Q2 FY2024 Consolidated Results (Year Ended September 30, 2024)

RAIZNEXT Corporation

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Security code: 6379

Contents

1. Q2 FY2024 Financial Results

1） Business Environment for FY2024

● Petroleum industry

Refineries are merging or closing due to declining demand for petroleum products.

⇒Review is being conducted for building solar power plants and installing equipment for production of low-carbon fuel (SAF, synthetic fuel, etc.) at the former sites of refineries …Specific plans are being made for construction of new plants

● Electrical power industry

To reduce carbon emissions, companies are introducing new technologies such as ammonia co-combustion and hydrogen power generating equipment.

⇒The introduction of low-carbon power stations in progressing, and there is increased construction demand for infrastructure facilities to supply ammonia, hydrogen, etc., to power stations

● General-chemical and nonferrous-metal industries

Demand is strong for high-performance materials for semiconductor manufacturing and electronic materials, to prepare for a carbon-free society.

⇒ Increase in construction demand for high-performance material manufacturing plants and electronics materials plants

● Construction industry

Tangible shortage of construction workers and the introduction of upper limits on overtime work

- Secure stable income from maintenance and continue to actively engage in growth fields
- Move up the implementation of measures to respond to upper limits on overtime work from the previous fiscal year and continue measures in the current fiscal year

2） Earnings Summary for FY2024

- **New contracts, net sales and all measures of earnings exceeded the initial forecast.**
- **Although all measures of earnings decreased from the same period of the previous year, there was an increase from the same period of the previous year when excluding expenses for shareholding association restricted shares (RS)* that was part of investment in human capital upon the fifth anniversary of the company merger.**

*Restricted shares incentive system for employee shareholding association.

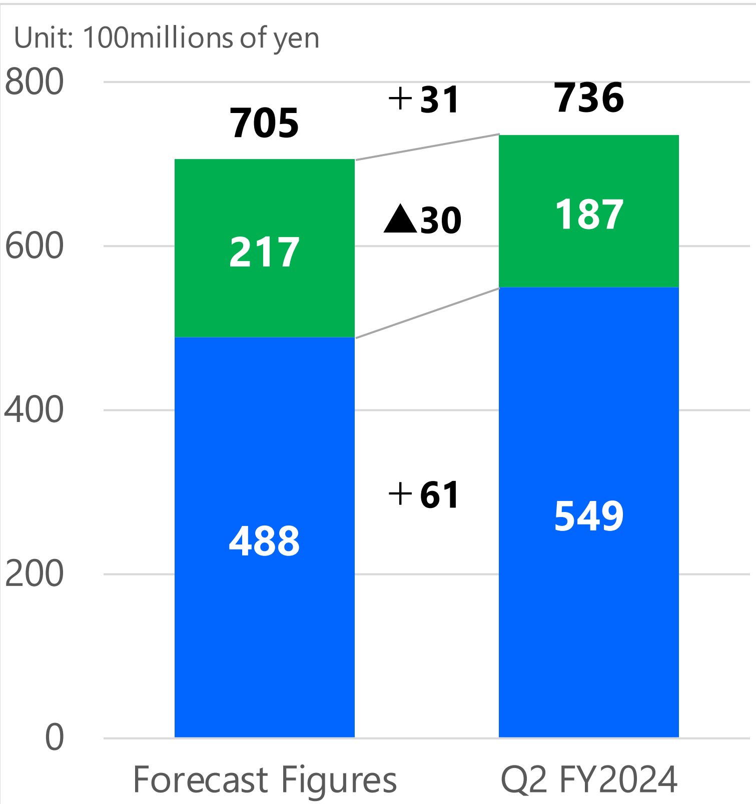
(Unit: 100 millions yen)

	Initial Forecast	**Q2 FY2024 Results**	Difference	Percent Change	Q2 FY2023 Results		
						Difference	Percent Change
New Contracts	705	736	+31	+4.4%	670	+65	+9.8%
Net Sales	710	751	+41	+5.9%	702	+49	+7.0%
Gross Profit	73.0	74.7	+1.7	+2.4%	78.5	-3.0	-4.9%
Percentage (%)	10.3%	9.9%	-0.4%	—	11.2%	-1.3%	—
Operating Income	30.0	35.1	+5.1	+17.2%	41.9	-6.0	-16.1%
Percentage (%)	4.2%	4.7%	+0.5%	—	6.0%	-1.3%	—
Ordinary Profit	30.5	36.3	+5.8	+19.3%	43.6	-7.0	-16.7%
Percentage (%)	4.3%	4.8%	+0.5%	—	6.2%	-1.4%	—
Profit attributable to owners of parent	21.0	26.3	+5.3	+25.5%	28.6	-2.0	-8.2%
Percentage (%)	3.0%	3.5%	+0.5%	—	4.1%	-0.6%	—

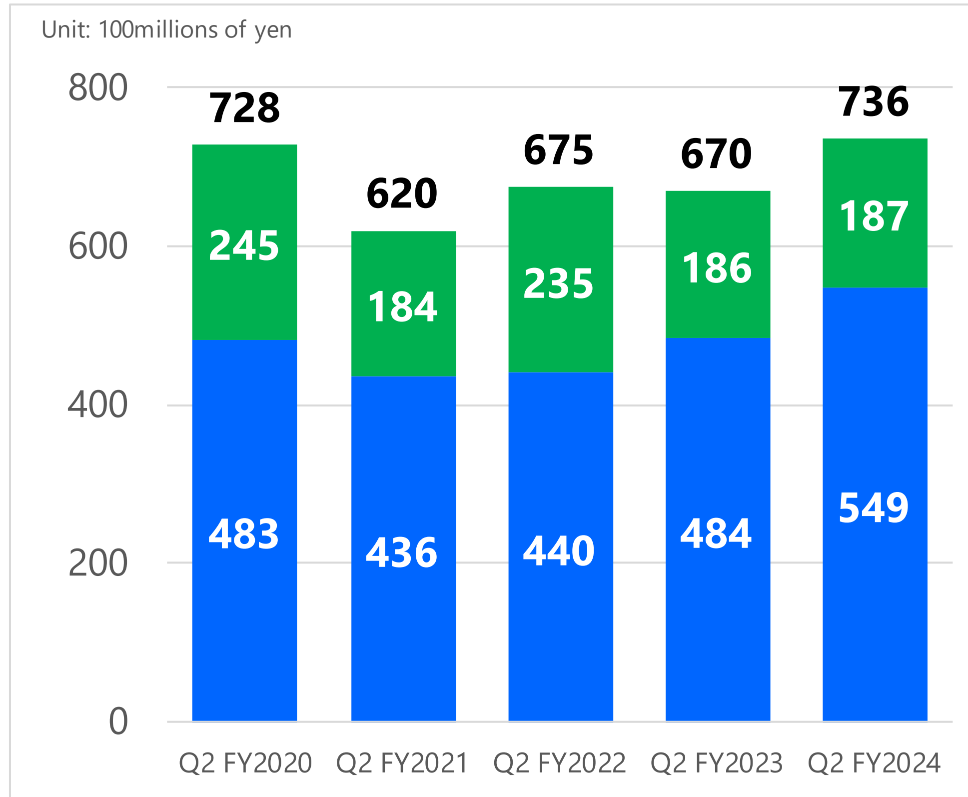
3） New Contracts

- Maintenance contracts were higher than the initial forecast due to an increase in the amount of turnaround maintenance and early recording from the previous fiscal year.
- Engineering contracts were lower than the initial forecast due to a shift in the period of contract receipt for the EPC project.
- Overall, new contracts were higher than the same period of the previous fiscal year.

