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Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 [Japanese GAAP]

May 15, 2024

Company name: RAIZNEXT Corporation
Stock exchange listing: Tokyo Stock Exchange
Stock exchange code: 6379
URL: https://www.raiznext.co.jp/
Representative: Teruhiko Mouri, Representative Director, President
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Phone: +81-45-415-1111
Scheduled date of annual general meeting of shareholders: June 25, 2024
Scheduled date of commencing dividend payments: June 26, 2024
Scheduled date of filing annual securities report: June 25, 2024
Availability of supplementary briefing material on annual financial results: Available
Schedule of annual financial results briefing session: Scheduled (for securities analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2024	140,366	0.2	9,968	(8.7)	10,261	(8.7)	7,249	(6.4)
March 31, 2023	140,061	7.9	10,918	(0.6)	11,243	(0.2)	7,741	(0.1)

(Note) Comprehensive income: Fiscal year ended March 31, 2024: ¥8,117 million [12.6%]
Fiscal year ended March 31, 2023: ¥7,207 million [(17.7)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2024	134.20	–	8.7	9.1	7.1
March 31, 2023	142.93	–	9.6	10.5	7.8

(Reference) Share of profit (loss) of entities accounted for using equity method:
Fiscal year ended March 31, 2024: ¥– million
Fiscal year ended March 31, 2023: ¥– million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	110,746	84,123	75.2	1,562.89
As of March 31, 2023	114,168	83,283	72.2	1,524.55

(Reference) Equity: As of March 31, 2024: ¥83,275 million
As of March 31, 2023: ¥82,476 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 period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2024	3,565	(1,738)	(7,181)	12,446
March 31, 2023	10,069	(1,880)	(3,281)	17,758

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2023	–	0.00	–	72.00	72.00	3,895	50.4	4.8
March 31, 2024	–	30.00	–	105.00	135.00	7,218	100.6	8.7
Fiscal year ending March 31, 2025 (Forecast)	–	35.00	–	40.00	75.00		60.9	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	71,000	1.1	3,000	(28.4)	3,050	(30.2)	2,100	(26.8)	38.87
Full year	156,000	11.1	9,350	(6.2)	9,500	(7.4)	6,650	(8.3)	123.10

*** Notes:**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

Newly included: companies (Company name:)

Excluded: companies (Company name:)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(3) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):
   March 31, 2024: 54,168,053 shares
   March 31, 2023: 54,168,053 shares

2) Number of treasury shares at the end of the period:
   March 31, 2024: 885,013 shares
   March 31, 2023: 68,927 shares

3) Average number of shares outstanding during the period:
   Fiscal year ended March 31, 2024: 54,020,785 shares
   Fiscal year ended March 31, 2023: 54,161,418 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2024	132,544	0.2	9,130	(8.3)	9,611	(8.1)	6,714	(8.8)
March 31, 2023	132,322	9.2	9,956	(1.3)	10,458	(1.3)	7,365	(14.5)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2024	124.29	–
March 31, 2023	136.00	–

Notes on non-consolidated operating results

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	105,891	77,774	73.4	1,459.65
As of March 31, 2023	109,369	77,573	70.9	1,433.91

(Reference) Equity: As of March 31, 2024: ¥77,774 million
As of March 31, 2023: ¥77,573 million

* These consolidated financial results are outside the scope of audit by certified public accountants or audit firms.

Table of Contents - Attachments

1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year Ended March 31, 2024

The economy of Japan for the fiscal year ended March 31, 2024 (the "current fiscal year") showed moderate recovery although a pickup occasionally came to a standstill, with the improvements in the employment and income environment, and partially due to the effects of various political measures. On the other hand, there remains concerns over a range of risks such as rising prices, geopolitical tensions in the Middle East, and volatility in financial and capital markets on top of the potential downturn in overseas economies exerting downward pressure on the domestic economy amidst global monetary tightening and concerns over the outlook of the Chinese economy.

Regarding the Company's business environment, overall demand for products has not been recovered due to a structural decline in demand for petroleum products and the deterioration of the market conditions for petrochemical products caused by the decline in domestic demand in China. Meanwhile, the government has announced the Basic Policy for the Realization of GX, and industries have begun to formulate new capital investment plans toward a carbon-neutral society. In the construction industry, with a shortage of construction workers becoming apparent, the regulations on long working hours are to be effective from the fiscal year beginning April 1, 2024. As such, the industry is forced to confront the urgent issue of reforming the working conditions at construction sites in line with societal demands.

