Cover page

[Document title]	Annual Securities Report
[Clause of stipulation]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Place of filing]	Director-General, Kanto Local Finance Bureau
[Filing date]	June 25, 2024
[Fiscal year]	The 120th Fiscal Year (From April 1, 2023 to March 31, 2024)
[Company name]	Reizu Nekusuto Kabushiki-Kaisha
[Company name in English]	RAIZNEXT Corporation
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[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

Part I. Company Information

I. Overview of Company

1. Key Financial Data

(1) Key financial data of group

Fiscal year		116th FY	117th FY	118th FY	119th FY	120th FY
Year ended		March 2020	March 2021	March 2022	March 2023	March 2024
Net sales of completed construction contracts	(million yen)	140,578	145,914	129,832	140,061	140,366
Ordinary profit	(million yen)	10,239	10,657	11,270	11,243	10,261
Profit attributable to owners of parent	(million yen)	12,258	7,344	7,748	7,741	7,249
Comprehensive income	(million yen)	11,769	8,982	8,755	7,207	8,117
Net assets	(million yen)	67,819	73,890	79,342	83,283	84,123
Total assets	(million yen)	99,348	97,121	100,781	114,168	110,746
Net assets per share	(yen)	1,233.48	1,344.96	1,450.39	1,524.55	1,562.89
Basic earnings per share	(yen)	234.86	135.58	143.04	142.93	134.20
Diluted earnings per share	(yen)	–	–	–	–	–
Equity-to-asset ratio	(%)	67.3	75.0	78.0	72.2	75.2
Rate of return on equity	(%)	21.5	10.5	10.2	9.6	8.7
Price-earnings ratio	(times)	5.2	8.8	7.5	10.2	16.2
Net cash provided by (used in) operating activities	(million yen)	(6,384)	8,591	11,157	10,069	3,565
Net cash used in investing activities	(million yen)	(360)	(1,101)	(2,225)	(1,880)	(1,738)
Net cash used in financing activities	(million yen)	(5,142)	(7,170)	(2,849)	(3,281)	(7,181)
Cash and cash equivalents at end of period	(million yen)	6,368	6,686	12,835	17,758	12,446
Number of employees	(persons)	2,183	2,122	2,011	2,083	2,125

(Notes) 1. "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan [ASBJ] Statement No. 29, March 31, 2020) and other standards have been applied from the beginning of the 118th fiscal year. Key financial data and other metrics from the 118th fiscal year reflect these accounting standards.

2. Diluted earnings per share are not presented because diluted shares did not exist.

(2) Key financial data of reporting company

Fiscal year		116th FY	117th FY	118th FY	119th FY	120th FY
Year ended		March 2020	March 2021	March 2022	March 2023	March 2024
Net sales of completed construction contracts	(million yen)	130,253	136,896	121,204	132,322	132,544
Ordinary profit	(million yen)	8,893	9,943	10,592	10,458	9,611
Profit	(million yen)	11,579	6,630	8,619	7,365	6,714
Share capital	(million yen)	2,754	2,754	2,754	2,754	2,754
Total number of issued shares	(shares)	54,168,053	54,168,053	54,168,053	54,168,053	54,168,053
Net assets	(million yen)	63,441	68,128	73,457	77,573	77,774
Total assets	(million yen)	93,979	90,026	96,375	109,369	105,891
Net assets per share	(yen)	1,171.20	1,257.74	1,356.12	1,433.91	1,459.65
Dividend paid per share [of which, interim dividend paid per share]	(yen)	53.00 [–]	55.00 [–]	58.00 [–]	72.00 [–]	135.00 [30.00]
Basic earnings per share	(yen)	221.87	122.40	159.13	136.00	124.29
Diluted earnings per share	(yen)	–	–	–	–	–
Equity-to-asset ratio	(%)	67.5	75.7	76.2	70.9	73.4
Rate of return on equity	(%)	21.4	10.1	12.2	9.8	8.6
Price-earnings ratio	(times)	5.5	9.8	6.7	10.7	17.5
Dividend payout ratio	(%)	44.1	44.9	36.4	52.9	108.6
Number of employees	(persons)	1,653	1,656	1,615	1,616	1,641
Total shareholder return [Comparative index: Dividend-included TOPIX]	(%) (%)	138.3 [85.9]	141.1 [122.1]	134.2 [124.6]	181.7 [131.8]	215.6 [196.2]
Highest share price	(yen)	1,489	1,366	1,263	1,523	2,398
Lowest share price	(yen)	986	1,093	1,069	1,029	1,320

(Notes) 1. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied from the beginning of the 118th fiscal year. Key financial data and other metrics from the 118th fiscal year reflect these accounting standards.

2. Diluted earnings per share are not presented because diluted shares did not exist.

3. The highest share price and lowest share price on or before April 3, 2022 are those recorded on the 1st Section of the Tokyo Stock Exchange, while from April 4, 2022 onwards, they are based on those recorded on the Prime Market of the said Stock Exchange.

4. The dividend payout ratio of 44.1% for the fiscal year ended March 31, 2020 was calculated by excluding gain on bargain purchase which is profit or loss related to business integration.

5. The dividend paid per share of 135 yen for the 120th FY includes a commemorative dividend of 65 yen per share for the fifth anniversary of the business integration.

2. History

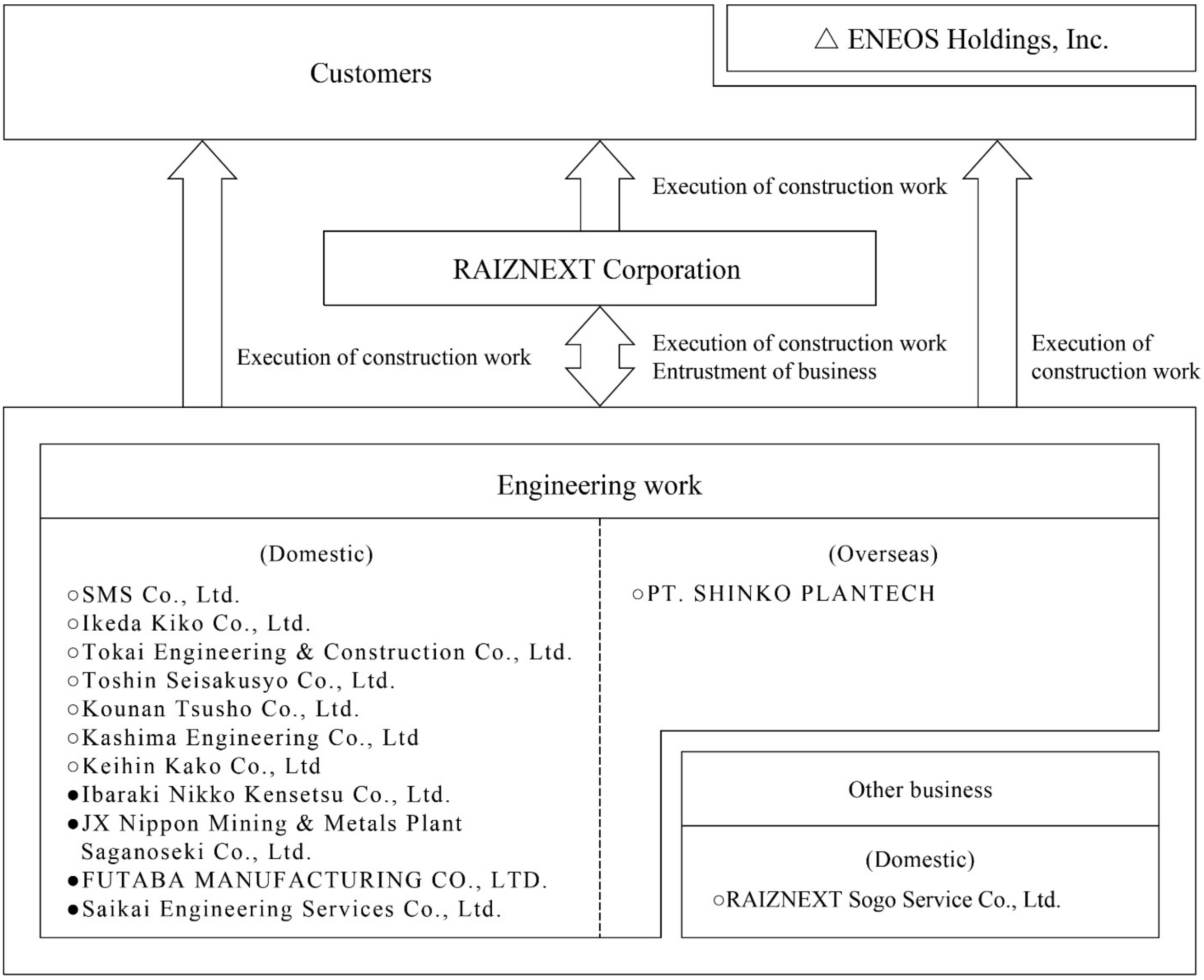
Jul. 1938	"Kabushiki-Kaisha Hosenkumi Tekkosyo" was established with a capital of 480 thousand yen.
Mar. 1941	The trade name was changed to "Kabushiki-Kaisha Hosen Tekkosyo."
Nov. 1945	The trade name was changed to "Kabushiki-Kaisha Sanko Seisakusho."
Jan. 1949	The head office was relocated to 813 Namamugi-cho, Tsurumi-ku, Yokohama-shi, Kanagawa, Japan.
Jan. 1950	The head office was relocated to 1195 Tsurumi-cho, Tsurumi-ku, Yokohama-shi, Kanagawa, Japan.
Jan. 1956	Wakayama Branch was opened. (Currently, Wakayama Branch Office)
Oct. 1961	The stock was listed on the 2nd Section of the Tokyo Stock Exchange.
Feb. 1966	Osaka Branch Office was opened.
Mar. 1966	Chiba Branch Office was opened.
Jul. 1968	The head office was relocated to 4-6-29 Namamugi, Tsurumi-ku, Yokohama-shi, Kanagawa, Japan.
Sep. 1996	P.T.SANKO ENGINEERING INDONESIA was established as a subsidiary in Jakarta, Indonesia. (Currently PT. SHINKO PLANTECH, a consolidated subsidiary)
Oct. 2000	The trade name was changed to Shinko Plantech Co., Ltd. with a merger with Niigata Construction Co., Ltd. The branch offices were added through the merger and a new structure was established, which consisted of the head office, Isogo Branch Office, and other 17 branch offices (Muroran, Niigata, Yokohama, Negishi, Toyama, Kashima, Chiba, Kawasaki-1, Kawasaki-2, Tokai, Yokkaichi, Osaka, Wakayama, Hyogo, Mizushima, Iwakuni, and Tokuyama). In addition, Sojin Kogyo Kabushiki-Kaisha (currently SMS Co., Ltd., a consolidated subsidiary) and Niigata Sogo Service Kabushiki-Kaisha (currently RAIZNEXT Sogo Service Co., Ltd., a consolidated subsidiary) became subsidiaries.
Apr. 2002	The head office was relocated to 4-5-11 Namamugi, Tsurumi-ku, Yokohama-shi, Kanagawa, Japan.
Oct. 2002	An executive officer system was introduced. Hyogo Branch Office and Iwakuni Branch Office were integrated into Mizushima Branch Office and Tokuyama Branch Office, respectively.
Apr. 2004	Sendai Branch Office (currently, North-Japan Branch Office) was newly opened and Yokkaichi Branch Office was changed to Nagoya Sales Office.
Jul. 2006	The head office was relocated to 27-5 Shinisogocho, Isogo-ku, Yokohama-shi, Kanagawa, Japan.
Mar. 2007	The stock was listed on the 1st Section of the Tokyo Stock Exchange.
Jul. 2007	The names of Kawasaki-1 Branch Office, Kawasaki-2 Branch Office, Iwakuni Sales Office, and Prefab Center were changed to Kawasaki Branch Office, Kawasaki TG Branch Office, Iwakuni Branch Office, and Isogo Plant, respectively.
Nov. 2009	Shares of Ikeda Kiko Co., Ltd. were acquired (ownership ratio: 80%).
Nov. 2010	Shares of Tokai Engineering & Construction Co., Ltd. were acquired (ownership ratio: 60%). (Currently, a consolidated subsidiary)
Oct. 2011	Shares of Toshin Seisakusyo Co., Ltd. were acquired (ownership ratio: 100%). (Currently, a consolidated subsidiary)
Feb. 2013	Shares of Ikeda Kiko Co., Ltd. were additionally acquired (ownership ratio: 100%). (Currently, a consolidated subsidiary)
Apr. 2017	The names of Kawasaki Branch Office and Kawasaki TG Branch Office were changed to Kawasaki-1 Branch Office and Kawasaki-2 Branch Office, respectively.
Nov. 2017	Shares of Kounan Tsusho Co., Ltd. were acquired (ownership ratio: 100%). (Currently, a consolidated subsidiary)
Jul. 2019	The trade name was changed to RAIZNEXT Corporation with a merger with JX Engineering Corporation. Through the merger, a new structure was established, which consisted of the head office and 15 branch offices (Muroran, Sendai, Negishi, Niigata, Tokai, Nagoya, Kashima, Chiba, Kawasaki, Wakayama, Osaka, Mizushima-1, Mizushima-2, Iwakuni, and Tokuyama). In addition, Kashima Engineering Co., Ltd (currently, a consolidated subsidiary) and Keihin Kako Co., Ltd (currently, a consolidated subsidiary) became subsidiaries.
Apr. 2020	Mizushima-1 Branch Office and Mizushima-2 Branch Office were integrated into Mizushima Branch Office.
Feb. 2021	The head office was relocated to 1-1-8 Sakuragicho, Naka-ku, Yokohama-shi, Kanagawa, Japan.
Apr. 2022	In accordance with the market restructuring of the Tokyo Stock Exchange, the stock market listing changed from the 1st Section to the Prime Market.
Apr. 2023	Muroran Branch Office was integrated into Sendai Branch Office (currently, North-Japan Branch Office).
Apr. 2024	Sendai Branch Office was changed to North-Japan Branch Office, Negishi Branch Office and Tokai Branch Office were abolished, and Yokohama Branch Office was newly opened.

3. Description of Business

The Company group consists of RAIZNEXT Corporation (the Company), 13 subsidiaries and affiliates (9 subsidiaries and 4 affiliated companies), and other 2 associated companies, engaging in engineering and other business.