Comparison with initial forecast



5-year trend



■ Maintenance ■ Engineering

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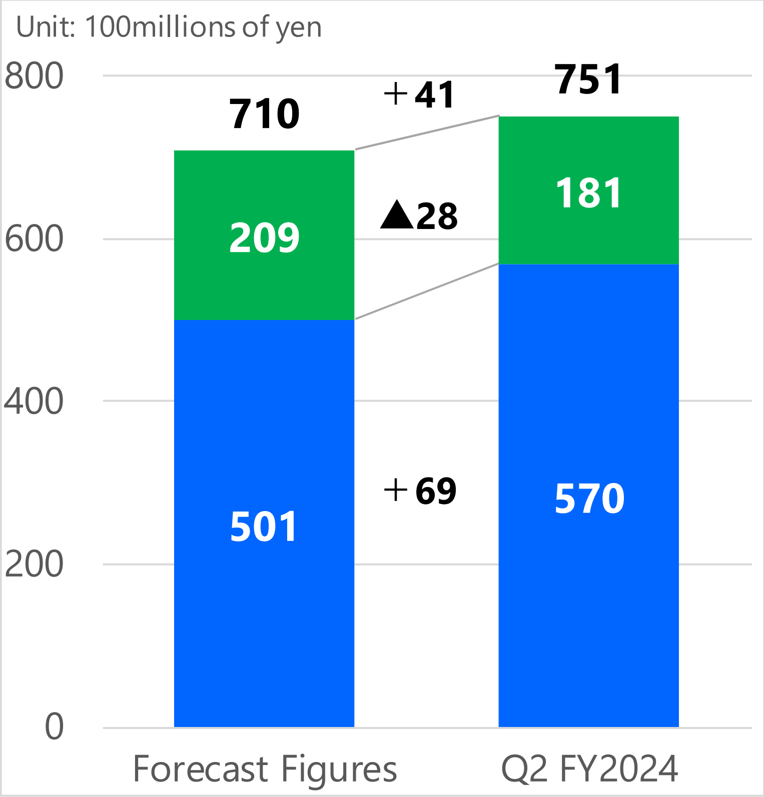
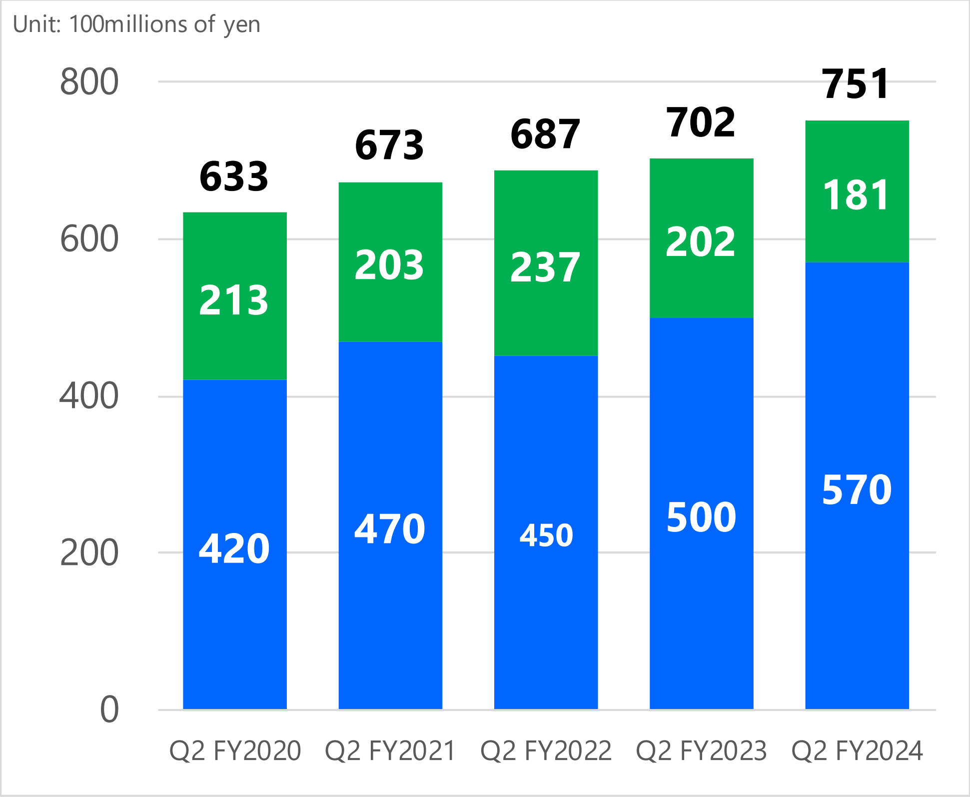
4） Net Sales

- In maintenance, net sales were higher than the initial forecast due to an increase in the amount of turnaround maintenance.
- In engineering, net sales were lower than the initial forecast due to factors such as revising the period for some projects.
- Overall, net sales were stronger than in the same period of the previous fiscal year.