For the Company group, new contracts in the current fiscal year increased over the previous fiscal year. In the maintenance field, new contracts also increased over the previous fiscal year, primarily due to the increase in regular repairs. In the engineering field, similar to the previous fiscal year, new contracts remained at the same level as the previous fiscal year, attributable to the winning of large-scale construction works. Net sales remained at the same level as the previous fiscal year. In the same token as the new contracts, net sales of completed construction contracts in the maintenance field increased over the previous fiscal year, driven by the increase in regular repairs. Net sales in the engineering field decreased over the previous fiscal year, attributable to the decrease in modification works and new construction works. Gross profit on completed construction contracts decreased over the previous fiscal year due to the absence of multiple high-margin contracts won in the previous fiscal year.

For the Company group's consolidated performance, new contracts were 151,781 million yen (up 9.3% YoY), net sales of completed construction contracts were 140,366 million yen (up 0.2% YoY), operating profit was 9,968 million yen (down 8.7% YoY), ordinary profit was 10,261 million yen (down 8.7% YoY), and profit attributable to owners of parent was 7,249 million yen (down 6.4% YoY).

For the Company's non-consolidated performance, new contracts were 144,193 million yen (up 9.8% YoY), and net sales of completed construction contracts were 132,544 million yen (up 0.2% YoY). Operating profit was 9,130 million yen (down 8.3% YoY), ordinary profit was 9,611 million yen (down 8.1% YoY), and profit was 6,714 million yen (down 8.8% YoY).

Breakdown of new contracts by construction type (Unit: Million yen)

New contracts		Previous FY (FY ended Mar. 31, 2023)	Current FY (FY ended Mar. 31, 2024)	YoY	Percentage change
	Maintenance	93,196	105,736	+12,540	+13.5%
	Engineering	45,653	46,045	+392	+0.9%
Engineering work		138,849	151,781	+12,932	+9.3%

Breakdown of net sales of completed construction contracts by construction type (Unit: Million yen)

Net sales of completed construction contracts		Previous FY (FY ended Mar. 31, 2023)	Current FY (FY ended Mar. 31, 2024)	YoY	Percentage change
	Maintenance	89,884	100,288	+10,404	+11.6%
	Engineering	50,067	39,975	(10,092)	(20.2%)
Engineering work		139,952	140,264	+312	+0.2%
Other business		109	101	(7)	(6.7%)
Total		140,061	140,366	+304	+0.2%

(Note) “Other business” refers to real estate leasing business, etc.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2024

Total assets as of the end of the fiscal year ended March 31, 2024 decreased 3,422 million yen from the end of the previous fiscal year to 110,746 million yen. This was mainly due to a decrease of 5,310 million yen in cash and deposits, despite an increase of 1,574 million yen in buildings and structures.

Total liabilities as of the end of the fiscal year ended March 31, 2024 decreased 4,262 million yen from the end of the previous fiscal year to 26,622 million yen. This was mainly due to a decrease of 1,498 million yen in notes payable, accounts payable for construction contracts, and a decrease of 2,927 million yen in other.

Total net assets as of the end of the fiscal year ended March 31, 2024 increased 840 million yen from the end of the previous fiscal year to 84,123 million yen. This was mainly due to an increase of 746 million yen in valuation difference on available-for-sale securities.

(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2024

The consolidated balance of cash and cash equivalents as of March 31, 2024 decreased 5,312 million yen, or 29.9%, from the end of the previous fiscal year to 12,446 million yen.

(Cash flows from operating activities)

Cash flows from operating activities decreased 6,504 million yen year on year to an inflow of 3,565 million yen. The major outflow factors were a decrease in accrued consumption taxes of 3,650 million yen and income taxes paid of 3,512 million yen. The major inflow factor was profit before income taxes of 10,477 million yen.

(Cash flows from investing activities)

Cash flows from investing activities decreased 142 million yen year on year to an outflow of 1,738 million yen. The major outflow was purchase of property, plant and equipment and intangible assets of 2,548 million yen. The major inflow was proceeds from sale of property, plant and equipment and intangible assets of 575 million yen.