Business category	Main business activities
Engineering work	The following businesses related to devices, machinery, equipment, facilities, materials and equipment, academic research, systems, and processes in fields including petroleum, petrochemicals, gas, general chemicals, nonferrous metals, metal processing, electronic materials, resource recycling, electric power, nuclear power, renewable energy, distributed energy, steelmaking, coal, desalination, livestock feed, biochemicals, food, medical products, medical care, information, communications, transportation, distribution, provisions, air conditioning and plumbing, pollution prevention, disaster prevention, and environmental protection: 1. Comprehensive engineering and consulting work 2. Production, procurement, sale, repair, and leasing of machinery and devices 3. Installation of machinery and devices; design, supervision, and execution of construction for civil engineering, electrical instrumentation, plumping, etc. 4. Maintenance work for equipment and machinery 5. Research, development, technical support, and commissioned work
Other business	Comprehensive real estate management and rental services; temporary staffing services; non-life insurance agency business

Below is a business system diagram.



○ Consolidated subsidiaries ● Affiliated companies △ Other subsidiaries and associates

4. Subsidiaries and Associates

Name	Location	Capital or investments in capital (million yen)	Description of principal business	Percentage of voting rights owned (or owned others) (%)	Description of relationship			
					Concurrent positions held by directors	Loans	Business transactions	Leasing of equipment
(Consolidated subsidiaries)								
SMS Co., Ltd.	Isogo-ku, Yokohama-shi, Kanagawa	10	Engineering work	100.0	Yes	–	Receives construction orders associated with the Company's construction work.	Yes
Ikeda Kiko Co., Ltd.	Saijo-shi, Ehime	10	Engineering work	100.0	Yes	Yes	Receives construction orders associated with the Company's construction work.	–
Tokai Engineering & Construction Co., Ltd.	Ichihara-shi, Chiba	40	Engineering work	60.0	Yes	–	Receives construction orders associated with the Company's construction work.	–
Toshin Seisakusyo Co., Ltd.	Niihama-shi, Ehime	28	Engineering work	100.0	Yes	–	Receives construction orders associated with the Company's construction work.	–
Kounan Tsusho Co., Ltd.	Isogo-ku, Yokohama-shi, Kanagawa	70	Engineering work	100.0	Yes	–	Receives construction orders associated with the Company's construction work.	Yes
Kashima Engineering Co., Ltd	Isogo-ku, Yokohama-shi, Kanagawa	20	Engineering work	100.0	Yes	–	Receives construction orders associated with the Company's construction work.	Yes
Keihin Kako Co., Ltd	Kurashiki-shi, Okayama	20	Engineering work	100.0	Yes	–	Receives construction orders associated with the Company's construction work.	Yes
PT.SHINKO PLANTECH	Indonesia Jakarta	1,300 thousand US dollars	Engineering work	99.8	Yes	Yes	The Company dispatches engineers under contract associated with construction work.	–
RAIZNEXT Sogo Service Co., Ltd.	Isogo-ku, Yokohama-shi, Kanagawa	85	Other	100.0	Yes	–	Receives orders for the Company's building management, maintenance, repairs, cleaning and administrative work as well as the dispatch of engineers and administrative staff.	Yes
(Other associated companies)								
ENEOS Holdings, Inc. (Note) 1	Chiyoda-ku, Tokyo	100,000	Business management of subsidiaries and group companies which conduct energy, oil and natural gas development, and metal businesses	(29.1) [7.2]	–	–	–	–
HIKARI TSUSHIN, Inc. (Note) 1	Toshima-ku, Tokyo	54,259	Corporate service, individual service, and intermediation sales	(22.8) [22.8]	–	–	–	–

(Notes) 1. The company that filed the Annual Securities Report
2. Figures in square brackets in the "percentage of voting rights owned (or owned by others)" column indicate the percentage of indirect holdings, and included in the total.

5. Employees

(1) Information about group

As of March 31, 2024

Name of segment	Number of employees (persons)
Engineering work	1,961
Other	164
Total	2,125

(Note) The figure under "Number of employees" indicates the number of employed personnel.

(2) Information about reporting company

As of March 31, 2024

Number of employees (persons)	Average age (years)	Average length of service (years)	Average annual salary (million yen)
1,641	42.0	15.6	803

(Notes) 1. The figure under "Number of employees" indicates the number of employed personnel, excluding those on secondment from the Company to outside the Company, but including those on secondment from outside the Company to the Company.

2. Average annual salary includes bonuses and extra wages.

(3) Information about trade union

As of March 31, 2024, the Company group's employees are members of the RAIZNEXT Trade Union (a membership of 1,021).

There are no special items to be noted about labor relationships.

(4) Information about the percentage of female employees in managerial positions, etc.

(i) Reporting company

As of March 31, 2024

Percentage of female employees in managerial positions (%) (Note) 1	Percentage of childcare leave, etc. taken by male employees (%) (Note) 2	Differences in wages between male and female employees (%) (Note) 1		
		All employees	Regular employees	Non-regular employment
1.7	80.6	69.5	72.1	58.9

(Notes) 1. Calculated based on the stipulations of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).

2. Calculated the percentage of childcare leave, etc. taken, specified in Article 71-4, Item 2 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No.25 of 1991), based on the stipulations of the "Act on Childcare leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).

(ii) Consolidated subsidiaries

As they are not subject to the obligation to make a public announcement under the stipulations of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015) and the "Act on Childcare leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991), the description thereof is omitted.

II. Overview of Business

1. Management Policy, Business Environment, Issues to be Addressed

(1) Basic management policy

[Company Philosophy]

Support Industrial Infrastructures, Create a Prosperous Future.
• We support the secure and stable operation of plants, contributing to the future of people, life and the environment; • We realize the optimization of plants and facilities through our maintenance and engineering; and • We respect diversity and initiatives that seek happiness for our employees and partner companies.

[Long-Term Vision]

RAIZNEXT Group V-2032 **Toward advanced plant services in changing times**
• We will fulfill our social responsibilities as a company involved in the energy sector and contribute to the realization of a carbon-neutral society. • We will constantly introduce and refine the latest technology to continue providing maximum customer value in maintenance and engineering together with our partners. • We will aim to be a company that enables employees to work with satisfaction, taking pride in playing a central role in maintaining the stable operation of plant that supports people's lives.

[Action Guideline]

Aggressively with Brave Spirits	Sincerely and Devotedly	Coexistence and Coprosperity
We aggressively take on challenges with unconventional ideas.	We sincerely work on every single business, meeting our customers' needs.	We respect all of the people concerned, and evolve together with stakeholders.

(2) Business environment and issues to be addressed

The consumption of fossil fuel including petroleum products will be reduced in the future due to the global trend to shift toward a carbon-neutral society. Following the trend, plant maintenance and engineering markets related to petroleum refining and petrochemicals as our main businesses are expected to shrink. On the other hand, aggressive capital investment in renewable energy is newly expected, and further exploration of this field is an issue for us.

Additionally, we must address the maximum overtime regulations which will also be applied to the construction industry from 2024, and the utilization of digital transformation (DX) technology to improve work efficiency and the introduction of more information and communication technology (ICT) to improve productivity is a pressing issue.

While managing these issues, we formulated our Long-Term Vision "RAIZNEXT Group V-2032" and the "Second Mid-Term Business Plan RAIZNEXT SYNERGY POWER" in 2021, aiming for the enhancement of our corporate value over the medium- to long-term

The Second Mid-Term Business Plan covers the period from FY2021 to FY2024, and together with the First Mid-Term Business Plan after the merger, we have set targets for creating synergistic effects with a cumulative total of "at least 20.0 billion yen in net sales of completed construction contracts" and "at least 2.0 billion yen in ordinary profit." The Business Plan consists of four pillars: (i) strengthening our maintenance business, (ii) strengthening our engineering business, (iii) strengthening our tank business, and (iv) strengthening our management foundation, and we aim to achieve our targets in FY2024, the final year of the Plan.

The progress made under the Second Mid-Term Business Plan is as follows.

(i) Strengthening our maintenance business

In the maintenance business, we have implemented organizational integration for the purpose of overall optimization. As a result, we were able to make a flexible personnel allocation, and we have expanded contracts and revenue through large-scale regular repair works and participation in new plants.

(ii) Strengthening our engineering business

In the engineering business, we have achieved to secure contracts of works in new fields toward a carbon-neutral society, including the construction of new mega solar power plants and green ammonia manufacturing plants.

In addition, we have strived to aggressively participate in the future plans for closed refining plants. First, in addition to securing contracts of infrastructure development works including detoxification works and facility removal works, we proactively work to commercialize new businesses in cooperation with our customers. We have also continued to secure contracts of new construction and expansion works in the field of nonferrous metals with strong demand due to the spread of electric vehicles and the adoption of IT in society.

(iii) Strengthening our tank business

In the tank business, we have newly secured contracts of tank construction works of oil storage companies and oil refinery companies as untapped areas. We are also engaged in research and study of the design and construction technologies of storage tanks of hydrogen and ammonia which are expected to replace fossil fuels in the future.

(iv) Strengthening our management foundation

With regard to strengthening our management foundation, we have disclosed our ESG data externally, as well as formulated and disclosed our GHG emissions reduction targets (Scope1 & 2) in order to promote sustainability management, with the aim of achieving sustainable corporate growth and enhancing our corporate value.

For employees, in order to materialize a pleasant working environment, we have continued to improve the working environment of temporary offices in construction sites and expanded the free address system for offices in the head office. We are also actively promoting the rebuilding of aging offices of our branch offices.

In response to the maximum overtime regulations in 2024, we have made company-wide efforts to achieve this goal one year ahead of schedule such as improving the efficiency of work with the increase in the number of construction supervisors to be dispatched and the standardization of regular repair works, and addressed issues that became clear.

(i) Performance plan

Performance Targets for the Final Fiscal Year of the Second Mid-Term Business Plan (FY2024, FY ending March 31, 2025)

<Consolidated>

	FY2024 Target (FY ending March 31, 2025)
Net sales of completed construction contracts	145.0 billion yen
Operating profit (margin)	10.5 billion yen (7.2%)
Profit attributable to owners of parent (margin)	7.0 billion yen (4.8%)

(ii) Management indicator targets

Return on equity (ROE): At least 8%

Consolidated dividend payout ratio: At least 40%

For details on the long-term vision and the Second Mid-Term Business Plan, please refer to our website.
(https://www.raiznext.co.jp/)

2. Views and Initiatives Regarding Sustainability

(1) Sustainability management

Basic policy of sustainability

Guided by our corporate philosophy of "Support Industrial Infrastructures, Create a Prosperous Future," the RAIZNEXT Group is working to gain even greater trust from our stakeholders by practicing prosper and transparent management while conducting business activities that are in harmony with society and the environment. At the same time, we are actively engaged in sustainability activities aimed at contributing to greater social sustainability and enhancing medium- to long-term corporate value.

(i) Governance

The Company has a Sustainability Committee, chaired by the President, to discuss strategies for sustainability management so we can contribute to the sustainable development of society and enhance corporate value over the medium to long term.

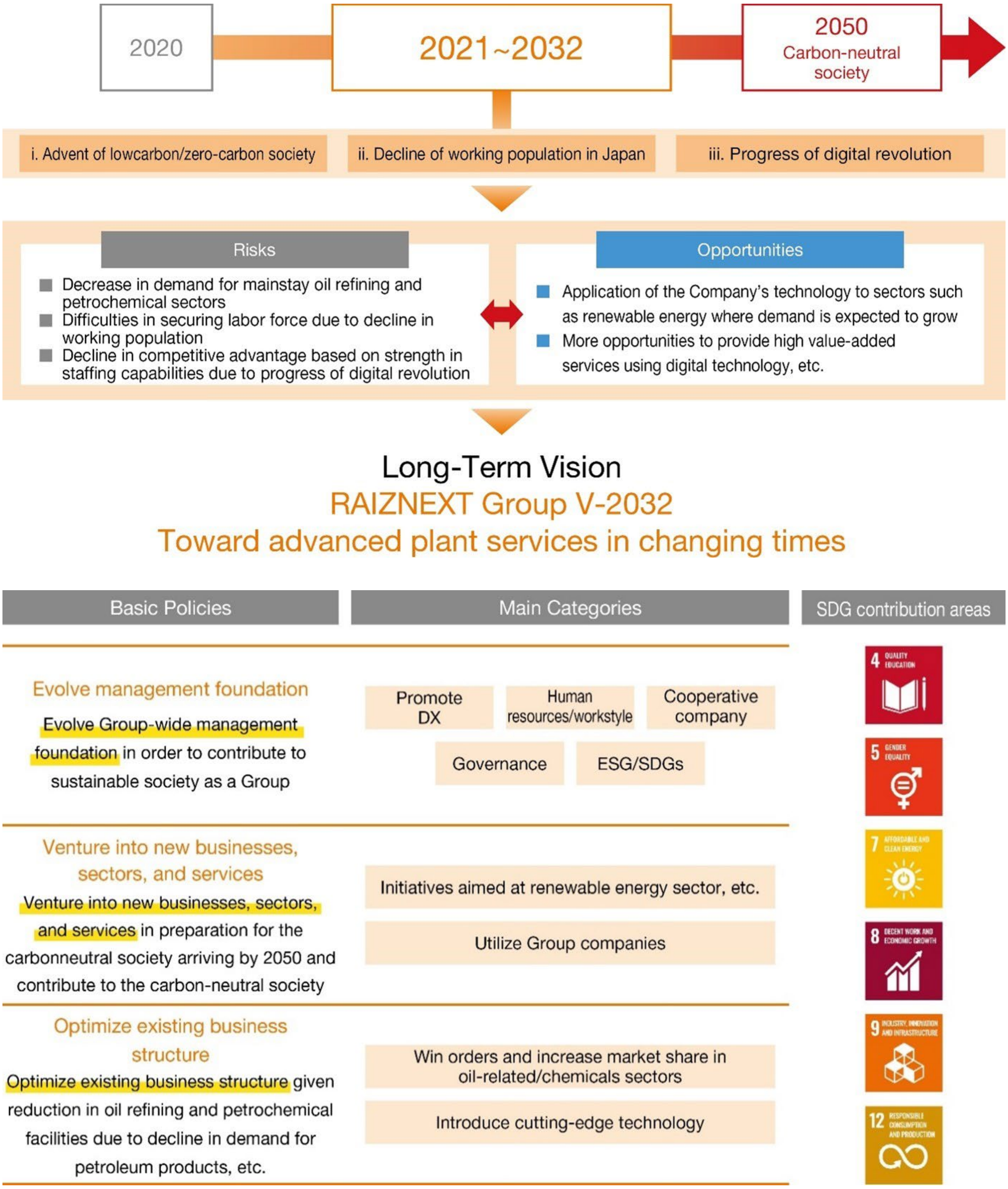
A subordinate body of the Sustainability Committee, the Sustainability Promotion Council, manages the progress of specific measures based on these strategies.