Comparison with initial forecast



5-year trend

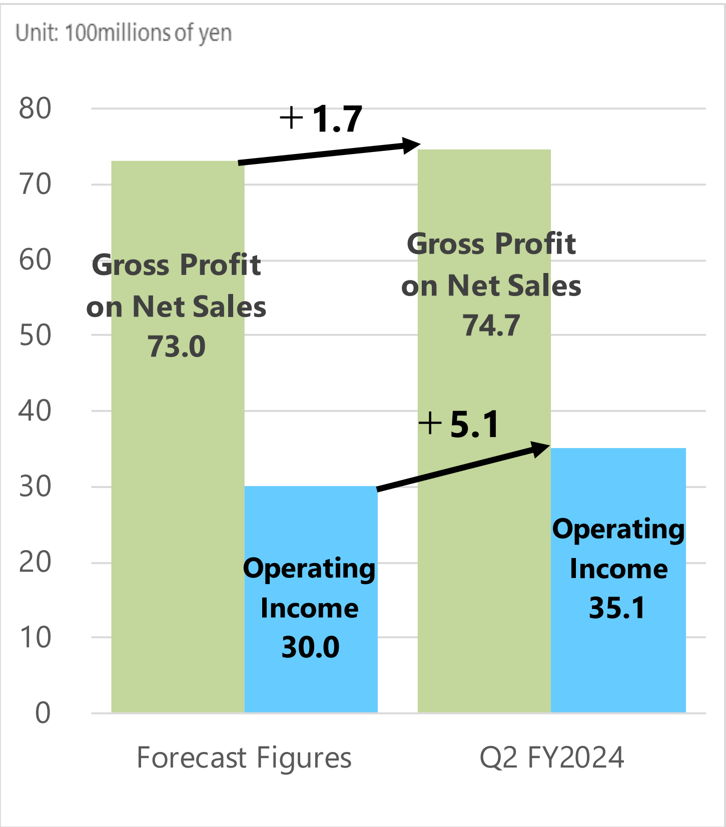


■ Maintenance ■ Engineering

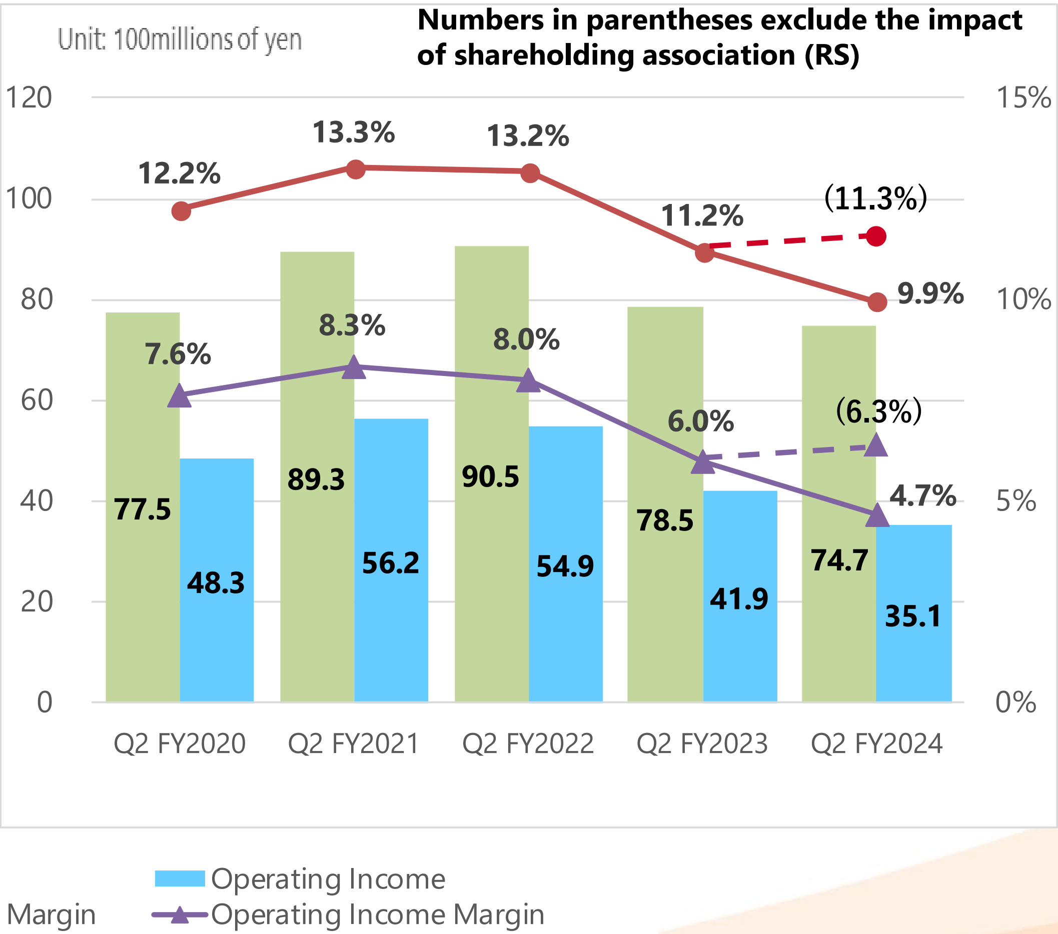
5） Gross Profit on Net Sales and Operating Income

- Gross profit was at nearly the same level as the initial forecast. Operating income exceeded the initial forecast due to SG&A expenses decreasing below the expected amount.
- When excluding the impact of shareholding association restricted stock (RS), income margin was at the same level as the same period of the previous fiscal year.

Comparison with initial forecast



5-year trend



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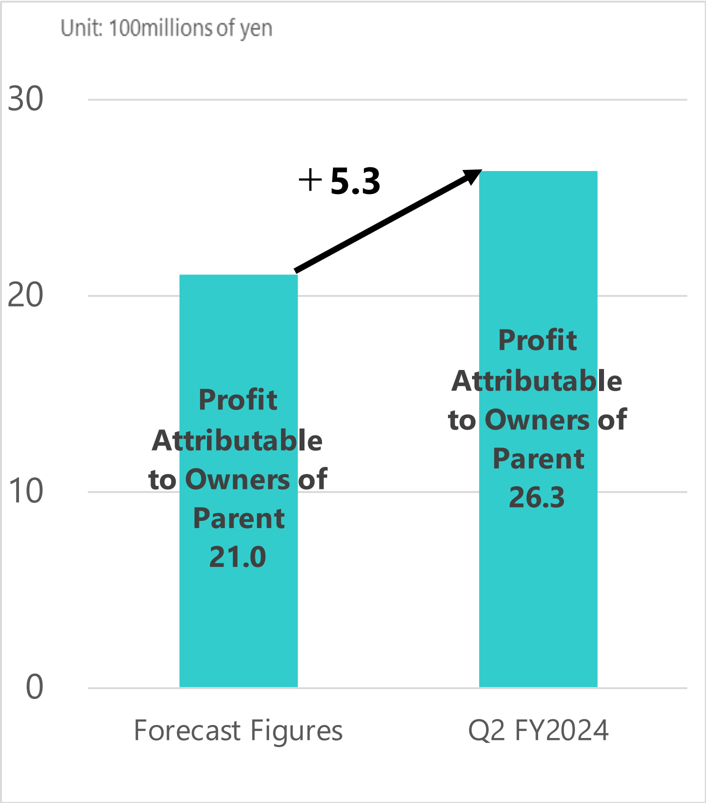
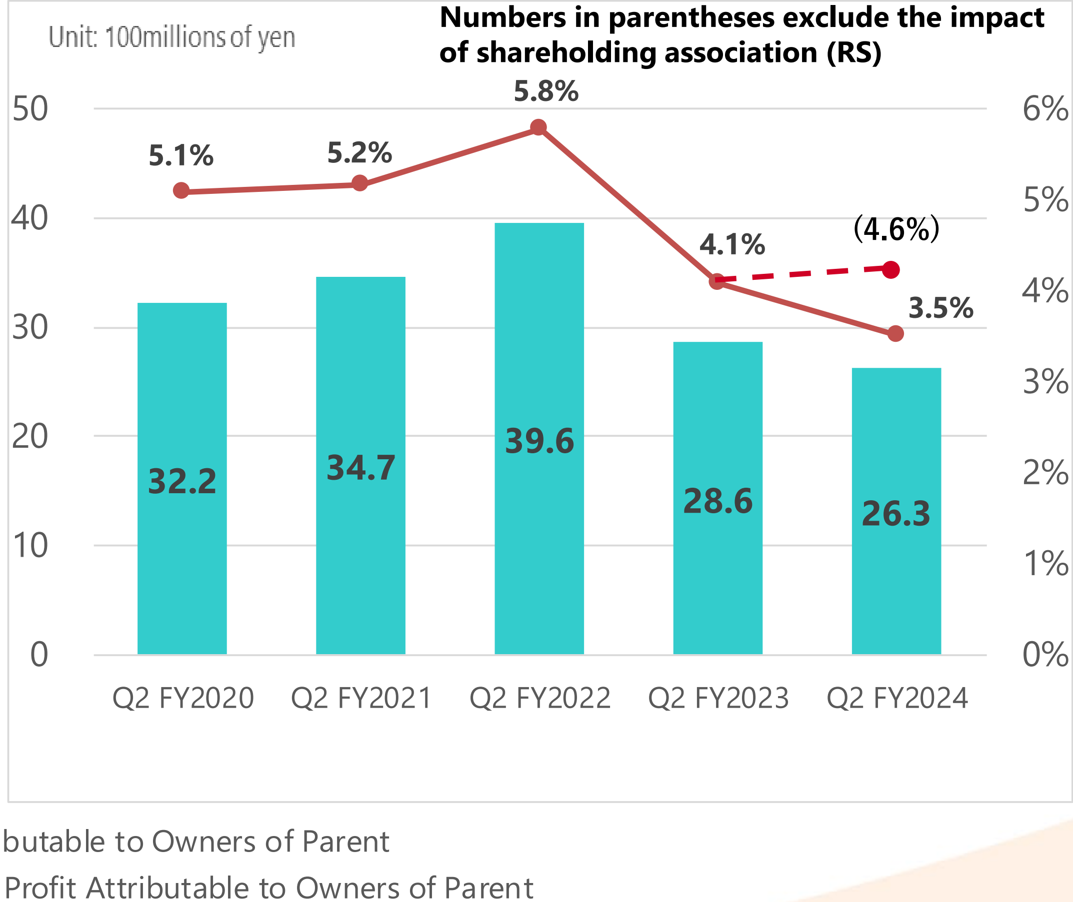
6） Profit Attributable to Owners of Parent

