, 2020 (Previous Fiscal Year)	As of Nov 30, 2020 (Current Fiscal Year)
Assets		
Current assets		
Cash and deposits	8,890	8,957
Notes and accounts receivable - trade	8,875	9,737
Merchandise	615	552
Work in process	25	28
Others	323	406
Allowance for doubtful accounts	(50)	(46)
Total current assets	18,679	19,636
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,030	1,236
Accumulated depreciation	(447)	(458)
Buildings and structures, net	583	778
Machinery, equipment and vehicles	29	21
Accumulated depreciation	(28)	(20)
Machinery, equipment and vehicles, net	0	1
Tools, furniture and fixtures	438	504
Accumulated depreciation	(333)	(347)
Tools, furniture and fixtures, net	104	157
Land	1,273	1,273
Leased assets	73	80
Accumulated depreciation	(73)	(80)
Leased assets, net	—	0
Others	5	0
Total property, plant and equipment	1,967	2,211
Intangible assets		
Goodwill	4,611	4,478
Software	752	801
Others	1	1
Total intangible assets	5,365	5,281
Investments and other assets		
Investment securities	655	655
Deferred tax assets	377	352
Others	431	671
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	1,462	1,677
Total non-current assets	8,795	9,170
Total assets	27,475	28,807

(Millions of yen)

	As of August 31, 2020 (Previous Fiscal Year)	As of Nov 30, 2020 (Current Fiscal Year)
Liabilities		
Current liabilities		
Accounts payable - trade	4,535	4,478
Short-term loans payable	300	300
Current portion of long-term loans payable	876	873
Accounts payable – other	2,697	2,459
Lease obligations	19	15
Income taxes payable	932	527
Provision for bonuses	210	93
Others	976	1,029
Total current liabilities	10,547	10,989
Non-current liabilities		
Long-term loans payable	4,160	4,241
Lease obligations	33	31
Provision for directors' retirement benefits	128	134
Provision for share-based remuneration	12	14
Net defined benefit liability	105	108
Deferred tax liabilities	0	1
Asset retirement obligations	64	64
Others	13	15
Total non-current liabilities	4,518	4,612
Total liabilities	15,066	15,602
Net assets		
Shareholders' equity		
Capital stock	450	450
Capital surplus	287	287
Retained earnings	11,016	11,728
Treasury stock	(99)	(99)
Total shareholders' equity	11,653	12,366
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(3)
Foreign currency translation adjustment	(12)	(7)
Total accumulated other comprehensive income	(15)	(11)
Non-controlling interests	770	850
Total net assets	12,408	13,205
Total liabilities and net assets	27,475	28,807

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

(Millions of yen)

	Three months ended Nov 30, 2019 (Previous Fiscal Year)	Three months ended Nov 30, 2020 (Current Fiscal Year)
Net sales	18,103	20,623
Cost of sales	14,748	16,924
Gross profit	3,355	3,698
Selling, general and administrative expenses	2,336	2,265
Operating income	1,018	1,432
Non-operating income		
Interest income	0	0
Dividend income	2	2
Grant income	—	184
Others	8	5
Total non-operating income	11	192
Non-operating expenses		
Interest expenses	4	3
Compensation expenses	—	87
Others	0	3
Total non-operating expenses	4	94
Ordinary income	1,025	1,531
Profit for the period before income taxes	1,025	1,531
Total income taxes	419	555
Profit for the period	605	975
Profit attributable to non-controlling interests	48	79
Profit attributable to owners of parent	557	895

(Consolidated statement of comprehensive income)

	(Millions of yen)	
	Three months ended Nov 30, 2019 (Previous Fiscal Year)	Three months ended Nov 30, 2020 (Current Fiscal Year)
Profit for the period	605	975
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(2)	5
Total other comprehensive income	(2)	4
Comprehensive income	602	979
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	554	900
Comprehensive income attributable to non-controlling interests	47	79

(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, 2021 including the first quarter under review.

(Additional Information)

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

There is no substantial change.

(Segment information, etc.)

(Segment information)

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

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

(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.

Current fiscal year (Three months ended November 30, 2020 (September 1, 2020 – November 30, 2020))

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

(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	5,696	1,681	9,975	2,973	20,327	296	20,623	—	20,623
Intersegment sales and transfers	7	87	1	1	98	95	193	(193)	—
Total	5,703	1,769	9,977	2,974	20,425	392	20,817	(193)	20,623
Segment income (loss) ^{Note 1}	736	147	278	375	1,537	(100)	1,437	(4)	1,432

- 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. 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)

There is no related information.

(Material profit from negative goodwill)

There is no related information.