The results of discussion at the Sustainability Committee are reported to the Board of Directors which appropriately supervises the activities.

Chart of the Management System for Sustainability

(ii) Strategy

As a company to support the energy industry, the Company believes that we can contribute to the challenges around social issues under the global trend to aim for the carbon-neutral society toward 2050. In such a revolutionary period for the energy industry, the Company strives to realize the carbon-neutral society, formulating the long term vision, RAIZNEXT Group V-2032 in 2021 and setting out what the Company group wants to be over the medium to long term by 2032.



(iii) Risk management

In order to enhance corporate value and implement sustainable business toward the realization of its long-term vision, the Company has identified material issues regarding sustainability management. The initiatives to be addressed are determined after assessing risks for each material issue identified.

The risks including the ones related to sustainability management are managed in the Enterprise Risk Management Committee. Among the risks managed by the Enterprise Risk Management Committee, the ones regarding material issues related to sustainable management are verified in the process of determining sustainability initiatives in the following fiscal year, and reflected to the initiatives to be addressed as necessary.

(iv) Indices and targets

Identifying business risks regarding sustainability, the Company selects material issues and initiatives to be addressed each year. Initiatives to be addressed and indices for FY2024 are as follows.

Environment

Material Issues	Initiative	KPI	SDGs Contributed to
1. Contribute to achieving a carbon neutral society	Expand orders in the carbon neutral field	Take proactive initiatives in areas related to carbon neutrality	
	Reduce GHG* emissions in corporate activities * Greenhouse Gas	1) Introduce renewable energy electricity to all business sites that can switch	
		2) Have low-carbon company vehicles (switch for 100% of new purchases and when renewing leases for vehicles that can be low-carbon)	
		3) Monitor GHG emissions and consider multifaceted reduction measures	
2. Provide environmentally-conscious plant services	Thorough implementation of the 3Rs* in construction sites and appropriate processing of industrial waste. * Reduce, Reuse, Recycle	1) Final disposal rate of waste* : 2.0% or less * Waste: Fluorescent lamps, mercury lamps, batteries, waste asbestos, mercury-using products, contaminated soil	
		2) No problems with industrial waste	

Society

Material Issues	Initiative	KPI	SDGs Contributed to
3. Provide safe, high-quality services	Ensuring personnel safety	Achievement of all disaster frequency rates* (frequency rate of 2.28 or less) * All disaster frequency rate: An indicator for the number of occupational accidents (accidents that require time off from work + accidents that do not) per million working hours	
	Strengthen the quality management system so customers can feel assured	1) Achievement of our quality nonconformity frequency rate* (internal indicator: 2.46 or less) * Quality nonconformity frequency rate: An indicator for the number of quality nonconformities per million hours	
		2) Improve our indices compared to the previous fiscal year, based on customer satisfaction surveys	
4. Develop along with partner companies	Educating, training, and supporting partner companies	Education, training, and support to ensure the skills of partner companies (100% education plan implementation rate)	
	Keeping up with partner companies' business performance	Rebuild partner company assessment, and implement assessments	
	Promote sustainable procurement	Keep everyone informed about the Sustainable Procurement Policy.	
5. Create rewarding and inviting work environments for all	Use a variety of personnel	1) Have achieved the hiring plan (100%)	
		2) Have handicapped employees account for 2.3% or more of personnel	
		3) Have new female college graduates account for 20% or more of hires	
		4) Provide training for employees raising children, and training for supervisors to improve support for subordinates	
		5) Plan measures to increase the ratio of women in management positions to 10%	
		6) Have 80% or more male employees take parental leave	
	Promotion of mental and physical health	1) Have 100% of employees take stress checks	
		2) Have 100% of employees get periodic physical exams	
	Raise awareness of respect for human rights	1) Implement Human Rights Policy awareness activities	
		2) Have 100% of employees (executives and workers) take education on harassment	
	Improve the work environment	1) a. Improve workplace environments at construction sites	
		2) a. Introduce systems to enhance communication using digital technology b. Introduce and verify generative AI	
6. Enrich people's daily life and contribute to social safety and security	Contributing to local communities	Carry out social-contribution activities (at least 15)	

Governance

Material Issues	Initiative	KPI	SDGs Contributed to
7. Strengthen corporate governance	Ensuring compliance	1) Are conducting in-house training and legal compliance inspections. (Have 100% of employees take the training and 100% pass the test.) 2) Are educating employees about the Construction Business Act. (Have 100% of employees take the training and 100% pass the test.)	
	Instill the Corporate Philosophy and Code of Conduct	Improve corporate philosophy empathy points (Aim to surpass the internal indicator for FY2023 (3.83))	
	Enhancing information security	Are educating about information security. (Have 100% of employees take the training and 100% pass the test.)	

(2) Response to climate change (Initiatives for TCFD recommendations)

(i) Governance

- Basic policies, important matters, and risks and opportunities related to climate change are discussed, studied, and evaluated by the Sustainability Promotion Council, chaired by the director responsible for the Corporate Planning Department and the Sustainability Committee, chaired by the President.
- The contents of discussion at the Sustainability Committee are reported annually to the Board of Directors, which manages and supervises the measures.
- The contents reported at the Board of Directors meetings are reflected in their respective business plans and business operations.

(ii) Strategy

We consider climate change as a medium- to long-term risk and to study our strategy and organizational resilience based on the related risks, we referred to the climate change scenarios (2°C and 4°C scenarios)* by the IEA (International Energy Agency) and IPCC (Intergovernmental Panel on Climate Change). We then conducted scenario analysis for our maintenance and engineering businesses, considering the impact on our company until 2040.

* 2°C scenario: Scenario in which measures such as tighter regulations and market changes are taken to minimize temperature rise

4°C scenario: Scenario in which temperature rise results in physical impacts such as extreme weather events

Major Risks Related to Climate Change and Responses

Factors	External Environmental Changes	Risks / Opportunities	Estimated Impacts	Impacts on Raiznext	Measures
2°C scenario: Scenario in which measures such as tighter regulations and market changes are taken to minimize temperature rise					
Tightening of various regulations including GHG emission regulations	Decreased demand for plant construction and repair in the petroleum refining and petrochemical sectors	Risk	Large	Decreased sales from the maintenance and engineering sectors	Optimize existing business structure by reallocating resources and focusing on other areas (general chemicals, renewable energy, etc.)
	Increased need for construction and maintenance of renewable energy-related facilities	Opportunity	Medium	Increased sales in renewable energy and new energy (hydrogen related, etc.)	Strengthen related technologies and develop a project promotion system
4°C scenario: Scenario in which temperature rise results in physical impacts such as extreme weather events					
Rising average annual temperatures	Reduced productivity at construction sites due to heat stress	Risk	Small	Increased risk of heat stroke and loss of productivity at construction sites	Continue to strengthen heat stroke countermeasures in accordance with our heat stroke prevention guidelines Enhance initiatives to take more effective environmental improvements
Increased frequency of severe disasters	Increased need for rapid restoration in the event of plant damage	Opportunity	Small	Increased rapid restoration work for plant damage due to severe disasters	Further strengthen the emergency response system by leveraging the nationwide procurement and mobilization network
	Increased secondary needs due to increased plant damage	Opportunity	Small	Increased construction of plant damage countermeasures in preparation for severe disasters	Maintain and expand orders for countermeasure work in preparation for severe disasters by strengthening cooperation with customers while being stationed at plants and conducting routine inspections and repairs

(iii) Risk management

- In prioritizing climate-related risks, we focus our efforts on priority risk factors, taking into consideration the likelihood of the risks occurring to our company and the magnitude of the impact.
- As a process for managing climate-related risks, we will have the Sustainability Committee analyze, plan, and promote countermeasures, and manage progress regarding climate-related risks.
- The contents analyzed and studied by the Sustainability Committee, will be reported to the Management Officer Committee and then to the Board of Directors, and climate-related risks are managed on a company-wide basis within the framework of the enterprise risk management.

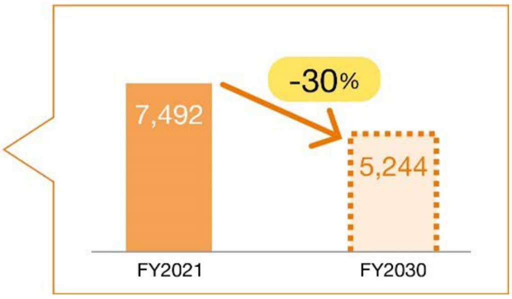
(iv) Indices and targets

- In order to assess and manage the impact of climate-related risks on management, we will use greenhouse gas (GHG) emissions as an indicator. In addition to our existing efforts, we will work toward contributing to a decarbonized society by introducing renewable energy and new energy-related technologies and using decarbonized materials and equipment.
- We, RAIZNEXT Group including RAIZNEXT and our affiliated companies, aim 30% reduction on Scope 1 and Scope 2 emissions related to our own business activities by FY2030 compared to FY2021.

GHG emissions reduction targets

(Unit : t-CO_2)

Scope	Base Year	Target Year
	FY2021	FY2030
Scope1 and 2	7,492	5,244
(Scope1)	4,118	-
(Scope2)	3,374	-



(Note) Among the matters mentioned, those relating to the future are estimates based on information available as of the filing date of the securities report.

(3) Human capital

The Company is continuously developing human resources who can think outside the box and aggressively take on challenges with fresh ideas, while accurately recognizing our corporate philosophy, code of conduct, and action guidelines; and adhering to compliance requirements and social norms. In addition, the Company has developed the system to actively support the voluntary initiatives of respective employees toward their growth, honoring their individual personalities, ways of thinking, and life plans.

Specifically, the Company has established a recruitment training group in the Personnel Department, which provides education to acquire systematic knowledge and specialized skills as well as a system to encourage personal development, in order to effectively utilize management resources and enhance corporate value based on the Multi-Stakeholder Policy. In addition, regarding the development of supervisors as the core of our business, the Company aims to maintain and improve the skills of construction management with the establishment of an education and training group in the Project Operation Department and the implementation of various technical trainings tailored to individual skills.

(i) Governance

The Company holds the Education and Training Review Meeting twice a year to discuss the basic policy of education and training as well as the education and training plan.

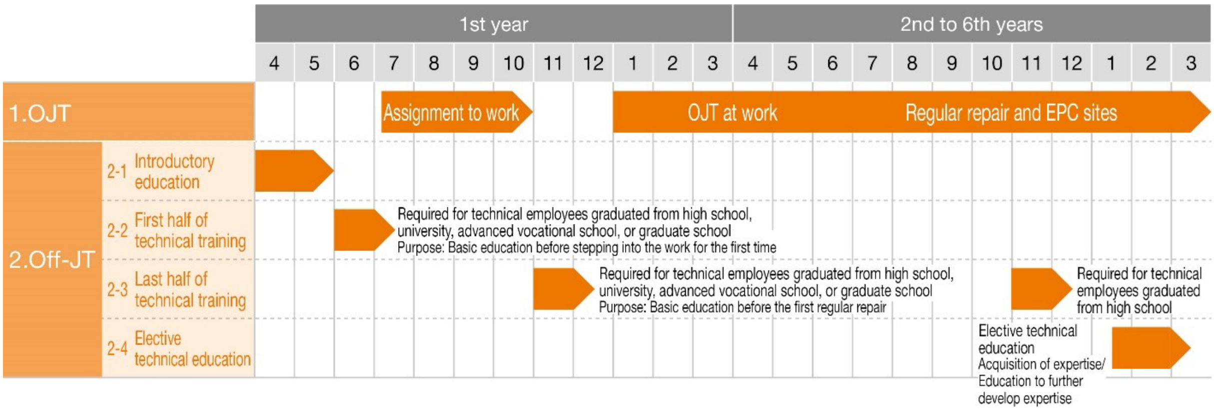
The education and training plan formulated based on the discussion is shared to management in the Enlarged Management Review Meeting held twice a year.

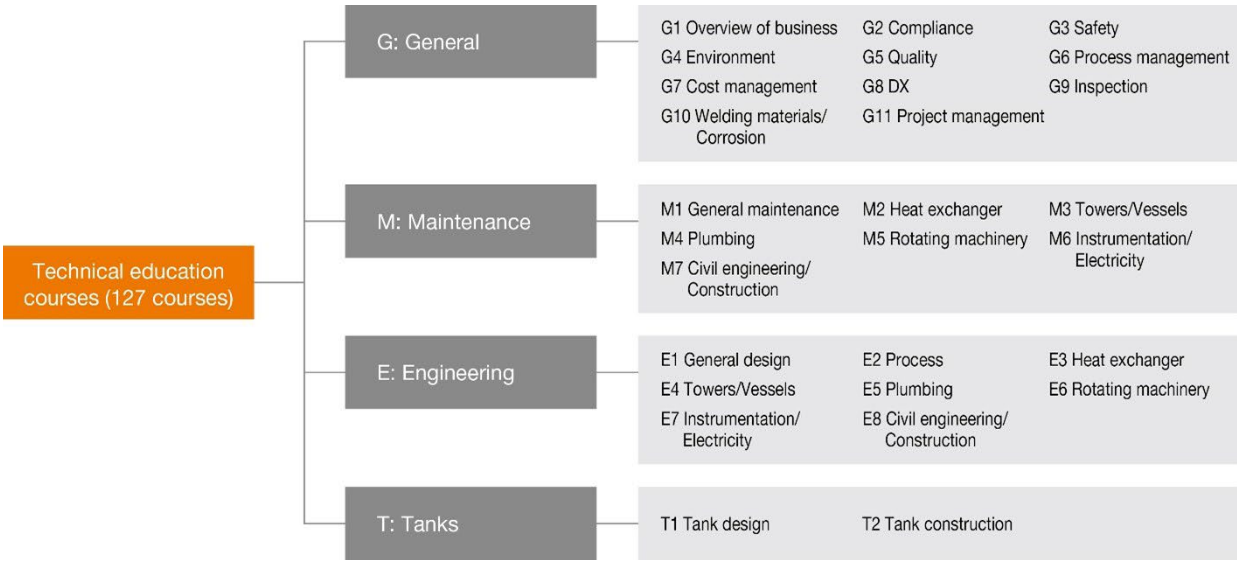
(ii) Policy for the development of human resources

Human resources are the biggest asset for the Company. Under the theme of "lifelong development," the Company provides various opportunities for growth to all layers from new employees to experienced employees.