- **Profit attributable to owners of parent increased due to an increase in operating income and profit from the sale of cross-shareholdings.**
- **When excluding the impact of shareholding association restricted shares (RS), margin of profit attributable to owners of parent exceeded the same period of the previous fiscal year.**

Comparison with initial forecast

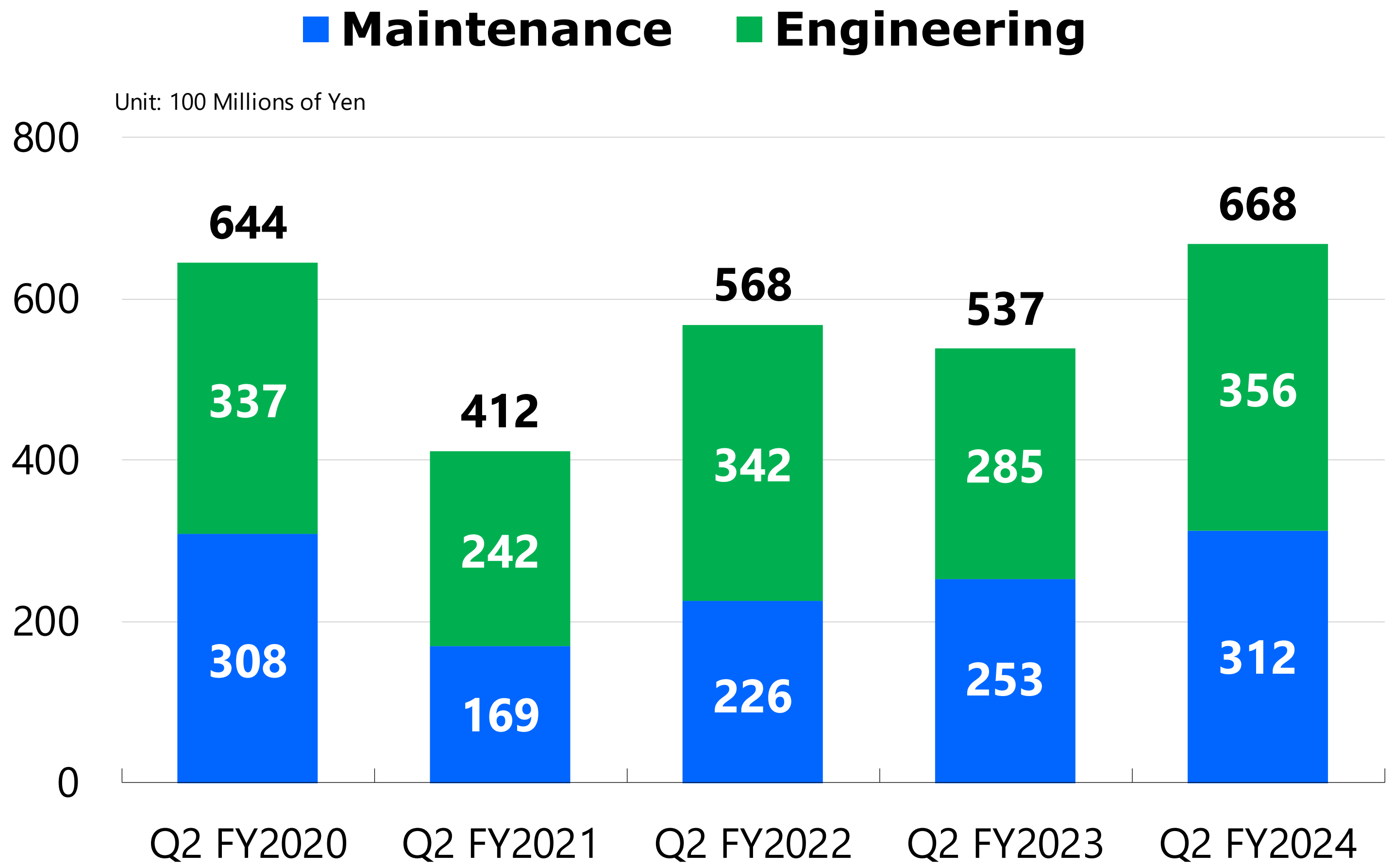


5-year trend



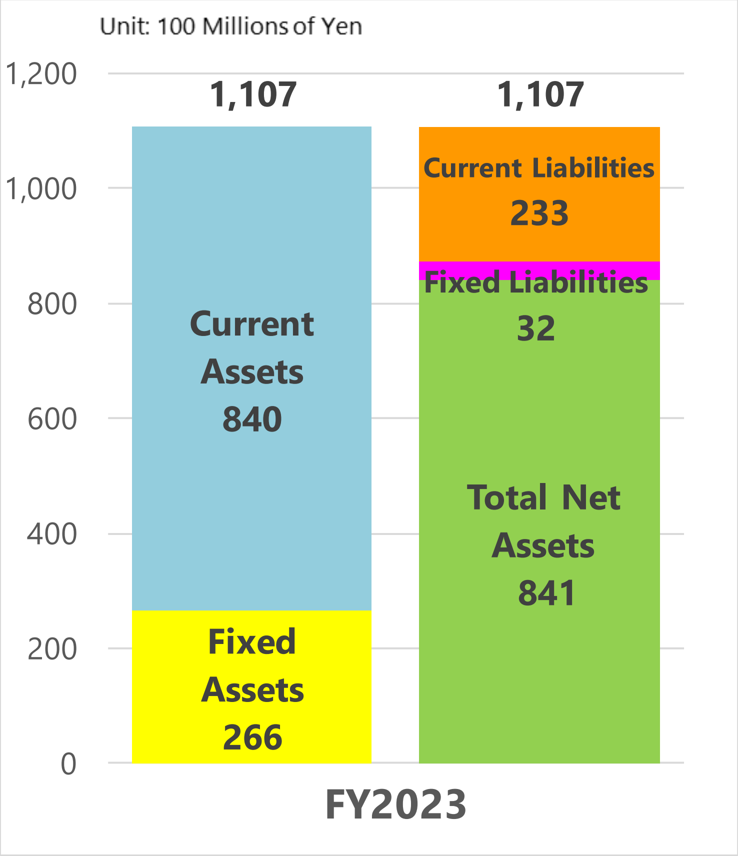
7）Outstanding Contracts

- For maintenance, outstanding contracts increased from the same period of the previous fiscal year due to an increase in the amount of turnaround maintenance.
- For engineering, outstanding contracts increased from the same period of the previous fiscal year due to recording of contracts for large-scale projects.