(Cash flows from financing activities)

Cash flows from financing activities increased 3,899 million yen year on year to an outflow of 7,181 million yen. This was mainly due to purchase of treasury shares of 1,791 million yen and dividends paid of 5,343 million yen.

(Reference) Trends in cash flows-related indicators

	FY ended Mar. 31, 2022	FY ended Mar. 31, 2023	FY ended Mar. 31, 2024
Equity-to-asset ratio (%)	78.0	72.2	75.2
Equity-to-asset ratio based on fair value (%)	57.6	68.9	104.5
Years of debt redemption (years)	0.0	0.0	0.0
Interest coverage ratio (times)	466.7	1,824.5	330.0

(Notes)		
	Equity-to-asset ratio:	Equity / Total assets
	Equity-to-asset ratio based on fair value:	Total market value of shares / Total assets
	Years of debt redemption:	Interest-bearing liabilities / Cash flow
	Interest coverage ratio:	Cash flow / Interest paid

* The indicators were calculated using consolidated financial figures.

* The total market value of shares was calculated by multiplying the closing price at the end of the fiscal year by the number of issued shares (excluding treasury shares) on that day.

* Operating cash flow is used for cash flow.

Operating cash flow is the figure of net cash provided by (used in) operating activities recorded in the consolidated statement of cash flows. Interest-bearing liabilities include all liabilities recorded on the consolidated balance sheet for which interest is paid. Interest paid is equal to the amount of interest paid shown in the consolidated statement of cash flows.

(4) Forecast for the Next Fiscal Year

For the next fiscal year (ending March 31, 2025), the economy is expected to pick up as the pandemic passes and deflation is over with wage increases taking hold and service prices rising. On the other hand, there are also factors that could dampen the economy, such as labor shortages due to the application of the maximum overtime regulations (the 2024 problem) and the suppression of real wages due to high prices. Therefore, the situation is expected to remain uncertain.

As for the consolidated financial results forecast, we forecast new contracts at 142,000 million yen, net sales of completed construction contracts at 156,000 million yen, operating profit at 9,350 million yen, ordinary profit at 9,500 million yen, and profit attributable to owners of parent at 6,650 million yen.

Since the next fiscal year is expected to be a year with many regular repairs, an increase in the total number of works is anticipated. We continuously strive to increase new contracts of conventional maintenance-related works including routine maintenance, regular repair and renovation. By taking on initiatives to respond to changes in the business environment, we also make efforts to secure new contracts for projects ranging from feasibility studies to construction work by participating in future plans for closed refineries, plants manufacturing high-performance products related to semiconductors such as general chemicals and electronic materials, and fields related to carbon neutrality such as solar power generation.

(5) Basic Policy on Profit Distribution and Dividends for This and Next Fiscal Years

(Basic Policy)

We position profit distribution to shareholders as the most important management issue. Taking into consideration the commitment to implementing continuous and stable dividends in line with revenues and profits, we are targeting a consolidated dividend payout ratio of 60% or higher. The timing of dividends will be basically twice a year, at the interim and at the year-end.

(Dividend for the current fiscal year)

The year-end dividend for the current fiscal year is scheduled to be 105 yen per share (including the ordinary dividend of 40 yen per share and the special dividend of 65 yen per share). Adding the interim dividend of 30 yen per share, the total annual dividend is scheduled to be 135 yen per share.

(Dividend for the next fiscal year)

For the next fiscal year, the annual dividend of 75 yen per share consisting of 35 yen per share as the interim dividend and 40 yen per share as the year-end dividend is scheduled, based on the dividend policy targeting a consolidated dividend payout ratio of 60% or higher.

2. Basic Stance Concerning Choice of Accounting Standards

For the time being, the Group’s policy is to prepare its consolidated financial statements under Japanese GAAP in consideration of period comparability and inter-company comparability of consolidated financial statements.