As an example, for technical employees, the Company has formulated the education program for six years after joining the company, striving to develop supervisors in the short term who can work in both of the maintenance business and the engineering business as the pillars of our business.

Overview of OJT and Off-JT for new technical employees





(iii) Policy for the development of internal environment

Toward the realization of our corporate philosophy ("Support Industrial Infrastructure, Create a Prosperous Future"), the Company has developed the internal environment (work environment and various systems, etc.) to enable the safe, secured, and rewarding work; respecting the diversity of each employee including personality, gender, age, nationality, thought and beliefs, religion, disabilities, human rights, and life stage, etc.; and maintaining work-life balance and physical and mental health.

In addition, in order to develop human resources who can think out of the box and aggressively take on challenges with fresh ideas, the Company has developed the system to fairly assess outcomes, enabling employees to motivate each other and continue voluntary efforts.

Specifically, we aim to retain employees and secure diverse human resources by preparing a pleasant environment with the promotion of telework and childcare leave taken by male employees. Furthermore, we hold meetings to exchange opinions between the President and young employees to share our corporate philosophy and business strategies, and hear diverse opinions of employees. We also exchange opinions between management and female employees in light of the promotion of female advancement. In addition, we implemented questionnaire surveys for employees three times after the business integration, and based on the results, we are improving the environment where employees feel pleasant and can demonstrate more abilities.

<table>
<tr><th></th><th>Internal system</th><th>Characteristics of support system</th></tr>
<tr><td rowspan="3">Health management of employees</td><td>Regular health checkups</td><td>Non-statutory inspections and inspections dedicated to women</td></tr>
<tr><td rowspan="2">Mental health care</td><td>Consultation services (including consultation services outside the Company)
• Consultation service related to harassment
• Face-to-face counseling
• Consultation service for miscellaneous matters
• Consultation service dedicated to childcare leave
• Consultation service dedicated to nursing care</td></tr>
<tr><td>Implement stress testing once a year</td></tr>
<tr><td rowspan="5">Support for work-life balance</td><td>Maternity leave (women)</td><td rowspan="2">Support balancing work and family with the system to shorten daily working hours after returning from leave</td></tr>
<tr><td>System for childcare and nursing care leave</td></tr>
<tr><td>Flexible working hours system</td><td>Employees freely set starting and finishing time in the time zone except core time</td></tr>
<tr><td>Telework system</td><td>Support balancing work and family with the system for employees to select a place to work</td></tr>
<tr><td>System for refreshment leave</td><td>Provide leave for consecutive three days and benefit money every time certain years of service are achieved</td></tr>
<tr><td rowspan="2">Employee engagement</td><td>Opinion exchange meeting between employees and management</td><td>Hold meetings where young employees and female employees directly exchange opinions with the President and the Vice Presidents</td></tr>
<tr><td>Employee awareness survey</td><td>Implement surveys for all employees and reflect the results in policies, etc.</td></tr>
</table>

(iv) Indices, targets, and results

As the indices for FY2024, as aforementioned in the indices and targets in our sustainability, the Company has listed initiatives toward the development of human resources and internal environment as well as KPIs, as initiatives for a material issue, “Create rewarding and inviting work environments for all.”

Results for the current fiscal year

<table>
<tr><th colspan="7">Current fiscal year</th></tr>
<tr><th>Percentage of female employees in managerial positions (Note) 1</th><th>Percentage of childcare leave, etc. taken by male employees (Note) 2</th><th colspan="2">Differences in wages between male and female employees (Note) 1</th><th>Percentage of employment of disabled persons</th><th>Percentage of utilization of annual paid leave</th><th>Regular health checkups</th></tr>
<tr><td rowspan="3">1.7%</td><td rowspan="3">80.6%</td><td>All employees</td><td>69.5%</td><td rowspan="3">2.69%</td><td rowspan="3">83.8%</td><td rowspan="3">Implement twice a year</td></tr>
<tr><td>Regular employees</td><td>72.1%</td></tr>
<tr><td>Non-regular employment</td><td>58.9%</td></tr>
</table>

(Notes) 1. Calculated based on the stipulations of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).

2. Calculated the percentage of childcare leave, etc. taken, specified in Article 71-4, Item 2 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No.25 of 1991), based on the stipulations of the “Act on Childcare leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

3. The results of the reporting company only are shown above since only a few consolidated subsidiaries have taken specific initiatives.

3. Business Risks

With regard to risks to the Company group's business, the major matters that may significantly affect the decision of investors are as shown below. The Company group will strive to avoid the occurrence of these risks and take measures in case of the occurrence, recognizing the likelihood of the risks. Among these matters, those relating to the future are based on estimates as of the end of the fiscal year ended March 31, 2024.

(1) Extraordinary changes in operating results, etc. of the consolidated companies (the Company and the consolidated subsidiaries)

	Category	Description	Description of control activities
(i)	Decrease in new contracts (maintenance business)	The Company group's core business includes maintenance related to plants of petroleum, petrochemicals, general chemicals, etc. As operation has been suspended at some plants related to petroleum fuels which may have a particularly large impact on the Company group in the past few years, there is a concern about a decrease in new contracts in line with the shrinkage of the plant maintenance market.	The Company group has developed the Long-Term Vision RAIZNEXT Group V-2032 and the Second Mid-Term Business Plan. In accordance with the vision and plan, we have responded to decreasing contracts for the maintenance business by taking various measures such as securing a larger share from existing customers and increasing new contracts, to avoid a large decrease in new contracts and other significant impacts on the operating results.
(ii)	Decrease in new contracts (engineering business)	In addition to the maintenance business, the Company group focuses on the engineering business (new construction and renovation) related to plants of petroleum, petrochemicals, general chemicals, etc. In existing areas of major customers in the engineering business, there is a concern about a decrease in new contracts associated with a reduction in capital investments due to such factors as the product demand trends.	In the engineering business, we aim to increase orders for investment projects toward a decarbonized society including projects related to carbon neutrality as a new business area, in addition to remodeling and renovation of large machines and entry into plant construction from FS and FEED services. In this way, we have gathered information on medium-term investment plans and responded to a decrease in new contracts for the engineering business.
(iii)	Rising prices of equipment and materials	Business results may be negatively affected by rising prices of equipment and materials used for maintenance and construction of plants, if the rise cannot be passed on to contract price. Particularly, in the case of a project with a longer work period, revenue may be lower than initially planned, if a rise in prices occurs during the time lag period between the time at which the Company makes an estimate and receives the order and the time at which the Company places an order with a subcontractor or other companies.	With regard to rising prices of equipment and materials, we have strived to reduce the risk by collecting and sharing information about each price trend, placing early orders of equipment and materials, ensuring diverse suppliers, incorporating conditions in contracts in the event of soaring prices, passing the rise on to the construction price, and taking other measures.
(iv)	Shortage in construction personnel	In the case of a shortage in construction personnel such as supervisors and workers, delays in regular repair work or construction work may occur.	In the Second Mid-Term Business Plan, the Company group listed strengthening the work structure of subcontractors and providing support and instructions to them as measures to strengthen a system for executing the maintenance business. We have strived to identify the necessary number of construction personnel on the basis of the trend of the construction labor force in the plant market and a future construction demand forecast over the medium term. In addition, we are making efforts to reduce the risk of a shortage of construction personnel by sharing the information and strengthening cooperation with our subcontractors.
(v)	Higher wages	In the case of higher wages of construction personnel, work profitability may worsen due to an increase in work costs, which may affect the Company group's operating results, etc.	As for the rise in wages of construction personnel, we are striving to reduce the risk of rapidly rising wages by passing the rise on to the construction price and placing work orders with subcontractors and other companies in accordance with work demand in a stable and planned manner.

(2) Dependency on specific business partners, products, and technologies

	Category	Description	Description of control activities
(i)	Dependency on specific industries and business partners	The Company group's business has major customers in the petroleum and petrochemical industries, which account for a large portion of new contracts and net sales of completed construction contracts. Accordingly, domestic energy policies and petroleum demand, streamlining of equipment, business reorganization, and other industry trends may affect the Company group's business results and financial position.	In the petroleum and petrochemical industries, demand for petroleum products is expected to decrease in the future and a reorganization of the industries and equipment progresses. Meanwhile, new capital investment is expected, including new construction of renewable energy facilities on land that has become idle due to the discontinuation of such equipment and plans for infrastructure facilities related to green hydrogen. We are striving to retain and expand business results by meeting maintenance demand for countermeasure work for aging existing plants and safe and stable plant operations, and aiming to increase orders in new areas such as projects related to carbon neutrality which are stated in the Long-Term Vision RAIZNEXT Group V-2032 and the Second Mid-Term Business Plan.

(3) Special legal regulations, trade practices, and management policies

	Category	Description	Description of control activities
(i)	Compliance	The Company group is subject to various laws and regulations including the Construction Business Act. If the Company's compliance system, including complying with those laws and regulations as well as the Company's internal regulations, does not fully work, the Company group may be subject to an administrative penalty or lawsuit, which may affect the Company group's trust, business results, and financial position.	The Company group has declared in Paragraph 1 "Compliance with Laws, Regulations, and Internal Regulations" of the Code of Conduct that it shall conduct fair and transparent business activities and has made it thoroughly known to employees within the Company group. In addition, we have established and operated the compliance system of the Company group, as stated in the following paragraphs: 1. The Company group convenes the Compliance Committee meeting semi-annually to develop an annual action plan for improving the compliance system and check the action status. 2. The Company group annually implements a "check of the status of legal compliance" which is the self-checking activity involving all employees to confirm laws and regulations to be complied with and identify and correct possible non-compliance actions at an early stage. 3. The Company group improves and appropriately operates the "compliance hotline system" with the Legal Department within the Company and a law firm outside the Company serving as contact points. 4. The Company group provides compliance education and training on the Construction Business Act and other important laws and regulations related to security trade control. 5. The Company group implements internal audit by the Internal Audit Division which is independent from business execution divisions.
(ii)	Internal control	If the internal control system does not fully work, it may be difficult to ensure the appropriateness of business operations and accordingly, the Company group's business results, financial position, and the reliability of financial reporting may be affected.	The Company group is improving and operating the internal control system including rules and systems to prevent misconduct leading to a loss of social trust and achieve the company goals. Specifically, in accordance with the "Basic Policy on Improvement and Operation of Internal Control System" resolved by the Company's Board of Directors meeting, we build and operate a structure for ensuring the appropriateness of business operations. We have established the Internal Control Committee as a system. It annually and regularly confirms the status of improvement and operation of the internal control system and plans thereof and the results are reported at the Board of Directors meeting after deliberation at the Management Officer Committee meeting. Additionally, we respond to internal control under the Financial Instruments and Exchange Act for ensuring the reliability of financial reporting.

(4) Occurrence of significant legal cases

	Category	Description	Description of control activities
(i)	Significant lawsuit	If a lawsuit or other legal action is filed against the Company group in relation to its business activities, the Company group's trust, business results, and financial position may be affected, depending on the nature of the lawsuit or action.	We are striving to avoid and reduce lawsuit risk through improvement and appropriate operations of the compliance system such as advance assessment of contracts related to each business activity and thorough legal checks to be conducted before internal approvals and resolutions of the Board of Directors. In addition, to prepare for possible disputes with business partners, we have established a system for prior consultation with the internal Legal Department. Furthermore, we have established a system for appropriately responding to a lawsuit, etc. in cooperation with an outside law firm in case a lawsuit or other action is filed.

(5) Other matters that may significantly affect investors' decisions

	Category	Description	Description of control activities
(i)	Quality management	We take every possible measure for controlling the quality of design and construction. However, if compensation for damages occurs on the basis of liability for nonfulfillment of a contract and product liability, the trust in the Company group and business results may be affected.	In the Long-Term Vision RAIZNEXT Group V-2032 and the Second Mid-Term Business Plan, the Company group listed ensuring quality. We are striving to ensure the quality of design, construction, etc. and prevent the occurrence of quality nonconformance by complying with various laws and regulations related to our business, the quality management system based on ISO9001, and various technical standards, etc. as well as by developing a system that contributes to quality improvement such as strengthening management through better internal education and proper personnel arrangement, revising and developing the execution-related rules and procedures, and strengthening information sharing. In addition, to prepare for the occurrence of quality problems due to the Company's non-fulfillment of contracts, we have purchased various types of insurance covering such problems to reduce expenses to be incurred.
(ii)	Information security	The Company group manages information about customers and business partners as well as personal information which are necessary for business execution and possesses confidential and other business information related to technologies, sales, construction, management, and other matters. If important information is leaked externally through infection by computer viruses, improper external access, targeted attack emails, cyberattacks, and other unexpected incidents, the Company group's business results and financial position may be affected.	The Company group has established regulations on confidentiality of information about customers and business partners, personal information, technological information, and other information and has taken measures such as inserting a confidentiality clause into master transaction agreements. We are striving to avoid and minimize the risk of computer virus infection and cyberattacks by taking security measures for preventing leakage and misuse of information and raising awareness of employees through regular education and the implementation of training on targeted attack emails, etc.