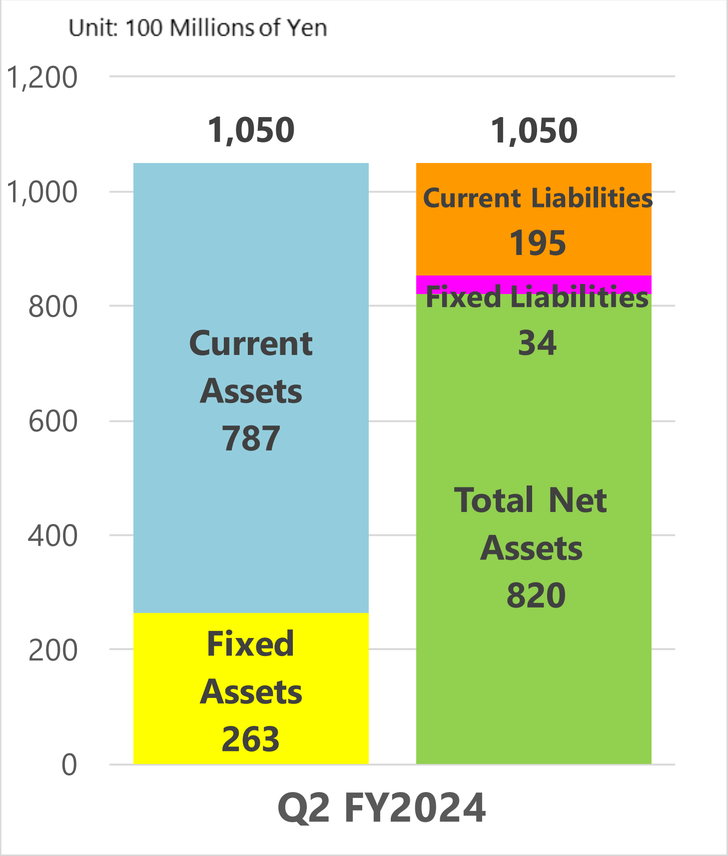


8） Balance Sheet

- Assets : Current assets such as cash and deposits decreased due to dividend payments, etc.
- Liabilities : Accounts payable on projects, etc., decreased in current liabilities
- Net assets : Although there was an increase in net assets due to profit recorded, but retained earnings decreased due to dividend payments, etc.
- Shareholder's equity ratio : 77.3%



Shareholder's equity ratio：75.2%



Shareholder's equity ratio：77.3

2. Earnings Forecast for FY2024

1) Earnings Forecast

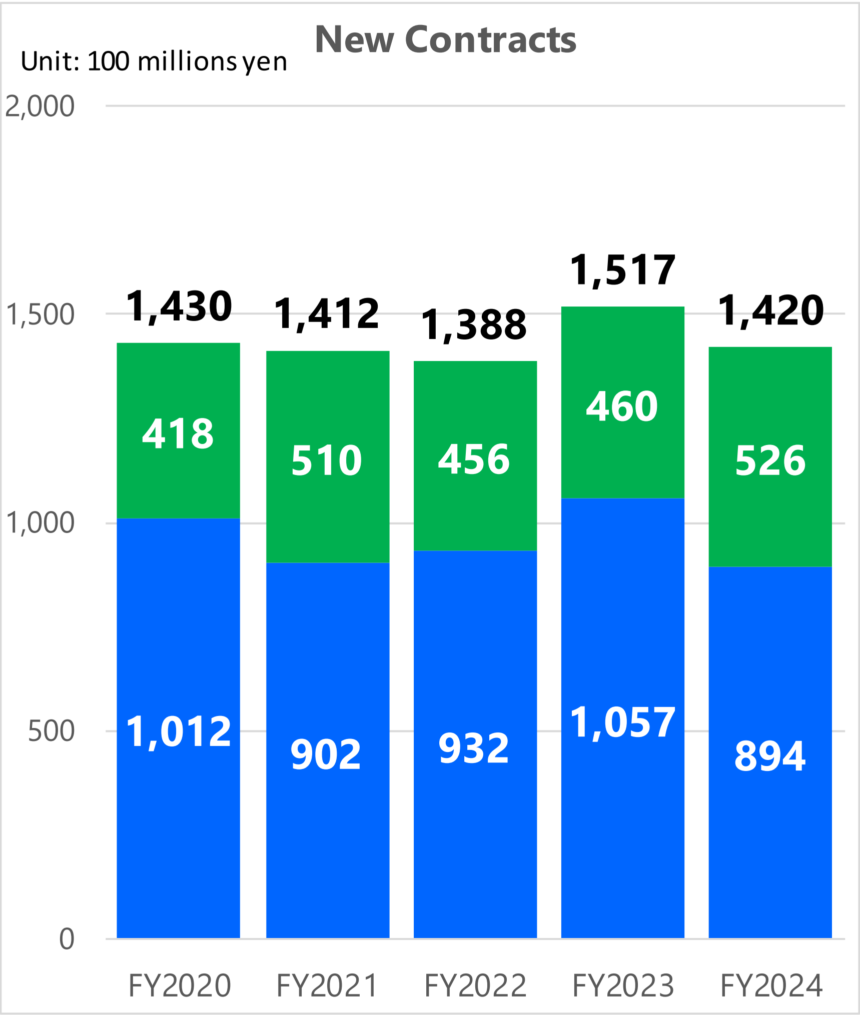
- **The forecast of new contracts, net sales and all measures of earnings is unchanged from the forecast announced on May 15.**