The Group will take into consideration various circumstances in Japan and overseas and will adopt IFRS as appropriate.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Unit: Million yen)

	Previous FY (As of March 31, 2023)	Current FY (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	17,802	12,492
Notes receivable, accounts receivable from completed construction contracts and contract assets	69,072	67,832
Electronically recorded monetary claims - operating	986	1,192
Costs on construction contracts in progress	1,373	1,061
Other	1,193	1,492
Allowance for doubtful accounts	(2)	(2)
Total current assets	90,427	84,069
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,530	11,870
Accumulated depreciation	(6,471)	(6,236)
Buildings and structures, net	4,058	5,633
Machinery, equipment and vehicles	5,230	5,132
Accumulated depreciation	(4,510)	(4,229)
Machinery, equipment and vehicles, net	720	902
Tools, furniture and fixtures	1,882	2,073
Accumulated depreciation	(1,583)	(1,657)
Tools, furniture and fixtures, net	298	416
Land	9,607	9,418
Leased assets	71	174
Accumulated depreciation	(42)	(94)
Leased assets, net	28	80
Construction in progress	536	985
Total property, plant and equipment	15,251	17,437
Intangible assets		
Other	1,874	1,883
Total intangible assets	1,874	1,883
Investments and other assets		
Investment securities	4,268	5,252
Shares of subsidiaries and associates	736	736
Long-term prepaid expenses	7	20
Deferred tax assets	1,202	1,004
Other	566	506
Allowance for doubtful accounts	(166)	(166)
Total investments and other assets	6,615	7,355
Total non-current assets	23,740	26,676
Total assets	114,168	110,746

(Unit: Million yen)

	Previous FY (As of March 31, 2023)	Current FY (As of March 31, 2024)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	15,510	14,011
Electronically recorded obligations - operating	190	165
Short-term borrowings	9	0
Income taxes payable	1,874	1,655
Advances received on construction contracts in progress	136	266
Provision for loss on construction contracts	356	581
Provision for warranties for completed construction	172	185
Provision for bonuses	2,107	1,945
Provision for bonuses for directors (and other officers)	13	30
Other	7,450	4,522
Total current liabilities	27,822	23,364
Non-current liabilities		
Long-term borrowings	0	–
Deferred tax liabilities	105	93
Provision for retirement benefits for directors (and other officers)	7	4
Retirement benefit liability	2,746	2,949
Other	202	211
Total non-current liabilities	3,062	3,258
Total liabilities	30,884	26,622
Net assets		
Shareholders’ equity		
Share capital	2,754	2,754
Capital surplus	11,845	11,839
Retained earnings	65,660	67,390
Treasury shares	(101)	(1,833)
Total shareholders’ equity	80,158	80,151
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,163	1,910
Deferred gains or losses on hedges	–	3
Foreign currency translation adjustment	28	116
Remeasurements of defined benefit plans	1,126	1,094
Total accumulated other comprehensive income	2,318	3,124
Non-controlling interests	806	847
Total net assets	83,283	84,123
Total liabilities and net assets	114,168	110,746

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: Million yen)

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Net sales of completed construction contracts	140,061	140,366
Cost of sales of completed construction contracts	122,006	123,164
Gross profit on completed construction contracts	18,055	17,201
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	343	379
Employees' salaries and allowances	1,450	1,437
Employees' bonuses	465	438
Provision for bonuses	392	353
Directors' bonuses	145	85
Provision for bonuses for directors (and other officers)	15	26
Retirement benefit expenses	64	47
Provision for retirement benefits for directors (and other officers)	1	0
Legal welfare expenses	465	445
Welfare expenses	284	290
Repair and maintenance expenses	255	270
Stationery expenses	72	122
Communication and transportation expenses	294	430
Power utilities expenses	34	31
Advertising expenses	109	141
Entertainment expenses	91	149
Donations	0	10
Rent expenses on land and buildings	162	96
Depreciation	473	556
Taxes and dues	433	406
Insurance expenses	86	35
Fee expenses	444	462
Amortization of goodwill	27	27
Research and development expenses	60	77
Miscellaneous expenses	959	906
Total selling, general and administrative expenses	7,136	7,232
Operating profit	10,918	9,968
Non-operating income		
Interest income	2	9
Dividend income	160	167
Rental income	87	88
Foreign exchange gains	25	35
Other	80	39
Total non-operating income	357	340
Non-operating expenses		
Interest expenses	5	10
Rental expenses	10	10
Compensation expenses	–	4
Other	17	22
Total non-operating expenses	32	48
Ordinary profit	11,243	10,261

