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## Consolidated Financial Results for the Six Months Ended February 28, 2021 [J-GAAP]

April 8, 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: May 14, 2021  
 Scheduled date of filing the financial report: April 13, 2021  
 Supplementary documents for this summary of financial statements: Yes (only in Japanese)  
 Explanation meeting for financial results: Yes (only in Japanese)  
 (Figures shown are rounded down to the nearest million yen.)

### 1. Consolidated results for the six months ended February 28, 2021 (September 1, 2020 – February 28, 2021)

(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	%
Six months ended Feb 28, 2021	41,060	13.4	2,508	32.4	2,689	40.6	1,520	47.2
Six months ended Feb 29, 2020	36,198	—	1,894	—	1,912	—	1,032	—

Note: Comprehensive income: Six months ended Feb 28, 2021: ¥1,677 million (51.5%) Six months ended Feb 28, 2020: ¥1,107 million (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended Feb 28, 2021	85.24	—
Six months ended Feb 29, 2020	57.74	—

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of February 28, 2021	28,242	13,869	46.0
As of August 31, 2020	27,475	12,408	42.4

(Reference) Equity capital: As of Feb 28, 2021: ¥12,983 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	—	10.25	—	10.25	20.50
Year ending August 31, 2021	—	10.75	—	—	—
Year ending August 31, 2021 (Forecast)	—	—	—	13.75	24.50

Note: Changes to the latest consolidated results forecast announced: Yes

Breakdown of the year-ending dividend per share for the fiscal year ending August 31, 2021 (forecast):

Ordinary dividend: 10.75 yen, Commemorative dividend for the 10th anniversary of Listing: 3.00 yen

### 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
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 Feb 28, 2021	17,899,333 shares	Year ended August 31, 2020	17,899,333 shares
2) Number of treasury shares	As of Feb 28, 2021	56,830 shares	Year ended August 31, 2020	56,830 shares
3) Average number of shares issued and outstanding in each period	As of Feb 28, 2021	17,842,503 shares	As of Feb 29, 2020	17,889,025 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 February 28, 2021 (Current Fiscal Year)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	8,890	9,664
Notes and accounts receivable - trade	8,875	8,064
Merchandise	615	988
Work in process	25	30
Others	323	449
Allowance for doubtful accounts	(50)	(44)
<b>Total current assets</b>	<b>18,679</b>	<b>19,153</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	1,030	1,237
Accumulated depreciation	(447)	(473)
Buildings and structures, net	583	763
Machinery, equipment and vehicles	29	27
Accumulated depreciation	(28)	(27)
Machinery, equipment and vehicles, net	0	0
Tools, furniture and fixtures	438	519
Accumulated depreciation	(333)	(363)
Tools, furniture and fixtures, net	104	155
Land	1,273	1,273
Leased assets	73	74
Accumulated depreciation	(73)	(73)
Leased assets, net	—	1
Others	5	0
<b>Total property, plant and equipment</b>	<b>1,967</b>	<b>2,194</b>
<b>Intangible assets</b>		
Goodwill	4,611	4,345
Software	752	824
Others	1	1
<b>Total intangible assets</b>	<b>5,365</b>	<b>5,171</b>
<b>Investments and other assets</b>		
Investment securities	655	655
Deferred tax assets	377	388
Others	431	679
Allowance for doubtful accounts	(2)	—
<b>Total investments and other assets</b>	<b>1,462</b>	<b>1,723</b>
<b>Total non-current assets</b>	<b>8,795</b>	<b>9,089</b>
<b>Total assets</b>	<b>27,475</b>	<b>28,242</b>

(Millions of yen)

	As of August 31, 2020 (Previous Fiscal Year)	As of February 28, 2021 (Current Fiscal Year)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	4,535	4,143
Short-term loans payable	300	300
Current portion of long-term loans payable	876	896
Accounts payable – other	2,697	2,441
Lease obligations	19	12
Income taxes payable	932	1,030
Provision for bonuses	210	160
Others	976	788
<b>Total current liabilities</b>	<b>10,547</b>	<b>9,773</b>
Non-current liabilities		
Long-term loans payable	4,160	4,223
Lease obligations	33	28
Provision for directors' retirement benefits	128	140
Provision for share-based remuneration	12	17
Net defined benefit liability	105	108
Deferred tax liabilities	0	1
Asset retirement obligations	64	64
Others	13	14
<b>Total non-current liabilities</b>	<b>4,518</b>	<b>4,599</b>
<b>Total liabilities</b>	<b>15,066</b>	<b>14,373</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	450	450
Capital surplus	287	287
Retained earnings	11,016	12,353
Treasury stock	(99)	(99)
<b>Total shareholders' equity</b>	<b>11,653</b>	<b>12,991</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(3)
Foreign currency translation adjustment	(12)	(4)
<b>Total accumulated other comprehensive income</b>	<b>(15)</b>	<b>(8)</b>
Non-controlling interests	770	886
<b>Total net assets</b>	<b>12,408</b>	<b>13,869</b>
<b>Total liabilities and net assets</b>	<b>27,475</b>	<b>28,242</b>