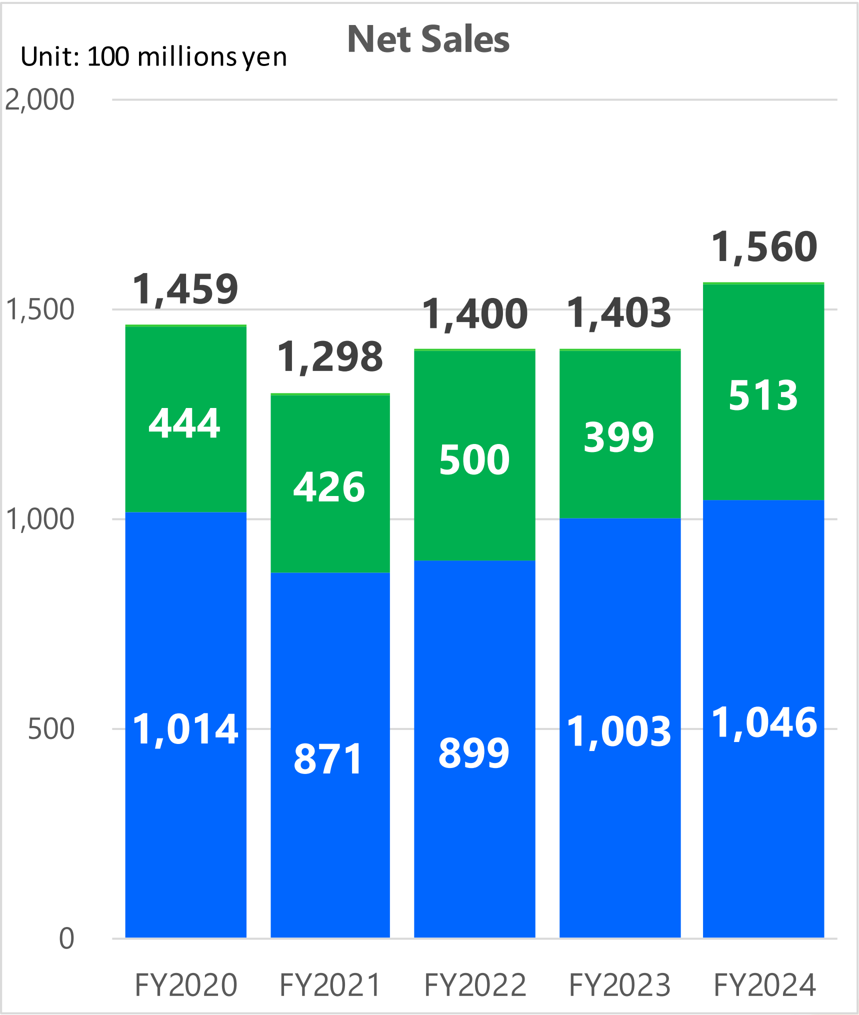
(Unit: Millions of yen)

	1st Half Results	Full-Year forecast
New Contracts	736	1,420
Net Sales	751	1,560
Gross Profit	74.7	177.5
Percentage (%)	9.9%	11.4%
SG&A	40	84
Operating Income	35.1	93.5
Percentage (%)	4.7%	6.0%
Ordinary Profit	36.3	95.0
Percentage (%)	4.8%	6.1%
Profit Attributable to Owners	26.3	66.5
Percentage (%)	3.5%	4.3%
EPS	49.34Yen	123.10Yen
Outstanding Contracts	668	626

2） New Contracts and Net Sales

➢ **No changes from the forecast announced on May 15 for both maintenance and engineering.**





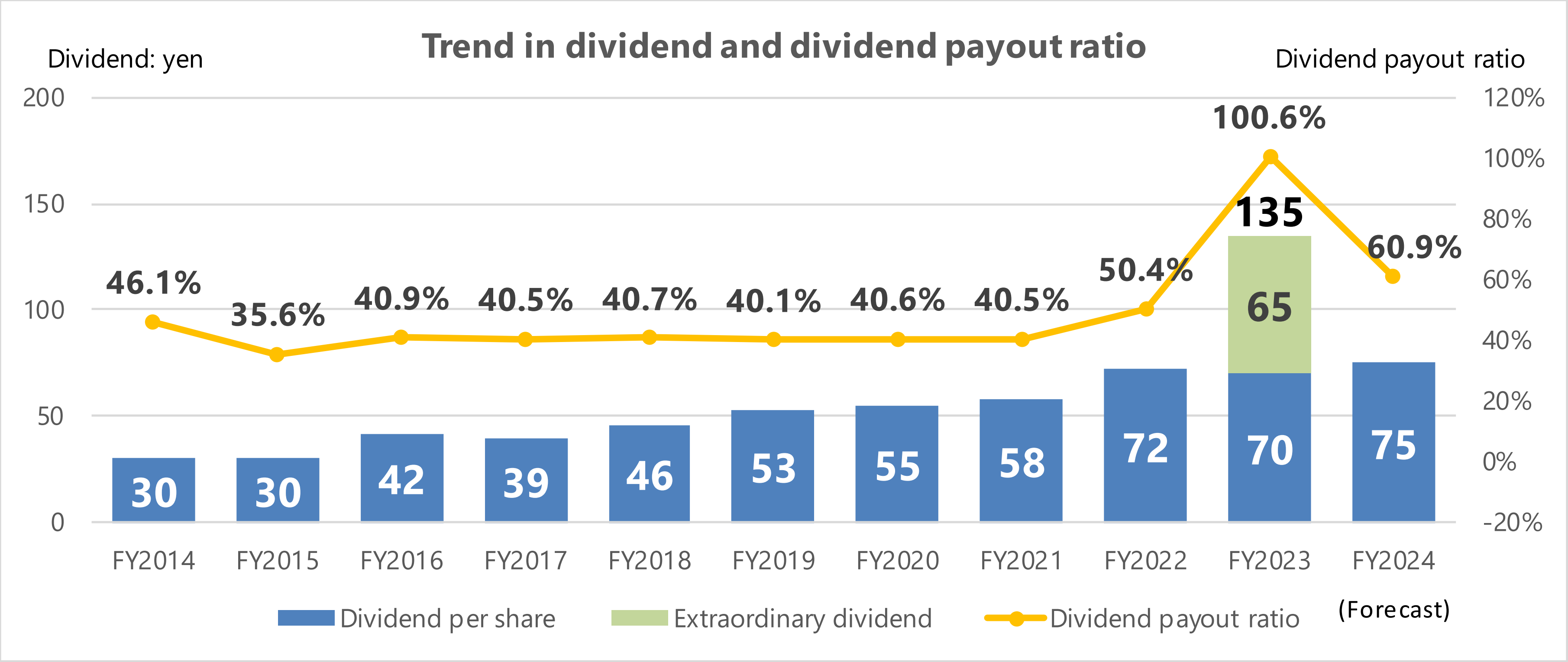
■ Maintenance ■ Engineering

Note: Figures for FY2024 are forecasts.

3. Dividend

1） Planned Dividend Forecast for FY2024

- **Annual dividend: 75 yen (Consolidated dividend payout ratio: 60.9%)**
- **Interim dividend: 35 yen Year-end dividend: 40 yen (no change from announcement at beginning of fiscal year)**



Note: The figure in the above graph for FY2019 does not include gain on bargain purchases of 5,500 million yen.