	Category	Description	Description of control activities
(iii)	Natural disasters	A natural disaster such as an earthquake and typhoon may impede normal business operations.	The Company group has made preparations in accordance with the Crisis Management Regulations, in case the risk of a natural disaster such as a huge earthquake or typhoon becomes obvious. In the event of a disaster, we will cope with the early restoration of plants in closer cooperation with customers, while giving the utmost care to human life and safety by, for example, immediately confirming the safety of employees. In addition, we are making efforts to ensure a sufficient supply system in the event of an unexpected incident occurring, by monitoring locations, inventory items, and amounts of inventory of the major suppliers as needed after the Great East Japan Earthquake. In ordinary times, we have developed a safety confirmation system, stored emergency supplies, brought information assets to the cloud, entered into a disaster support agreement with customers, and conducted internal education and training to prepare for the occurrence of a disaster. Furthermore, in case the head office is damaged by an earthquake directly under the Tokyo metropolitan area, we have developed a business continuity plan which includes establishing the provisional headquarters at a branch office outside the metropolitan area. We have been practicing and reviewing the said plan.
(iv)	Plant accidents	If an operation suspension, explosion, fire, or another serious accident occurs due to any cause in any plant of which the Company group has engaged in maintenance or construction, and if the cause is attributable to the Company group, business results may be affected by the liability for damages, burden of restoration of plants, and other factors.	The Company group prepares for emergencies in accordance with the Crisis Management Regulations. In addition, we strive to prevent construction accidents and quality nonconformance by ensuring compliance with various laws and regulations related to our business, the quality management system based on ISO9001, the Onsite Construction Safety and Health Management Standards, the Work Safety Standards, and various technical standards. Furthermore, to prepare for the occurrence of accidents and non-fulfillment of a contract, we have purchased various types of insurance to reduce expenses to be incurred.
(v)	Industrial accidents	The Company group conducts thorough work safety management in the maintenance and construction of plants. However, if an industrial accident or injury occurs, the resulting loss of trust in the Company group may affect its business results.	In the Long-Term Vision RAIZNEXT Group V-2032 and the Second Mid-Term Business Plan, the Company group listed ensuring safety. In the maintenance and construction work of plants, we conduct thorough construction safety management by, for example, complying with various laws, regulations, rules, and manuals related to safety and health as well as confirming the implementation status of safety and health measures and providing guidance through various sites patrols. In addition, we have purchased various types of insurance to prepare for the occurrence of industrial accidents or injuries to reduce expenses to be incurred. Furthermore, if an industrial accident that may significantly affect business activities occurs, we will respond to the accident in accordance with the Crisis Management Regulations.
(vi)	Securing human resources	The Company group strive to secure human resources needed for retention and growth of its business. If it becomes difficult to secure personnel as planned due to a lower birthrate and aging population in Japan, a change in a supply-demand balance in the labor market due to economic trend, and further mobilization of human resources, the Company group’s business results may be affected.	In the Long-Term Vision RAIZNEXT Group V-2032 and the Second Mid-Term Business Plan, the Company group listed ensuring and developing human resources. In order for us to continue business in a stable manner, it is essential to secure human resources from a long-term perspective. For securing human resources, we will actively hire mid-career personnel in addition to new graduates. Furthermore, we will actively hire and develop women and promote the diversification of human resources. In addition, we aim to retain human resources by developing a structure including fair evaluation based on various HR systems and improvement in treatment and taking measures to foster a sense of belonging among employees. With regard to the development of human resources, we are promoting early development by implementing the education plan of young employees in the technical field.

	Category	Description	Description of control activities
(vii)	Response to the amendment of the Labor Standards Act	In accordance with the amendment to the act, regulations on maximum working hours will be enforced in the construction industry in April 2024. If these regulations are not complied with, the resulting loss of trust in the Company group may affect business results.	The Company group has shown measures against overtime work in the Long-Term Vision RAIZNEXT Group V-2032 and the Second Mid-Term Business Plan, striving thoroughly to take various measures for reducing overtime work, promoting health management, and encouraging and increasing acquisition of paid leave. Specifically, we established the “Overtime Work Management Guideline” in FY2020 to manage overtime work hours thoroughly. We are also conducting the increase and appropriate assignment of personnel in a systematic manner. In addition, we are taking measures at work sites including adjustment of personnel who engage in large projects and increase of manager-class personnel with a larger responsibility by early development. Moreover, as measures against long working hours due to a labor shortage and concentrated construction, we are making efforts with our customers such as adjustment of the construction process and securing holidays to further reduce working hours.
(viii)	Response to new technologies	Delays in the utilization of new technologies and digital technologies leading to hinder the improvement in productivity and lose the competitive advantages may affect business results of the Company group.	The Company group aims to improve efficiency of work through the aggressive introduction of process management systems with the utilization of digital tools, etc., in addition to the automation of various works. In addition, we newly established the Digital Strategy Department in FY2023 and we are further promoting our utilization of digital technologies.

4. Management Analysis of Financial Position, Operating Results and Cash Flows

(1) Overview of operating results, etc.

Overview of the Company group's financial position, operating results, and cash flows for the fiscal year ended March 31, 2024 is as follows:

(i) Financial position and operating results

The economy of Japan for the fiscal year ended March 31, 2024 showed moderate recovery with the improvements in the employment and income environment, and partially due to the effects of various political measures, despite some signs of hesitation in the rebound. On the other hand, concerns persist about the potential downturn in overseas economies exerting downward pressure on the domestic economy, amidst global monetary tightening and uncertainties regarding the future of the Chinese economy. Additionally, risks related to rising prices, geopolitical tensions in the Middle East, and volatility in financial and capital markets remain significant concerns.

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. On the other hand, the government has announced "The Basic Policy for the Realization of GX," and industries have begun to formulate new capital investment plans toward the realization of a carbon-neutral society. In the construction industry, with a shortage of construction workers becoming apparent, the introduction of regulations on long working hours is scheduled from the FY2024, and addressing the issue of reforming the working conditions at construction sites is a pressing issue.

For the Company group, new contracts in the fiscal year ended March 31, 2024 increased over the previous fiscal year. In the maintenance field, new contracts 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 acquisition of large-scale construction works. Net sales of completed construction contracts 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 of completed construction contracts 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 as a result of repercussions from the recording of multiple highly-profitable works in the previous fiscal year.

(Financial position)

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

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

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

(Operating results)

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), 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 work, etc.

(ii) Cash flows

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

(Cash flows from operating activities)

Cash flows from operating activities were an inflow of 3,565 million yen, a decrease of 6,504 million yen from the previous fiscal year. The main cash outflows include a decrease in accrued consumption taxes of 3,650 million yen and income taxes paid of 3,512 million yen, and the main cash inflows include profit before income taxes of 10,477 million yen.

(Cash flows from investing activities)

Cash flows from investing activities were an outflow of 1,738 million yen, resulting in a decrease of 142 million yen from the previous fiscal year. The main cash outflows include purchase of property, plant and equipment and intangible assets of 2,548 million yen, and the main inflows include 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 were an outflow of 7,181 million yen, resulting in an increase of 3,899 million yen from the previous fiscal year. This is mainly attributable to purchase of treasury shares of 1,791 million yen and dividends paid of 5,343 million yen.

(iii) Manufacturing, orders received and sales

1) Orders received

By business segments

Category	Previous FY (million yen)	Current FY (million yen)
Engineering work		
Petroleum and petrochemicals	98,091	106,679
General industrial business	40,757	45,102
Total	138,849	151,781

2) Sales

By business segments

Category	Previous FY (million yen)	Current FY (million yen)
Engineering work		
Petroleum and petrochemicals	92,949	104,418
General industrial business	47,002	35,845
Total	139,952	140,264
Other business	109	101
Total	140,061	140,366

By construction type

Category	Previous FY (million yen)	Current FY (million yen)
Engineering work		
Maintenance	89,884	100,288
Engineering	50,067	39,975
Total	139,952	140,264
Other business	109	101
Total	140,061	140,366

(Notes) 1. The Company group does not conduct build-to-order manufacturing except for engineering work.

2. Description of "manufacturing" was omitted as it is difficult for the Company group to define its manufacturing status.

3. Net sales of completed construction contracts by major counterparties and the percentage in the total net sales of completed construction contracts are as follows:

Counterparty	Previous FY		Current FY	
	Net sales of completed construction contracts (million yen)	Percentage (%)	Net sales of completed construction contracts (million yen)	Percentage (%)
ENEOS Corporation	49,686	35.5	57,037	40.6

(2) Analysis and consideration of operating results, etc. from the perspective of management

The recognition, analysis and consideration of operating results, etc. of the Company group from the perspective of management are as stated below. Forward-looking statements therein are based on the Company group's views as of the end of the fiscal year ended March 31, 2024.

(i) Significant accounting policies and estimates

The Company group's consolidated financial statements are prepared in accordance with accounting standards generally accepted in Japan. In preparing these consolidated financial statements, it is required to make judgments and estimates that affect the reported amounts of assets and liabilities as of the end of the period and revenue and expenses during the period. These judgments and estimates are based on various factors considered to be reasonable in light of past results and conditions. Actual results may differ from these estimates due to uncertainty peculiar to estimates relating to the Company group's adoption of the accounting policies as stated below.

1) Allowance for doubtful accounts

To prepare for potential losses arising from uncollectable receivables, the Company group records an allowance for doubtful accounts on the basis of a historical rate of credit losses for general receivables and a conservatively estimated uncollectable amount for doubtful and other specific receivables.

If any change occurs in the underlying conditions and assumptions for estimates of the collectability of doubtful and other specific receivables (for example, a business partner's financial position and results worsened more than expected), additional recording of allowance for doubtful accounts may be required in the consolidated financial statements for the following and subsequent fiscal years.

2) Provision for loss on construction contracts

To prepare for potential losses on construction contracts, the Company group records provision for loss on construction contracts at an estimated amount of potential losses on undelivered construction work as of the end of the current fiscal year on which losses are likely to occur and the amount of the losses can be reasonably estimated.

If any change occurs in the underlying conditions and assumptions for estimated losses on construction contracts (for example, the actual progress of construction deviated from the plan), additional recording of loss on construction contracts may be required in the consolidated financial statements for the following and subsequent fiscal years.

3) Provision for warranties for completed construction

To prepare for warranty expenses for completed construction, the Company group records provision for warranties for completed construction in consideration of an estimated amount of compensation in which warranty expenses planned as of the end of the period are reasonably estimated on the basis of a certain calculation standard based on the past experience rate.

If any change occurs in the underlying conditions and assumptions for estimates of warranty expenses, additional recording of warranty losses may be required in the consolidated financial statements for the following and subsequent fiscal years.

4) Retirement benefit liability

To prepare for retirement benefits for employees, the Company group records retirement benefit liability which is calculated with actuarial calculation based on various assumptions in which estimates have been reflected.

These various assumptions include a discount rate, an expected long-term rate of return, and an expected rate of salary increase. If actual results differ from premises for estimates or premises are changed, retirement benefit liability and expenses may be affected in the consolidated financial statements for the following and subsequent fiscal years.

5) Deferred tax assets

The Company group estimates future taxable income to be incurred after the end of the period and records deferred tax assets at a recoverable amount which is deemed to mitigate a tax burden related to the taxable income.

If any change occurs in the underlying conditions and assumptions for estimates of future taxable income, profits and losses may be affected due to recording adjustment of deferred tax assets in the consolidated financial statements for the following and subsequent fiscal years.

6) Recording criteria for revenue and expenses

With regard to construction work for which progress in satisfying the performance obligation is reasonably estimated, the Company group recognizes revenue on the basis of the progress related to the fulfillment of the performance obligation, assuming that the performance obligation is satisfied over a certain period. The progress is measured by comparing the accumulated amount of costs incurred by the end of the current fiscal year with the estimated total costs until the construction is completed. With regard to construction work for which the progress in satisfying the performance obligation cannot be reasonably estimated, revenue is recognized by the cost recovery method. With regard to maintenance work in which the work period is short, revenue is recognized at the time when the performance obligation is fully satisfied.

If any change occurs in the underlying conditions and assumptions for estimates of total construction revenue and total construction costs (for example, the actual progress of construction deviated from the plan), construction profits or losses may be affected in the consolidated financial statements for the following and subsequent fiscal years.

7) Impairment loss of non-current assets

With regard to non-current assets or asset groups with an indicator of impairment, the Company group reduces the book value to a recoverable amount and records the reduction amount as an impairment loss, if the total amount of future cash flow before discounts obtained from these assets or asset groups is below the book value.

If any change occurs in the underlying conditions and assumptions of estimated future cash flow before discounts which is a premise for identifying an indicator of impairment and recognizing and measuring impairment losses, additional recording of impairment losses may be required in the consolidated financial statements for the following and subsequent fiscal years.

(ii) Recognition, analysis and consideration of operating results, etc. for the current fiscal year

1) Operating results, etc.

For the Company group's operating results for the fiscal year ended March 31, 2024, 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).

a. New contracts and net sales of completed construction contracts

New contracts increased 12,932 million yen YoY, mainly because regular repairs increased over the previous fiscal year in the maintenance field. Net sales of completed construction contracts increased 304 million yen YoY, mainly because of the increase in regular repairs in the maintenance field, although modification works and new construction works decreased in the engineering field.

b. Operating profit

Operating profit decreased 949 million yen YoY to 9,968 million yen, because gross profit decreased over the previous fiscal year as a result of repercussions from the previous fiscal year with multiple profitable works.

c. Ordinary profit

Ordinary profit decreased 982 million yen YoY to 10,261 million yen, with total non-operating income exceeding total non-operating expenses by 292 million yen.

d. Profit attributable to owners of parent

Profit attributable to owners of parent decreased 491 million yen YoY to 7,249 million yen.

2) Factors that significantly affect operating results

Factors that significantly affect operating results are as stated in "3. Business Risks." As for the business environment surrounding the Company group, the declining trend of product demand will continue under the decline in domestic demand in the petroleum industry. However, the demand for infrastructure development works toward the effective utilization of closed petroleum refining plants and idle land will be newly generated, and capturing such demand is an issue for us.

3) Analysis of capital resources and funding liquidity

The balance of the Company group's cash and cash equivalents as of the end of the current fiscal year decreased 5,312 million yen (29.9%) from the end of the previous fiscal year to 12,446 million yen. The overview is stated in "(1) Overview of operating results, etc., (ii) Cash flows."

The Company group cash flow measures for the current fiscal year include entering into new areas and new businesses. We have strived to secure revenue such that a healthy cash flow can be maintained.

In addition, we are taking various measures for mitigating funding risk such as maintaining business relationships with financial institutes and diversifying suppliers.