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

(Millions of yen)

	Six months ended February 29, 2020 (Previous Fiscal Year)	Six months ended February 28, 2021 (Current Fiscal Year)
Net sales	36,198	41,060
Cost of sales	29,540	33,882
Gross profit	6,658	7,178
Selling, general and administrative expenses	4,764	4,669
Operating income	1,894	2,508
Non-operating income		
Interest income	1	1
Dividend income	2	2
Grant income	14	321
Others	10	35
Total non-operating income	28	360
Non-operating expenses		
Interest expenses	8	6
Compensation expenses	—	169
Others	1	3
Total non-operating expenses	10	179
Ordinary income	1,912	2,689
Profit for the period before income taxes	1,912	2,689
Total income taxes	800	1,020
Profit for the period	1,112	1,668
Profit attributable to non-controlling interests	79	148
Profit attributable to owners of parent	1,032	1,520

(Consolidated statement of comprehensive income)

(Millions of yen)

	Six months ended February 29, 2020 (Previous Fiscal Year)	Six months ended February 28, 2021 (Current Fiscal Year)
Profit for the period	1,112	1,668
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	(0)
Foreign currency translation adjustment	(3)	8
Total other comprehensive income	(5)	8
Comprehensive income	1,107	1,677
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	1,028	1,528
Comprehensive income attributable to non-controlling interests	78	149

## (3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended February 29, 2020 (Previous Fiscal Year)	Six months ended February 28, 2021 (Current Fiscal Year)
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,912	2,689
Depreciation	161	163
Amortization of goodwill	293	266
Increase (decrease) in net defined benefit liability	0	2
Increase (decrease) in provision for directors' retirement benefits	11	12
Increase (decrease) in provision for directors' bonuses	(5)	—
Increase (decrease) in provision for bonuses	(30)	(50)
Increase (decrease) in allowance for doubtful accounts	(0)	(9)
Increase (decrease) in provision for stock benefits	—	4
Interest and dividend income	(3)	(3)
Interest expenses	8	6
Compensation income	(14)	(321)
Compensation expenses	—	169
Decrease (increase) in notes and accounts receivable – trade	(0)	587
Decrease (increase) in inventories	214	(379)
Increase (decrease) in operating debt	(535)	(699)
Others	313	(337)
<b>Subtotal</b>	<b>2,326</b>	<b>2,102</b>
Interest and dividend income received	3	3
Interest expenses paid	(8)	(7)
Compensation income received	14	321
Compensation expenses paid	—	(126)
Income taxes paid	(630)	(861)
<b>Net cash provided by (used in) operating activities</b>	<b>1,705</b>	<b>1,432</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(33)	(31)
Proceeds from withdrawal of time deposits	14	—
Purchase of investment securities	(180)	(0)
Purchase of property, plant and equipment	(57)	(276)
Purchase of intangible assets	(90)	(177)
Payments for lease and guarantee deposits	(13)	(72)
Others	0	(3)
<b>Net cash provided by (used in) investing activities</b>	<b>(362)</b>	<b>(554)</b>

(Millions of yen)

	Six months ended February 29, 2020 (Previous Fiscal Year)	Six months ended February 28, 2021 (Current Fiscal Year)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	145	—
Proceeds from long-term loans payable	200	500
Repayments of long-term loans payable	(804)	(416)
Repayments of lease obligations	(12)	(12)
Repayments of treasury Stock	(99)	—
Cash dividends paid	(178)	(183)
Dividends paid to non-controlling interests	—	(33)
Net cash provided by (used in) financing activities	(751)	(145)
Effect of exchange rate change on cash and cash equivalents	(2)	10
Net increase (decrease) in cash and cash equivalents	588	742
Cash and cash equivalents at the beginning of period	6,796	8,734
Increase in cash and cash equivalents from newly consolidated subsidiary	112	—
Cash and cash equivalents at the end of period	7,497	9,476



(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, 2021 including the second 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 (Six months ended February 29, 2020 (September 1, 2019 – February 29, 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	Subtotal				
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) <sup>Note 1</sup>	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 previous consolidated fiscal year, the Company included Triangle Japan DMC Limited and LOWCAL INC. within the scope of consolidation because their material importance increased.

Hereby, new good will occurred 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 (Six months ended February 28, 2021 (September 1, 2020 – February 28, 2021))

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	Subtotal				
Net sales									
Sales to external customers	11,375	3,297	20,600	5,172	40,445	615	41,060	—	41,060
Intersegment sales and transfers	14	158	2	2	177	212	390	(390)	—
Total	11,389	3,455	20,603	5,175	40,623	827	41,451	(390)	41,060
Segment income (loss) <sup>Note 1</sup>	1,302	219	730	475	2,728	(211)	2,517	(8)	2,508

- 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.