(Unit: Million yen)

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Extraordinary income		
Settlement income	100	–
Gain on sale of non-current assets	9	262
Gain on sale of investment securities	64	81
Total extraordinary income	173	344
Extraordinary losses		
Loss on sale of non-current assets	0	1
Loss on retirement of non-current assets	6	36
Impairment losses	–	90
Loss on disaster	1	–
Loss on sale of investment securities	–	0
Other	–	0
Total extraordinary losses	8	128
Profit before income taxes	11,408	10,477
Income taxes - current	3,532	3,295
Income taxes - deferred	82	(127)
Total income taxes	3,614	3,167
Profit	7,793	7,309
Profit attributable to non-controlling interests	52	60
Profit attributable to owners of parent	7,741	7,249

Consolidated Statement of Comprehensive Income

(Unit: Million yen)

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Profit	7,793	7,309
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	749
Deferred gains or losses on hedges	–	3
Foreign currency translation adjustment	(2)	88
Remeasurements of defined benefit plans, net of tax	(576)	(31)
Total other comprehensive income	(586)	808
Comprehensive income	7,207	8,117
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,155	8,055
Comprehensive income attributable to non-controlling interests	52	62

(3) Consolidated Statement of Changes in Equity

Previous FY (from April 1, 2022 to March 31, 2023)

(Unit: Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,754	11,845	61,060	(0)	75,659
Changes during period					
Dividends of surplus			(3,141)		(3,141)
Profit attributable to owners of parent			7,741		7,741
Purchase of treasury shares				(100)	(100)
Disposal of treasury shares					–
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	4,599	(100)	4,499
Balance at end of period	2,754	11,845	65,660	(101)	80,158

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,169	–	30	1,703	2,904	778	79,342
Changes during period							
Dividends of surplus					–		(3,141)
Profit attributable to owners of parent					–		7,741
Purchase of treasury shares					–		(100)
Disposal of treasury shares					–		–
Net changes in items other than shareholders' equity	(6)	–	(2)	(576)	(586)	27	(558)
Total changes during period	(6)	–	(2)	(576)	(586)	27	3,940
Balance at end of period	1,163	–	28	1,126	2,318	806	83,283

Current FY (from April 1, 2023 to March 31, 2024)

(Unit: Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,754	11,845	65,660	(101)	80,158
Changes during period					
Dividends of surplus			(5,519)		(5,519)
Profit attributable to owners of parent			7,249		7,249
Purchase of treasury shares				(1,791)	(1,791)
Disposal of treasury shares		(5)		59	54
Net changes in items other than shareholders' equity					–
Total changes during period	–	(5)	1,730	(1,732)	(7)
Balance at end of period	2,754	11,839	67,390	(1,833)	80,151

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,163	–	28	1,126	2,318	806	83,283
Changes during period							
Dividends of surplus					–		(5,519)
Profit attributable to owners of parent					–		7,249
Purchase of treasury shares					–		(1,791)
Disposal of treasury shares					–		54
Net changes in items other than shareholders' equity	746	3	88	(31)	806	41	847
Total changes during period	746	3	88	(31)	806	41	840
Balance at end of period	1,910	3	116	1,094	3,124	847	84,123

(4) Consolidated Statement of Cash Flows

(Unit: Million yen)

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	11,408	10,477
Depreciation	777	966
Amortization of goodwill	27	27
Increase (decrease) in allowance for doubtful accounts	(3)	(0)
Increase (decrease) in provision for warranties for completed construction	66	12
Increase (decrease) in provision for loss on construction contracts	122	225
Increase (decrease) in provision for bonuses	50	(162)
Increase (decrease) in provision for bonuses for directors (and other officers)	3	17
Increase (decrease) in retirement benefit liability	3	153
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(3)	(2)
Interest and dividend income	(163)	(177)
Interest expenses and loss on sale of notes receivable - trade	5	10
Foreign exchange losses (gains)	(44)	(11)
Loss (gain) on sale of non-current assets	(9)	(261)
Loss (gain) on sale of investment securities	(64)	(81)
Loss on retirement of non-current assets	6	36
Decrease (increase) in trade receivables	(6,656)	1,053
Decrease (increase) in costs on construction contracts in progress	178	311
Increase (decrease) in trade payables	4,969	(1,533)
Increase (decrease) in advances received on construction contracts in progress	(512)	127
Increase (decrease) in accrued consumption taxes	3,601	(3,650)
Other, net	593	(627)
Subtotal	14,359	6,910
Interest and dividends received	163	177
Interest paid	(5)	(10)
Income taxes paid	(4,447)	(3,512)
Net cash provided by (used in) operating activities	10,069	3,565
Cash flows from investing activities		
Payments into long-term time deposits	(4)	(2)
Purchase of property, plant and equipment and intangible assets	(1,910)	(2,548)
Proceeds from sale of property, plant and equipment and intangible assets	9	575
Purchase of investment securities	(22)	(5)
Proceeds from sale of investment securities	132	182
Loan advances	(0)	–
Proceeds from collection of loans receivable	0	–
Other, net	(85)	59
Net cash provided by (used in) investing activities	(1,880)	(1,738)