4. Long-Term Vision and Medium-Term Management Plan

1） Long-Term Vision and Medium-Term Management Plan

➢ **We have set the following three items as our Basic Policy for achieving the Long-Term Vision.**

Basic Policy

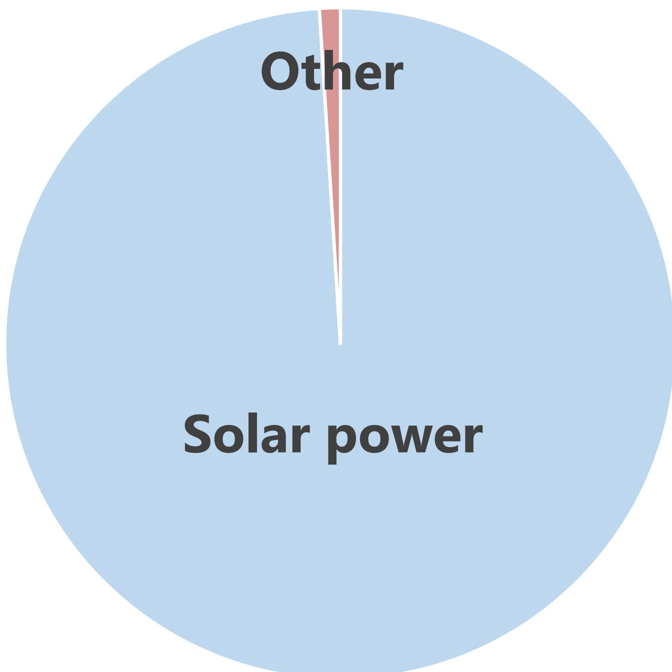
Evolve management foundation	Optimize existing business structure	Venture into new businesses, sectors, and services
Evolve Group-wide management foundation in order to contribute to sustainable society as a Group	**Optimize existing business structure** given reduction in oil refining and petrochemical facilities due to decline in demand for petroleum products, etc.	**Take on challenges in new businesses, fields, and services** in order to contribute to the realization of a carbon-neutral society

- **In regard to our management foundation, in addition to the urgent need to resolve the 2024 problem, it is essential to implement measures to improve profitability, such as operational reforms including digital transformation**
- **Existing businesses are the foundation of our company, so we must make efforts to maintain existing business by overcoming the many factors causing decline**
- **New initiatives are essential for our company's growth with an eye on the next generation**

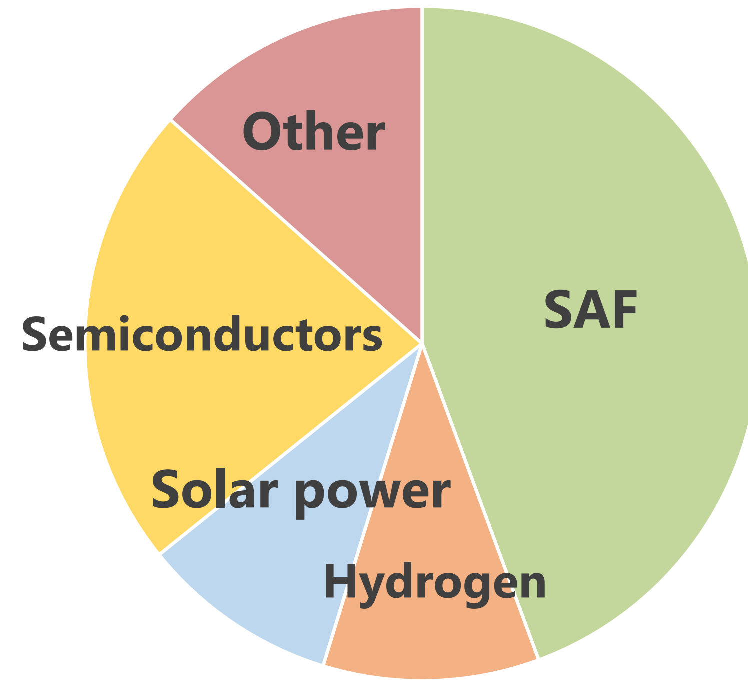
2) Take on Challenges in Carbon Neutral Field

- **Solar power accounted for approximately 100% of carbon neutral results before the merger.**
- **After the merger, we integrated the technical expertise of both companies and are taking on challenges in a variety of fields with a focus on SAF.**

Before merger



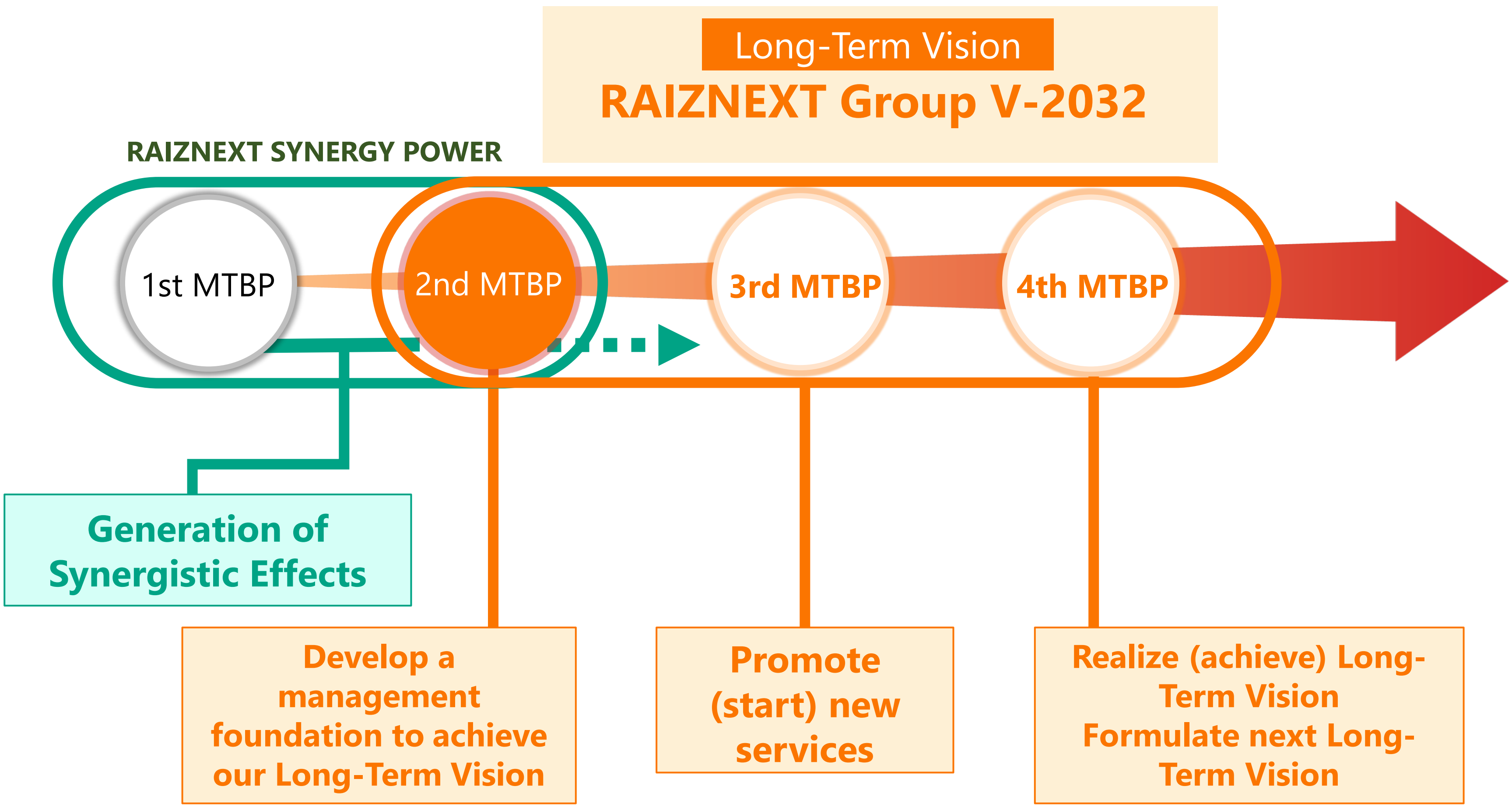
After merger



Aim to expand orders by identifying <u>fields in which our company has an advantage</u> for a variety of carbon neutral projects