4) Current status and outlook on business strategies

As stated in "1. Management Policy, Business Environment, Issues to be Addressed," in light of the future business environment, the Company group formulated "RAIZNEXT Group V-2032" in March 2021 as its long-term vision setting out what the Company group wants to be by FY2032. Furthermore, the Company group also formulated the Second Mid-Term Business Plan, "RAIZNEXT SYNERGY POWER" targeting FY2021 to FY2024. While this Second Mid-Term Business Plan is our period of "generation of synergistic effects" that follows the First Mid-Term Business Plan, it is positioned as the first step toward achieving our long-term vision.

5. Material Contracts, etc.

Not applicable.

6. Research and Development Activities

The Company group conducts research and development activities, aiming to strengthen technical capabilities related to solution services provided to customers by the Company.

In the current fiscal year, as the third year of the Second Mid-Term Business Plan, we conducted activities with “strengthening maintenance business” as a keyword. Specifically, we have utilized and adopted various advanced technologies, aiming to promote digital transformation (DX) in light of deskilling, simplification and mechanization of work, as well as utilization of IT in site operations.

The total amount of research and development expenses for the current fiscal year was 77 million yen and the major activities include the following:

(1) Mechanization of maintenance work

In addition to enhancing added value of existing technologies, we made efforts to mechanize work for the purposes of deskilling and simplifying work as well as increasing safety.

(i) Technologies related to re-tubing work of heat exchanger tube bundles

We conducted re-tubing work of heat exchanger tube bundles of which a shortage of engineers is a concern. In the current fiscal year, we conducted the evaluation of GRIPPUL of MAUS, equipment for tube removal, with the utilization of our training facilities, as well as introduced a welding machine that automatically performs seal welding, which is one of the incidental operations of re-tubing work and conducted a similar evaluation. In addition, we will install an automatic pipe expander using a robot arms at our Chiba Plant, and conduct an evaluation in the following fiscal year. In the following fiscal year, while continuing these activities, we plan to make site operations efficient with the utilization of existing products. We will promote the activities with the aim of securing stable quality through the packaging of equipment fitted for re-tubing work including the development of our original products.

(ii) Validation of automation of internal cleansing of heat exchangers

In the current fiscal year, regarding the cleansing work with high-pressure water of which aging of workers is obvious, we validated the automation of internal cleansing of heat exchanges. As the first case introduced in Asian region, an automatic cleansing machine introduced at the end of the previous fiscal year enables the semi-automatic cleansing work with the input of tube alignment size in advance. In the current fiscal year, we applied them to actual sites, extracted points for improvement, and conducted the evaluation for their superiority. In the following fiscal year, we will focus on introducing and disseminating the abovementioned automatic cleansing machine, utilizing 3D scanning technologies, and validating more advanced automation technologies, and aim to disseminate safe and high-quality cleansing work with machinery.

(iii) Pipe cutting technologies

For water jet cutting machines that have already been utilized, we are currently improving and validating the machines, having designed specialized equipment to enable flexible use of a tool that had been used only for external pipe diameters. As the equipment is already in stable operation and application results are increasing, we will transfer the technologies to Kounan Tusho Co., Ltd., aiming to disseminate cutting works with the cold cutting technologies.

(iv) Expanding an application range of automatic welding toward tank works

In the current fiscal year, we have studied welding conditions and conducted an experiment to expand a range of applications of automatic welding of tank side plates to vertical joints. We plan to continue our studies and experiments, for the purposes of establishing welding conditions depending on plate thickness and ensuring stable welding quality. We are also applying the technology to low-temperature tanks with surging demand.

(2) Utilization of IT in site operations

We have developed IT tools and their utilization methods, aiming to improve the efficiency of on-site management operations through efforts such as centralization of information required at actual sites and labor saving in collecting information, and enhance operational quality.

(i) Plot information sharing system

The plot information sharing system (SKY-Ai) developed in-house by the Company to share information on roads closed to traffic, etc. is used by business partners at many regular repair work sites. As seven years have passed since development and commencement of operation of the system, in the current fiscal year, we drastically reviewed the system for making it more user-friendly than ever before by utilizing cutting-edge IT technologies, and newly released the system as SKY-AiR. In FY2024, the following fiscal year, we will proceed with test operations to gradually introduce and expand the application of the system to the actual sites, and continuously make improvements and add functions based on the issues obtained through the test operations. We will also aim to make the internal operations efficient, making the system linked with the work information sharing system (SPIRIT), which was also developed in-house by the Company, and other internal systems.

(ii) System development toward the visualization of projects

Currently, project information on works is mostly managed individually in Excel, etc., and there is no way to confirm the information overall. Also, the data volume of the number of supervisors, the number of resources in a mobilization plan of subcontractors, and the number of actual resources associated with each project is huge, and the confirmation and comparison of these information takes tremendous time and efforts. Therefore, we have started the validation of the effects of the introduction by utilizing the existing systems with a dashboard function, in order to develop the system so that the centralized visualization of project information enables to easily capture the situation of whole projects within the company; and the panoramic analysis of data enables to capture the situation of works, forecast troubles and investigate causes, and quickly develop countermeasures.

(iii) Basic research toward the utilization of image recognition technology

In recent years, there has been an increase in the number of safety quality-related problems that should be prioritized at work sites. As one of the measures to address these problems, we have promoted the introduction of cameras, such as cloud-type mobile cameras “safie,” with the aim of “increasing the number of eyes” in site management. However, it is difficult to prevent problems in real time, as cameras alone are mainly used for monitoring and recording. Therefore, we have started the research and validation of existing products with the aim of improving safety quality using image recognition technology.

(iv) Introduction of ICT in the field of welding construction management

In order to prevent serious welding construction quality problems, we have introduced ICT in the welding inspection operations, which involve many management items and document creation operations. In order to perform quality assurance and ensure quality, we have identified actual operations and issues, and drown an ideal image from the results, and started the creation of a road map to realize such image, research of existing technology, and the validation work toward system development. In the following fiscal year, we will study the full-scale development of the system and building of a database to improve the efficiency of welding inspection operations.

In the petroleum and petrochemical industries that are major customers of the Company group, importance of plant maintenance has been further increasing due to aging of existing plant facilities, as smart security utilizing advanced technologies has been expanding, in addition to increasing needs for safe and stable operations and measures for preventing accidents and problems caused by aging degradation. In this business environment, requirements of labor safety and quality management have been increasingly stringent for maintenance contractors like the Company and in addition, improving productivity by advanced technology is more strongly demanded. Furthermore, within the Company, a reduction in overtime work has become an important issue, and labor reforms are urgently needed, including higher operational efficiency.

The Company group will continue to conduct research and development activities for responding to these changes in customer needs and the business environment. In selecting research and development subjects, as has been done, we will efficiently utilize results of technology and market investigations in Japan as well as other countries including Europe and the U.S. In addition, toward DX promotion listed in the Second Mid-Term Business Plan, we will actively promote subjects involving digital and advanced technology through enhanced collaboration among departments.

III. Information about Facilities

1. Overview of Capital Expenditures

(Engineering work)

In the fiscal year ended March 31, 2024, investments were made in renewal of various machines and tools for construction, and land and buildings of branch offices, amounting to 3,560 million yen in total.

In the fiscal year ended March 31, 2024, there was no significant transfer of principal facilities.

(Other business)

In the fiscal year ended March 31, 2024, there was no significant transfer of principal facilities.

2. Major Facilities

(1) Reporting company

Name of branch office (location)	Name of segment	Book value (million yen)					Number of employees (persons)
		Buildings Structures	Machinery and vehicles Tools, furniture and fixtures	Land		Total	
				Area (m^2)	Amount		
Isogo Head Office (Isogo-ku, Yokohama-shi)	Engineering work	1,296	502	33,846	3,892	5,690	257
Kawasaki Branch Office (Kawasaki-ku, Kawasaki-shi)	Engineering work	81	36	3,147	1,408	1,525	244
Chiba Plant (Chigusa, Ichihara-shi)	Engineering work	626	175	30,889	864	1,665	13
Mizushima Branch Office (Matsue, Kurashiki-shi)	Engineering work	272	45	9,330	485	802	76
Sendai Branch Office (Meigetsu, Tagajo-shi)	Engineering work	741	26	2,413	201	968	25
Nagoya Branch Office (Otamachi, Tokai-shi)	Engineering work	298	36	733	177	511	20
Niigata Branch Office (Konan-ku, Niigata-shi)	Engineering work	651	7	2,746	137	795	15
Iwakuni Branch Office (Shozokumachi, Iwakuni-shi)	Engineering work	107	19	4,684	178	304	45

(Notes) 1. As the reporting company engages in engineering work only, the above statements were prepared collectively by major branch office.

2. Major leasing facilities under lease agreements

Name of branch office	Name of segment	Facilities	Quantity	Lease period	Annual lease fee
Head office	Engineering work	OA equipment	Suite	Four years	72 million yen

(2) Domestic subsidiaries

No material facts to report.

(3) Overseas subsidiaries

No material facts to report.

3. Planned Addition, Retirement, and Other Changes of Facilities

(1) Addition of important facilities

No material facts to report.

(2) Retirement of important facilities

No material facts to report.

IV. Information about Reporting Company

1. Information on the Company's Shares

(1) Total number of shares, etc.

(i) Total number of shares

Type	Total number of authorized shares (shares)
Common shares	160,000,000
Total	160,000,000

(ii) Issued shares

Type	Number of issued shares as of the end of the fiscal year (shares) (March 31, 2024)	Number of issued shares as of the filing date (shares) (June 25, 2024)	Name of stock exchange on which the Company is listed or names of authorized financial instruments firms associations where the Company is registered	Description
Common shares	54,168,053	54,168,053	Tokyo Stock Exchange Prime Market	The number of shares constituting one unit is 100 shares.
Total	54,168,053	54,168,053	–	–

(2) Share acquisition rights, etc.

(i) Stock option plans

Not applicable.

(ii) Rights plan

Not applicable.

(iii) Other matters regarding share acquisition rights, etc.

Not applicable.

(3) Exercises, etc., of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in number of issued shares, share capital, etc.

Date	Changes in number of issued shares (shares)	Balance of number of issued shares (shares)	Changes in share capital (million yen)	Balance of share capital (million yen)	Changes in legal capital surplus (million yen)	Balance of legal capital surplus (million yen)
April 1, 2019 March 31, 2020	7,857,161	54,168,053	–	2,754	10,088	11,460

(Note) This increase is attributed to the merger with JX Engineering Corporation on July 1, 2019.

(5) Shareholding by shareholder category

As of March 31, 2024

Category	Status of shares (one unit = 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders, etc.		Individuals and other	Total	
					Foreign shareholders other than individuals	Individuals			
Number of shareholders (persons)	–	14	20	166	124	5	5,147	5,476	–
Number of shares held (units)	–	49,427	2,540	315,837	90,170	15	83,308	541,297	38,353
Ratio (%)	–	9.13	0.47	58.35	16.66	0.00	15.39	100.00	–

(Notes) 1. For the treasury shares of 885,013 shares, 8,850 units are included in “Individuals and other” and 13 shares in “Shares less than one unit.”

2. In the table above, the shares in “Other corporations” include 20 units held under the name of the Japan Securities Depository Center.

(6) Major shareholders

As of March 31, 2024

Name / Company name	Location	Number of shares held (in thousands)	Ratio (%) of the number of shares held to the total number of outstanding shares (excluding treasury shares)
ENEOS Holdings, Inc.	1-1-2 Otemachi, Chiyoda-ku, Tokyo	11,658	21.88
UH Partners 2, Inc.	2-9-9 Minamiikebukuro, Toshima-ku, Tokyo	4,904	9.20
HIKARI TSUSHIN, Inc.	1-4-10 Nishiikebukuro, Toshima-ku, Tokyo	4,054	7.61
NIPPO CORPORATION	1-19-11 Kyobashi, Chuo-ku, Tokyo	3,882	7.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	3,604	6.77
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO) (Standing proxy: MUFG Bank, Ltd.)	245 SUMMER STREET BOSTON, MA 02210 U.S.A. (2-7-1 Marunouchi, Chiyoda-ku, Tokyo, Transaction Services Division)	3,094	5.81
UH Partners 3, Inc.	2-9-9 Minamiikebukuro, Toshima-ku, Tokyo	1,876	3.52
SIL, Inc.	2-9-9 Minamiikebukuro, Toshima-ku, Tokyo	1,354	2.54
RAIZNEXT Supplier Shareholding Association	1-1-8 Sakuragicho, Naka-ku, Yokohama-shi, Kanagawa	1,200	2.25
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	1,081	2.03
Total	–	36,712	68.90

(Notes) 1. Of the above numbers of shares held, the numbers of shares related to trust business are as follows:

The Master Trust Bank of Japan, Ltd. (Trust Account)	3,595 thousand shares
Custody Bank of Japan, Ltd. (Trust Account)	1,079 thousand shares

2. In the Large Shareholding Report (amendment report) made available for public inspection as of December 22, 2023, the Company was notified of the following shareholdings by FMR LLC as of December 15, 2023. However, since we have not been able to confirm the actual number of shares held as of the end of the fiscal year, we have not included the company in the aforementioned list of major shareholders.

Name / Company name	Location	Number of shares held (in thousands)	Ratio (%) of the number of shares held to the total number of outstanding shares (excluding treasury shares)
FMR LLC	245 Summer St., Boston, Massachusetts 02210 U.S.A.	5,140	9.49

(7) Voting rights

(i) Issued shares

As of March 31, 2024

Classification	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (others)	–	–	–
Shares with full voting rights (treasury shares, etc.)	(Shares in treasury) Common shares 885,000	–	–
Shares with full voting rights (others)	Common shares 53,244,700	532,447	–
Shares less than one unit	Common shares 38,353	–	Shares less than one unit (100 shares)
Total number of issued shares	54,168,053	–	–
Total number of voting rights	–	532,447	–

(Note) Common shares in "Shares with full voting rights (others)" include 2,000 shares (20 voting rights) under the name of Japan Securities Depository Center.

(ii) Treasury shares, etc.