(Unit: Million yen)

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Cash flows from financing activities		
Repayments of long-term borrowings	(9)	(9)
Purchase of treasury shares	(100)	(1,791)
Dividends paid	(3,140)	(5,343)
Dividends paid to non-controlling interests	(24)	(20)
Other, net	(5)	(15)
Net cash provided by (used in) financing activities	(3,281)	(7,181)
Effect of exchange rate change on cash and cash equivalents	16	41
Net increase (decrease) in cash and cash equivalents	4,923	(5,312)
Cash and cash equivalents at beginning of period	12,835	17,758
Cash and cash equivalents at end of period	17,758	12,446

(5) Notes to the Consolidated Financial Statements

(Notes on premise of a going concern)

Not applicable.

(Significant matters that serve as the basis for preparation of the consolidated financial statements)

1. Scope of consolidation

   Number of consolidated subsidiaries: 9

   Names of consolidated subsidiaries:

   RAIZNEXT Sogo Service Co., Ltd.
   SMS Co., Ltd.
   Ikeda Kiko Co., Ltd.
   Tokai Engineering & Construction Co., Ltd.
   Toshin Seisakusyo Co., Ltd.
   Kounan Tsusho Co., Ltd.
   Keihin Kako Co., Ltd
   Kashima Engineering Co., Ltd
   PT. SHINKO PLANTECH

2. Application of equity method

   Names, etc. of affiliated companies not accounted for by the equity method

   Number of affiliated companies: 4

   Names of main companies:

   Ibaraki Nikko Kensetsu Co., Ltd.
   JX Nippon Mining & Metals Plant Saganoseki Co., Ltd.
   FUTABA MANUFACTURING CO., LTD.
   Saikai Engineering Services Co., Ltd.

   Reason for exclusion from the scope of consolidation

   The affiliated companies not accounted for by the equity method are excluded from the scope of consolidation as the impact of the exclusion of each of them in terms of profit (amount corresponding to equity) and retained earnings (amount corresponding to equity), etc. is minimal on the consolidated financial statements, and their overall materiality is insignificant.

3. Fiscal years, etc. of consolidated subsidiaries

   Consolidated subsidiaries Ikeda Kiko Co., Ltd., and PT. SHINKO PLANTECH have their closing date on December 31, and RAIZNEXT Sogo Service Co., Ltd., SMS Co., Ltd., Tokai Engineering & Construction Co., Ltd., Toshin Seisakusyo Co., Ltd., Kounan Tsusho Co., Ltd., Keihin Kako Co., Ltd. , and Kashima Engineering Co., Ltd have their closing date on March 31. In preparing the consolidated financial statements, financial statements for the individual companies as of their closing dates are used. Adjustments necessary for consolidation are made for material transactions that occurred from the next day of such closing dates to March 31, the consolidated closing date.

4. Accounting policies

(1) Valuation standards and methods for significant assets

a) Securities

Bonds held to maturity

Stated at amortized cost (straight-line method).

Other securities

Securities other than shares, etc. without a market price

Market value method based on market prices, etc. on the closing date of the fiscal year

(Valuation differences are reported directly as a component of net assets and the cost of securities sold is calculated using the moving average method.)

Shares, etc. without a market price

Stated at cost using the moving average method.

b) Derivative transactions

Stated at market value.

c) Inventory assets

Costs on construction contracts in progress

Stated at cost using the specific identification method.