3）Relationship Between Long-Term Vision and Medium-Term Management Plan

- **We aim to achieve our Long-Term Vision during the period spanning from the second to the fourth Medium-Term Management Plan.**



4) Strengthening our Management Foundation and Strategies for Each Business

Strengthen our maintenance business

- Operate company-wide production planning system effectively
- Strengthen network of partner companies and maintain staffing capabilities

Strengthen our engineering business

- Further strengthen project execution system and technical capabilities
- Increase orders in new fields, such as renewable energy and hydrogen

Strengthen our tank business

- Further strengthen company-wide management system and strengthen partner company system
- Research and examine design and construction technologies for hydrogen storage tanks

- Increase orders and profit
- Strengthen technical capabilities

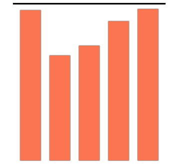
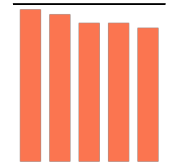
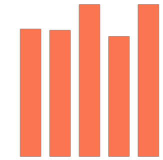
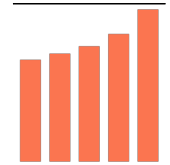
Strengthen our management foundation

- Strengthen Group-wide governance system
- Take action to address regulations on maximum overtime and new working styles
- Secure and develop human resources
- ESG-focused management, including SDGs and CSR activities
- Promote digital transformation
- Generate synergistic effects

5） Trends in Net sales by Type of Construction

- **The daily maintenance business is declining, but other businesses are growing steadily.**
- **The tank business has grown significantly, with a four-year growth rate of over 40%.**

Unit: 100 millions yen

	FY2020	FY2021	FY2022	FY2023	FY2024 (Forecast)	4-year growth rate 2020→2024	Forecast	5-Year Trend
Turn-around Main-tenance	**517**	**363**	**396**	**479**	**521**	**0.8%**	〇While maintaining the current area for turnaround maintenance due to personnel constraints, we expect an increase in the number of turnaround maintenance projects at facilities for which we have received EPC orders	
Daily Main-tenance	**268**	**260**	**244**	**244**	**235**	**-12.3%**	〇Small offices will be consolidated and closed, resulting in a slight decrease	
EPC	**410**	**407**	**488**	**387**	**487**	**18.8%**	〇CN project is entering the construction phase and sales are forecasted to increase 〇Demand for off-site work related to renewal and modification work for aging equipment is forecasted to increase	
Tank	**173**	**182**	**195**	**215**	**257**	**48.6%**	〇Increase in projects undertaken due to securing tank personnel 〇Although the growth rate will slow due to restrictions on tank personnel, future growth is expected	
Non-Consoli-dated Total	**1,369**	**1,212**	**1,323**	**1,325**	**1,500**	**9.6%**		
Consoli-dated Total	**1,459**	**1,298**	**1,400**	**1,403**	**1,560**	**6.9%**		

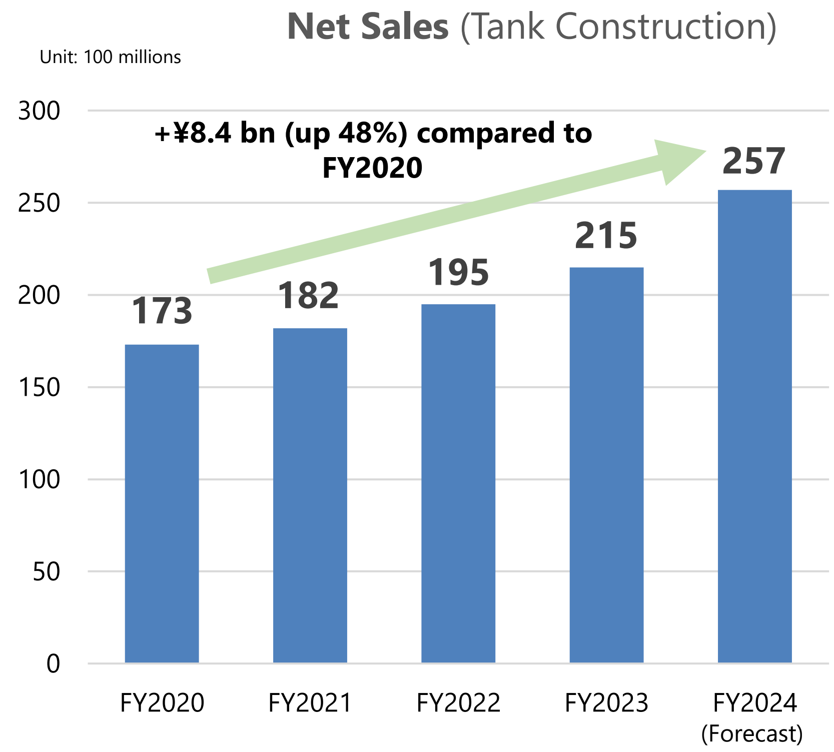
6） Growth of Tank Business

➢ **Strengthening of organizational structure and personnel resulted in a significant increase in net sales in the tank business**

<Specific Measures>

・Strengthen systems for tank design and installation
・Hold education to develop more tank installation personnel
・Capture new tank customers through strengthened sales activities

Growing tank construction orders
Net Sales
Up 48% compared to FY2020



<u>Demand for low-temperature tank construction is forecasted to increase</u> as hydrogen and ammonia become more widely used in a carbon-neutral society

➡ **Started considering entry into the field of low-temperature tank construction**

5. Progress of Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Implementing four measures to achieve a long-term ROE of 10% or more

Increase profitability	Improve capital efficiency	Enhance return to shareholders	Strengthen IR activities

Main Progress After Disclosure on February 9

<Improve capital efficiency>
- Completed sales of rental properties and unused properties
- Made progress in sales of cross-shareholdings

<Enhance return to shareholders>
- Change in dividend policy to a payout ratio of 60% or more
- Paid special dividend to commemorate 5th anniversary of merger

<Strengthen IR activities>
- Exhibited at the Nikkei IR and Individual Investor Fair 2024 and participated in seminars for individual investors (3 times in total)
- Obtained issuer rating of A-

This material includes projections based on future forecast and plans that was available on November 18, 2024.

There is a possibility that these projections may be different from actual results, affected by risks such as fluctuations in economic conditions and other uncertain factors.

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