As of March 31, 2024

Name of shareholders	Address of shareholders	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
(Shares in treasury) RAIZNEXT Corporation	1-1-8 Sakuragicho, Naka-ku, Yokohama-shi, Kanagawa	885,000	–	885,000	1.63
Total	–	885,000	–	885,000	1.63

2. Information on Acquisitions, etc. of Treasury Shares

[Type of shares, etc.] Acquisition of common shares under Article 155, Item 3 and Article 155, Item 7 of the Companies Act

(1) Acquisitions by a resolution of the General Meeting of Shareholders

Not applicable.

(2) Acquisitions by a resolution of the Board of Directors

Category	Number of shares (shares)	Total amount (million yen)
Resolution by the Board of Directors (March 3, 2023) (Acquisition period: from March 6, 2023 to June 26, 2023)	80,000	100
Treasury shares acquired before the current fiscal year	67,700	99
Treasury shares acquired during the current fiscal year	–	–
Total number and value of remaining shares subject to the resolution	12,300	0
Percentage of unexercised portion as of the fiscal year-end (%)	15.4	0.04
Treasury shares acquired during the current period	–	–
Ratio of unexercised portion as of the date of filing (%)	15.4	0.04

Category	Number of shares (shares)	Total amount (million yen)
Resolution by the Board of Directors (December 1, 2023) (Acquisition period: December 4, 2023)	250,000	344
Treasury shares acquired before the current fiscal year	–	–
Treasury shares acquired during the current fiscal year	144,800	199
Total number and value of remaining shares subject to the resolution	105,200	144
Percentage of unexercised portion as of the fiscal year-end (%)	42.1	42.08
Treasury shares acquired during the current period	–	–
Ratio of unexercised portion as of the date of filing (%)	42.1	42.08

Category	Number of shares (shares)	Total amount (million yen)
Resolution by the Board of Directors (February 9, 2024) (Acquisition period: from February 10, 2024 to June 30, 2024)	1,000,000	2,000
Treasury shares acquired before the current fiscal year	–	–
Treasury shares acquired during the current fiscal year	711,300	1,591
Total number and value of remaining shares subject to the resolution	288,700	408
Percentage of unexercised portion as of the fiscal year-end (%)	28.87	20.41
Treasury shares acquired during the current period	–	–
Ratio of unexercised portion as of the date of filing (%)	28.87	20.41

(3) Acquisitions not based on a resolution of the General Meeting of Shareholders or the Board of Directors

Category	Number of shares (shares)	Total amount (million yen)
Treasury shares acquired during the current fiscal year	408	0
Treasury shares acquired during the current period	10	0

(Note) The number of treasury shares acquired during the current period does not include the number of shares less than one unit purchased during the period from June 1, 2024 until the filing date of the securities report.

(4) Disposals or holding of acquired treasury shares

Category	Current fiscal year		Current period	
	Number of shares (shares)	Total disposition amount (million yen)	Number of shares (shares)	Total disposition amount (million yen)
Acquired treasury shares offered to subscribers for subscription	–	–	–	–
Acquired treasury shares canceled	–	–	–	–
Acquired treasury shares transferred due to merger, equity swap, issuance of shares, or corporate split	–	–	–	–
Other (disposal of treasury shares through restricted stock compensation)	40,422	–	–	–
Number of treasury shares held	885,013	–	885,023	–

(Note) The number of treasury shares held during the current period does not include the number of shares less than one unit purchased during the period from June 1, 2024 until the filing date of the securities report.

3. Dividend Policy

Our basic policy is to distribute surplus twice a year as interim and year-end dividends. The decision-making body for dividends is the Board of Directors for interim dividends or the General Meeting of Shareholders for year-end dividends.

For retained earnings, we will use them effectively to further enhance the business base and expand business in the future to adapt to the changing business environment.

We believe that profit distribution to shareholders should be positioned as a management issue of the highest priority. Accordingly, we aimed to ensure a consolidated dividend payout ratio of 40% or more, fully keeping in mind that dividends should be paid in line with earnings, continuously, and stably, and we decided to distribute the surplus as an annual dividend of 135.00 yen per share (including the interim dividend of 30.00 per share) for the current fiscal year. As a result, the consolidated dividend payout ratio for the current fiscal year was 100.6%.

As for the dividends of the next fiscal year, as announced in "Measures for achieving management that is mindful of capital cost and share price" on February 9, 2024, we are targeting a consolidated dividend payout ratio of 60% or more.

(Note) Dividends of surplus whose record date falls in the current fiscal year are as follows:

Date of resolution	Total dividend amount (million yen)	Dividend amount per share (yen)
November 10, 2023 Resolution of the Board of Directors	1,624	30
June 25, 2024 Resolution of the Annual General Meeting of Shareholders	5,594	105

4. Information on Corporate Governance, etc.

(1) Overview of corporate governance

(i) Corporate governance system

1) Basic views

The Company group believes that promoting compliance with laws, regulations, and corporate ethics, and ensuring transparency and soundness of management is the basis of all corporate activities. We will continue to improve and enhance our systems with each officer and employee of the Company group taking a resolute stance to comply with laws, regulations, and corporate ethics, as we aim for even higher transparency in our corporate activities. The Company group has established a code of conduct that is disseminated as a standard for officers and employees to act in compliance with laws, regulations, and internal rules.

The Company is a company with an Audit and Supervisory Committee, and management is supervised by the Audit and Supervisory Committee Members.

2) Implementation of initiatives for corporate governance

a. Details of organizations in the Company

a) The Board of Directors holds a monthly regular meeting as well as extraordinary meetings as needed to make decisions on transactions requiring the Board's approval under laws and other important management issues and to supervise the status of business execution.

The Board of Directors held 12 meetings during the current fiscal year. The following shows each Director's attendance at the Board of Directors meetings.

Position	Name	Number of meetings held	Number of meetings the member attended
Representative Director Chairman of the Board	Takashi Noro	12	12
Representative Director President	Teruhiko Mouri	12	12
Director Executive Vice President	Masaki Fukuhisa	12	12
Director Executive Vice President	Hiroto Yamanouchi	12	12
Director Executive Vice President	Hideki Ueda	12	12
Outside Director	Noriaki Isa	12	12
Director (Audit and Supervisory Committee Member)	Kenji Kurosawa	12	12
Outside Director (Audit and Supervisory Committee Member)	Toshio Saburi	12	12
Outside Director (Audit and Supervisory Committee Member)	Keiko Suichi	12	11
Outside Director (Audit and Supervisory Committee Member)	Mayumi Nishida	12	12

b) The Company is a company with an Audit and Supervisory Committee and has a structure consisting of three Directors serving as Audit and Supervisory Committee Members, all of whom are Outside Directors as of the filing date of the securities report.

c) The Company has introduced an executive officer system, under which the decision-making/supervision function for the Company's business operations is separated from the business execution function in order to strengthen both functions. Executive Officers formulate, implement, and manage the progress of divisional operation policies and priority targets, proactively propose targets, and supervise implementation in light of each fiscal year's corporate operation policy formulated in accordance with the corporate philosophy, long-term vision, and medium-term business plan. With regard to follow-ups, the progress is reported at biannual Management Review Meetings and the Board of Directors. Furthermore, Directors in charge of the respective items of the corporate operation policy evaluate the execution of operations from objective perspectives, and the President makes a final evaluation accordingly.

b. Establishment and operation of basic policy for building an internal control system

a) The Company resolved as follows at the Board of Directors regarding the basic policy for "System to Ensure that Directors Execute their Duties in Compliance with the Laws and Regulations and the Articles of Incorporation, and System for Ensuring Other Proper Business Execution." (Revised on November 11, 2022)

1. System to Ensure that Directors and Employees Execute their Duties in Compliance with the Laws and Regulations and the Articles of Incorporation

(1) Based on our corporate philosophy and spirit of compliance, we have established the RAIZNEXT Group Code of Conduct as guidelines for the officers and employees of the Company group to act in compliance with laws, regulations, the Articles of Incorporation, and social norms.

(2) We have established a Compliance Committee which, in addition to striving to establish a system of compliance and maintain and enhance awareness, conducts regular inspections of the status of compliance with laws and regulations and surveys on compliance-related matters, providing supervisory guidance; the chairperson of this committee reports on important matters to the Board of Directors in order to promote thorough compliance with laws, regulations, the Articles of Incorporation, internal rules, etc. Additionally, we ensure that Directors serving as Audit and Supervisory Committee Members have opportunities to attend the meetings of this committee.

(3) We have established the Company group compliance hotline system based on the Compliance Hotline Regulations for early discovery and correction of conduct that violates compliance, and established the General Manager of the Legal Department as the internal reporting contact, and a law firm as the external reporting contact. In addition, to ensure that no one is treated disadvantageously for making such a report via the compliance hotline system, the Company establishes and operates the necessary systems, such as clearly stating the prohibition of such treatment in the relevant regulations.

(4) To ensure the proper operation of the Board of Directors, we establish the Board of Directors Regulations, and based on these regulations the Board of Directors shall meet once each month in principle. The Board of Directors makes decisions on the execution of important business after due deliberation and as appropriate receives reports from Directors on the status of their execution of duties.

(5) The Internal Audit Division conducts audits based on the fiscal year plan independently from each division, compiles these into an audit report, and along with reporting this to the President and Representative Director, also reports the content of the report to the Management Officer Committee. In addition, important matters among the results of internal audits are reported to the Board of Directors.

(6) The Company establishes and operates an internal control system to ensure that reliability of financial reporting, and annually evaluates its effectiveness and makes the necessary corrections.

(7) In order to eliminate any relationship with antisocial forces, the Company establishes and operates regulations in accordance with actual operation conditions of the Company, and ensures strict compliance with these regulations.

2. System for Storage and Management of Information Related to the Execution of Duties of Directors and Employees

(1) In principle, the execution of duties shall be conducted in writing, and regulations on the creation and management of documents shall be created and operated.

(2) Properly create minutes of Board of Directors meetings in accordance with laws and regulations, and create and operate regulations on the preparation, circulation, storage, etc. of approval documents for each member of management.

(3) Prevent unauthorized use, disclosure, and leakage of Company information, and maintain and operate regulations for

the appropriate handling of confidential information and personal information. Also, ensure employee compliance with these regulations through internal training and other opportunities.

(4) Properly prepare business reports, financial statements, etc. in accordance with the Companies Act and other laws, and disclose Company information in a timely and appropriate manner.

3. Regulations and Other Systems for Management of Risk of Loss

(1) Based on the Risk Management Regulations, which aim for the early detection of risks and preventing their manifestation, the types of risks subject to management shall be identified and the department in charge of each risk category is responsible for overall management, and reports important risk information to the Board of Directors.

(2) In the event of a crisis or emergency that significantly affects the management of the Company group, an emergency task force headed by the President shall be launched to systematically respond to the situation in accordance with the Crisis Management Regulations.

(3) The Company shall take appropriate initiatives for ensuring safety and quality management, and maintain and operate the systems and regulations necessary to do so.

(4) For the execution of contracted construction work, which is the Company's principal business, the Company shall consider matters such as cost management and work on the same appropriately, and maintain and operate the systems and regulations necessary to do so.

4. System to Ensure that the Execution of Duties of Directors and Employees is Efficient

(1) In order to ensure the effectiveness and efficiency of the Directors' duties, formulate Mid-Term Business Plans, fiscal year corporate policies, etc., set specific targets for each division based on these, and regularly evaluate the appropriateness and degree of achievement of these targets.

(2) The executive officer system separates management's decision-making and supervisory functions from the business execution functions, and clarifies the responsibilities and authorities of officers and employees in the Regulations on Organization and Management, Work Division Regulations, Administrative Authority Regulations, etc., for the swift and efficient execution of duties.

(3) Matters to be resolved by the Board of Directors shall undergo prior approval by the President. In addition, the Management Officer Committee is established as a consultative body for such presidential decisions, and in principle the Company's management team shall collectively examine and discuss such matters to enable appropriate and efficient decision-making.

(4) Construct and maintain IT systems from the perspectives of appropriate information management, standardization and streamlining of operations, strengthening of internal controls, creation of new business opportunities, etc.

5. System to Ensure Proper Business Execution within the Corporate Group

(1) The Company works to ensure that the RAIZNEXT Group Code of Conduct, which is established as guidelines for the officers and employees of the Company group to act in compliance with laws, regulations, the Articles of Incorporation, and social norms, is thoroughly disseminated and implemented. Additionally, the applicable scope of the compliance hotline system is the entire Company group.

(2) The Company manages subsidiaries in accordance with the Affiliated Company Management Regulations and other regulations. These regulations stipulate that important items among the business execution matters of the Company's subsidiaries require a decision by a body of the Company, and are operated appropriately. Additionally, the Company's Internal Audit Division implements regular audits of subsidiaries.

(3) The Company regularly convenes the presidents of subsidiaries to receive reports on each company's business performance, the presence and location of significant risks, and other important information. The Company additionally ascertains the status of affiliated companies in a timely and appropriate manner by having such companies regularly report information such as their financial results in accordance with the Affiliated Company Management Regulations.

6. System to Ensure Effective Audits by the Audit and Supervisory Committee

(1) Respect the audit criteria and audit plans established by the Audit and Supervisory Committee, and cooperate with the smooth execution of audits and maintaining an audit environment.

(2) In addition to taking the necessary measures to ensure that Audit and Supervisory Committee Members can attend important meetings such as the Management Officer Committee and thus understand the process of decision-making on important matters and the status of work execution, along with making important documents related to the execution of business operations, such as documents related to major decisions, available for viewing, when Company group officers or employees are requested by the Audit and Supervisory Committee regarding matters related to the execution of work, they shall promptly make appropriate reports.

(3) Maintain and operate a system so that when any serious violation of laws, regulations, or the Articles of Incorporation, any misconduct, or any fact that may cause significant damage to the Company is discovered at the Company or an affiliated company, it can be reported promptly to the Audit and Supervisory Committee, as well as to report regularly on the status of internal reporting.

(4) Maintain and operate the necessary system to ensure that no one is treated disadvantageously for making such a report to the Audit and Supervisory Committee, such as clearly stating the prohibition of such treatment in the relevant regulations.

(5) The Representative Directors and other members of the management team shall hold regular meetings with the Audit and Supervisory Committee Members to report matters related to work execution and other matters necessary for the Audit and Supervisory Committee Members' duties, and exchange opinions.

(6) The Internal Audit Division shall strive to maintain close cooperation with the Audit and Supervisory Committee, such as exchanging opinions on audit plans and audit results.