(2) Depreciation and amortization methods for significant assets

a) Property, plant and equipment (excluding leased assets)

Declining balance method is applied. However, the straight-line method is applied to buildings (excluding their attached facilities), as well as facilities attached to buildings and structures acquired on or after April 1, 2016.

The principal useful lives of property, plant and equipment are as follows:

Buildings and structures	2 to 55 years
Machinery, equipment and vehicles	2 to 12 years

b) Intangible assets (excluding leased assets)

Straight-line method is applied.

In addition, straight-line method is applied based on the estimated useful life within the Company (5 years) for software for internal use.

c) Leased assets

Leased assets from finance lease transactions where ownership is not transferred

Leased assets from finance lease transactions where ownership is not transferred are depreciated by the straight-line method over the lease terms with no residual value.

(3) Accounting standards for significant allowance and provisions

a) Allowance for doubtful accounts

To prepare for potential credit losses from accounts receivable such as completed construction contracts, allowance for doubtful accounts is recorded based on past experience for general receivables and on an estimated uncollectable amount for specific doubtful receivables where individual recoverability is considered.

b) Provision for loss on construction contracts

To prepare for potential losses on construction contracts, potential losses on undelivered construction works at the end of the current fiscal year are estimated and recorded where the amount of the construction can be reasonably estimated.

c) Provision for warranties for completed construction

To prepare for potential expenses arising from guarantee for defects, etc. related to completed construction, aside from the amount based on past results of construction expenses for warranties to net sales of completed construction contracts in the past fiscal years, the estimated amount for specific constructions is recorded where construction expenses for warranties are anticipated to occur.

d) Provision for bonuses

To provide for the payment of bonuses for employees, the estimated payment amount for the current fiscal year is recorded.

e) Provision for bonuses for directors (and other officers)

For consolidated subsidiaries, to provide for the payment of Directors' bonuses, the estimated payment amount for the current fiscal year is recorded.

f) Provision for retirement benefits for directors (and other officers)

For consolidated subsidiaries, to prepare for the payment of retirement benefits for directors and other officers, the amount payable at the end of the fiscal year is recorded in accordance with internal rules.

(4) Accounting treatment for retirement benefits

(i) Method for attributing estimated retirement benefits into periods

To calculate retirement benefit obligations, the straight-line attribution method is used to allocate the estimated retirement benefits to the period up to the end of the current fiscal year.

(ii) Actuarial difference and treatment for past service costs

Past service costs are recognized by the straight-line method over a certain period within the average remaining service period of employees (5 years) at the time of its occurrence.

The resulted actuarial differences are each recognized in the following fiscal year by the straight-line method over a certain period within the average remaining service period of employees (1 to 11 years) at the time of its occurrence.

(5) Accounting standards for net sales of completed construction contracts and cost of sales of completed construction contracts

(i) Construction work where the progress of the fulfillment of performance obligations can be reasonably estimated

Revenue is recorded on the basis of performance obligations being satisfied over a certain period.

The progress is measured by comparing the accumulated amount of costs incurred at the end of the current fiscal year with the estimated total cost until the construction is completed (input method).

(ii) Construction work where the progress of the fulfillment of performance obligations cannot be reasonably estimated

Cost recovery method

(iii) Maintenance work where the construction period is short

Revenue is recorded at the time when the performance obligations are fully satisfied.

(6) Hedge accounting

(i) Hedge accounting

Deferred hedge accounting is applied.

However, the shortcut method ("*furiate-shori*") is applied to forward exchange transactions that satisfy the criteria thereof.

(ii) Hedging instruments and hedged items

Hedging instruments: Forward exchange transactions

Hedged items: Forward transactions denominated in foreign currencies

(iii) Hedging policies

In accordance with the Company's internal control system regulating derivative transactions, derivative transactions are conducted to hedge the risks of fluctuating exchange rates of forward transactions denominated in foreign currencies.

(iv) Assessment of hedge effectiveness

For forward exchange transactions, as the hedging instruments and hedged items involve the same currencies and with the same due dates, the assessment of their hedge effectiveness is omitted.

(7) Scope of funds in the consolidated statement of cash flows

The scope of funds consists of cash on hand, readily available deposits that can be withdrawn at any time, and short-term investments which can be readily convertible to cash or cash equivalents with maturities of three months or less from the date of acquisition and bear only an insignificant risk of changes in value.

(Segment information, etc.)

[Segment information]

This information has been omitted as the Group's only reportable segment is engineering work and "Other" does not have material significance in the consolidated business performance of the Group. "Other" includes businesses such as real estate leasing, insurance agency business, and other services.

[Related information]

Previous FY (from April 1, 2022 to March 31, 2023)

1. Information by product and service

   This information is omitted because net sales from engineering work account for more than 90% of the net sales on the consolidated statement of income.

2. Information by geographical area

   (1) Net sales

   This information is omitted because net sales to external customers in Japan account for more than 90% of the net sales on the consolidated statement of income.

   (2) Property, plant and equipment

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

3. Information by major customer

(Unit: Million yen)

Customer name	Net sales	Related segment
ENEOS Corporation	49,686	Engineering work

Current FY (from April 1, 2023 to March 31, 2024)

1. Information by product and service

   This information is omitted because net sales from engineering work account for more than 90% of the net sales on the consolidated statement of income.

2. Information by geographical area

   (1) Net sales

   This information is omitted because net sales to external customers in Japan account for more than 90% of the net sales on the consolidated statement of income.

   (2) Property, plant and equipment

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

3. Information by major customer

(Unit: Million yen)

Customer name	Net sales	Related segment
ENEOS Corporation	57,021	Engineering work

[Information concerning impairment loss of non-current assets by reportable segment]

Previous FY (from April 1, 2022 to March 31, 2023)

Not applicable.

Current FY (from April 1, 2023 to March 31, 2024)

An impairment loss of 90 million yen was recorded in the engineering work.

[Information concerning amortization of goodwill and balance of unamortized goodwill by reportable segment]

Previous FY (from April 1, 2022 to March 31, 2023)

This information is omitted as it does not have material significance.

Current FY (from April 1, 2023 to March 31, 2024)

This information is omitted as it does not have material significance.

[Information concerning gain on bargain purchase by reportable segment]

Previous FY (from April 1, 2022 to March 31, 2023)

Not applicable.

Current FY (from April 1, 2023 to March 31, 2024)

Not applicable.

(Per share information)

The basis for calculation of net assets per share and basic earnings per share is as follows:

Previous FY (As of March 31, 2023)		Current FY (As of March 31, 2024)	
Net assets per share	1,524.55 yen	Net assets per share	1,562.89 yen
(Basis for calculation)		(Basis for calculation)	
Total net assets on consolidated balance sheet	83,283 million yen	Total net assets on consolidated balance sheet	84,123 million yen
Net assets for common shares	82,476 million yen	Net assets for common shares	83,275 million yen
Breakdown of difference		Breakdown of difference	
Non-controlling interests	806 million yen	Non-controlling interests	847 million yen
Number of common shares issued	54,168,053 shares	Number of common shares issued	54,168,053 shares
Number of common shares held in treasury shares	68,927 shares	Number of common shares held in treasury shares	885,013 shares
Number of common shares used for calculating the amounts of net assets	54,099,126 shares	Number of common shares used for calculating the amounts of net assets	53,283,040 shares

Previous FY (From April 1, 2022 to March 31, 2023)		Current FY (From April 1, 2023 to March 31, 2024)	
Basic earnings per share	142.93 yen	Basic earnings per share	134.20 yen
Diluted earnings per share are not presented because diluted shares did not exist.		Diluted earnings per share are not presented because diluted shares did not exist.	
(Basis for calculation)		(Basis for calculation)	
Profit attributable to owners of parent on consolidated statement of income	7,741 million yen	Profit attributable to owners of parent on consolidated statement of income	7,249 million yen
Profit attributable to owners of parent for common shares	7,741 million yen	Profit attributable to owners of parent for common shares	7,249 million yen
Major breakdown of amount not attributable to ordinary shareholders		Major breakdown of amount not attributable to ordinary shareholders	
Not applicable.		Not applicable.	
Average number of common shares outstanding during the period	54,161,418 shares	Average number of common shares outstanding during the period	54,020,785 shares

(Significant subsequent events)

Not applicable.