(7) In the event that the Audit and Supervisory Committee requests the President and Representative Director to appoint employees who should assist the duties of said committee, employees shall be allocated to assist the duties of the Audit and Supervisory Committee. Also, in such cases, in order to ensure the effectiveness of the Audit and Supervisory Committee's instructions to such employees, the personnel treatment of such employees, i.e., their evaluation and transfer, shall be determined via prior consultation with the standing Audit and Supervisory Committee Member(s).

(8) Pursuant to Article 399-2, Paragraph 4 of the Companies Act, expenses and debts incurred in the performance of Audit and Supervisory Committee Member duties shall be appropriately paid by the Company based on claims from Audit and Supervisory Committee Members.

b) An overview of the operation of internal control system in the Company is as follows. The Company monitored the status of operation of the internal control system of the RAIZNEXT Group at the Management Officer Committee, and reported the results to the Board of Directors meeting held on May 15, 2024.

1. System to Ensure that Directors and Employees Execute their Duties in Compliance with the Laws and Regulations and the Articles of Incorporation

(1) We established the RAIZNEXT Group Code of Conduct for officers and employees of the Company group to act in compliance with laws, regulations, the Articles of Incorporation, and social norms, and disseminate this code and ensure its implementation.

(2) We convened the Compliance Committee and implemented a check on the status of legal compliance including subsidiaries, in accordance with the Compliance Regulations and Compliance Committee Regulations. As a result, we confirmed that no important matters requiring report to the Board of Directors had occurred.

(3) We maintain and operate an internal reporting system in cooperation with lawyers, in accordance with the Compliance Hotline Regulations. We also maintain and operate the system prohibiting disadvantageous treatment, such as by clearly stating in these regulations that no one will be subjected to any disadvantageous treatment because of the fact that they have made a report

(4) In accordance with the Board of Directors Regulations, in the fiscal year ended March 31, 2024, we held 12 Board of Directors meetings which were also attended by Outside Directors, where in addition to making decisions on important business execution matters, reports on the execution status of Director duties were received.

(5) Audits by the Internal Audit Division were implemented in accordance with the internal audit plan, and the report was submitted to the Management Officer Committee after being presented to the Representative Directors. Afterward, it was circulated to Directors serving as Audit and Supervisory Committee Members. Important matters in the results of internal audits were reported to the Board of Directors.

(6) We implement a validity assessment of internal controls pertaining to financial reporting in accordance with the Financial Instruments and Exchange Act.

(7) In order to prevent any relationship with antisocial forces, we investigate business partners, implement contractual measures, etc. in accordance with the Basic Regulations Addressing Antisocial Forces.

2. System for Storage and Management of Information Related to the Execution of Duties of Directors and Employees

(1) In principle, duties are to be executed in writing in accordance with the Document Handling Regulations and Regulations on Storing Materials, which cover matters such as document creation and management.

(2) In addition to creating Board of Directors meeting minutes in accordance with laws, regulations, and the Board of Directors Regulations, we create approval documents for each member of management and store and manage them appropriately in accordance with the Administrative Authority Regulations and Application for Approval Regulations.

(3) We appropriately manage Company information including confidential information and personal information in accordance with regulations such as the Basic Regulations on Information Security and Personal Information Protection Regulations. We also ensure compliance with these regulations through internal training for all employees.

(4) We properly prepare and disclose business reports, financial statements, securities reports, and other documents in accordance with the relevant laws and regulations and the timely disclosure rules of stock exchanges.

3. Regulations and Other Systems for Management of Risk of Loss

(1) Other than monitoring by each division in accordance with the Risk Management Regulations, we strive for the early discovery of risks through monitoring including internal audits and project reviews. In addition, when bringing important business execution matters before the Board of Directors, after review by the Management Officer Committee we work to identify risks anticipated in the approval form, joint opinion form, and other documents, and prevent the manifestation of such risks in accordance with the Administrative Authority Regulations. Furthermore, no significant risks requiring report to the Board of Directors occurred during the reporting period.

(2) We have established the Crisis Management Regulations in preparation for the occurrence of crises or emergencies such as natural disasters or accidents that significantly affect the management of the Company group.

(3) In order to ensure safety and quality in Company business, we maintain various regulations and strive for the early detection of risks through monitoring of quality management audits and safety audits.

(4) In the execution of contracted construction work, measures such as cost management are appropriately implemented by the department in charge. In addition, for construction deemed to have a particularly large impact on Company business performance, we maintain and operate a system enabling the department in charge of supervision of operation management to check the status in a timely manner.

4. System to Ensure that the Execution of Duties of Directors and Employees is Efficient

(1) Together with formulating the Mid-Term Business Plan and fiscal year corporate policy, we determine the fiscal year budget and numerical targets, and confirm the status of progress on such matters at the Management Officer Committee, Board of Directors, etc.

(2) The executive Officer system separates management's decision-making and supervisory functions from the business execution functions, and clarifies the responsibilities and authorities of officers and employees in accordance with the Regulations on Organization and Management, Work Division Regulations, Administrative Authority Regulations, etc., for the swift and efficient execution of duties.

(3) Matters resolved by the Board of Directors shall, in principle, be approved by the President. Also, in receiving presidential approval, the Management Officer Committee shall be held, which is the consultative body for such decisions.

(4) We tackle the development, maintenance, and utilization of IT environments for the purposes of appropriate information management, standardization and streamlining of operations, strengthening of internal controls, and creation of new business opportunities, etc.

5. System to Ensure Proper Business Execution within the Corporate Group

(1) We work to disseminate and ensure that the officers and employees of each group company act in compliance with laws, regulations, the Articles of Incorporation, and social norms, in accordance with the RAIZNEXT Group Code of Conduct. Additionally, the applicable scope of the compliance hotline system is the entire Company group.

(2) We have established the Affiliated Company Management Regulations and ensure that group companies comply with these regulations. Additionally, we systematically implement internal audits of subsidiaries in accordance with the Internal Audit Regulations, and after the audit results are reported to the Representative Directors of the parent company, the results are circulated to Directors serving as Audit and Supervisory Committee Members.

(3) In accordance with the Affiliated Company Management Regulations, we regularly hold an Affiliated Company Presidents Meeting between the management team of the parent company and the presidents of each subsidiary, where we receive reports on each subsidiary's business performance and important matters.

6. System to Ensure Effective Audits by the Audit and Supervisory Committee

(1) Respect the audit criteria and audit plans established by the Audit and Supervisory Committee, and cooperate with the smooth execution of audits and maintaining an audit environment.

(2) Along with attending important meetings such as the Management Officer Committee and providing opinions as necessary, Audit and Supervisory Committee Members view applications for approval and other important documents related to Directors' execution of work, and as necessary request explanations from each Officer or employee. Additionally, officers and employees shall promptly make appropriate reports regarding items requested by an Audit

and Supervisory Committee Member.

(3) Reporting to the Audit and Supervisory Committee when serious violations of laws or regulations occur, and regular reporting on internal reporting are established in the Compliance Regulations and Compliance Hotline Regulations, respectively, and are operated accordingly.

(4) We have established provisions in the Compliance Regulations prohibiting any Officer or employee who makes a report to the Audit and Supervisory Committee from being treated disadvantageously for making such a report, and have thoroughly disseminated this fact to the officers and employees of the Company and group companies.

(5) Other than regular meetings held to exchange opinions among the Representative Directors, other members of the management team, and Audit and Supervisory Committee Members, we aimed to communicate with the Audit and Supervisory Committee as necessary on individual matters.

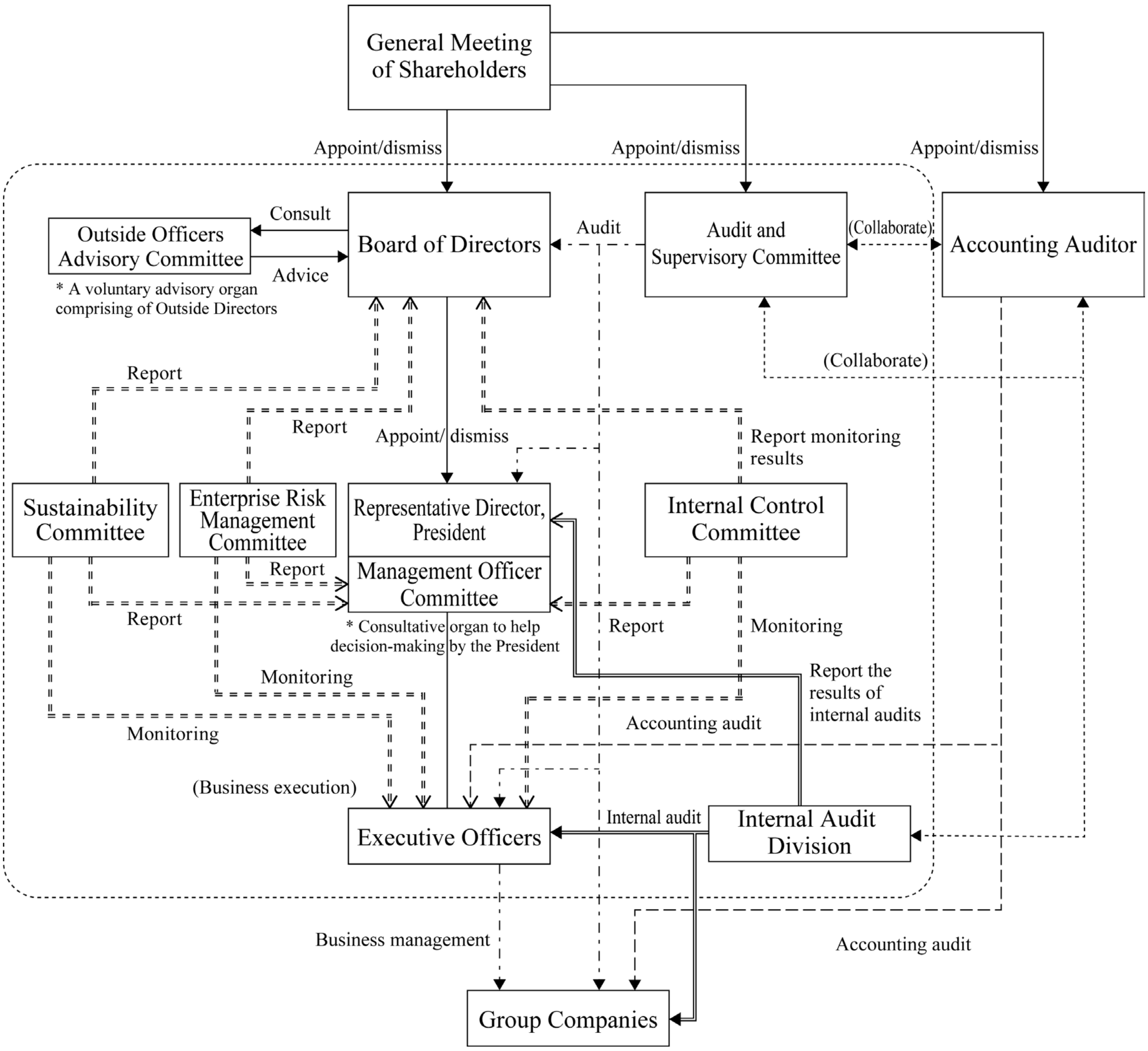
(6) The Internal Audit Division worked in close cooperation with the Audit and Supervisory Committee, such as by exchanging opinions on audit plans and audit results.

(7) Though no employees to assist full-time with the duties of the Audit and Supervisory Committee had been allocated, the Office of Audit and Supervisory Committee was established on April 1, 2024, and employees to assist full-time with the duties of the Committee have been executing duties under the instruction of the Committee Members

(8) Expenses incurred in the performance of Audit and Supervisory Committee Member duties are paid based on claims from Audit and Supervisory Committee Members.

The following figure illustrates the corporate governance structure related to the Company's business execution and audits.

Corporate Governance Structure Chart



(ii) Other matters regarding corporate governance system

The Company has entered into a liability insurance agreement for directors and officers with an insurance company, as stipulated in Article 430-3 of the Companies Act. This insurance agreement covers litigation expenses and damages arising from legal liabilities to be incurred by the insured.

The insured under this liability insurance agreement for directors and officers are Directors and Executive Officers of the Company, Directors and Auditors of Company subsidiaries, and the insurance premiums for each of the insured are paid in full by the Company.

(iii) Resolutions of the General Meeting of Shareholders that can be resolved by the Board of Directors

1) Purchase of treasury shares

The Articles of Incorporation stipulate that the Company may, in accordance with Article 165, Paragraph 2 of the Companies Act, acquire its own shares by a resolution of the Board of Directors.

2) Interim dividends

To provide prompt redistribution of profits to shareholders, the Articles of Incorporation stipulate that the Company may, in accordance with Article 454, Paragraph 5 of the Companies Act, pay interim dividends on the basis of September 30 each year as the record date by a resolution of the Board of Directors.

(iv) Number of Directors

The Articles of Incorporation stipulate that the maximum number of Directors (excluding Directors serving as Audit and Supervisory Committee Members) of the Company is 12 and that the maximum number of Directors serving as Audit and Supervisory Committee Members is 6.

(v) Resolutions requirements for the election of Directors

The Articles of Incorporation of the Company stipulate that resolution for election of Directors shall be adopted by a majority vote of the shareholders present, whose voting rights shall represent one-third or more of the voting rights of all shareholders entitled to vote. The Articles of Incorporation also stipulate that cumulative voting shall not be used in resolutions for the election of Directors.

(vi) Special resolutions requirements for the General Meeting of Shareholders

To ensure the smooth operation of the General Meeting of Shareholders, the Articles of Incorporation of the Company stipulate that the resolutions requirements for the General Meeting of Shareholders provided in Article 309, Paragraph 2 of the Companies Act shall be adopted by two-thirds or more of the votes of the shareholders present, whose voting rights shall represent one-third or more of the voting rights of all shareholders entitled to vote.

(2) Directors and Officers

(i) List of Directors and Officers

Men: 8, Women: 2 (Percentage of women among Directors and Officers: 20.0%)

Position	Name	Date of birth	Past experience		Term of office	Number of shares held (in thousands)
(Representative Director) Chairman of the Board	Takashi Noro	Nov. 5, 1955	Apr. 1980 Jun. 2008 Jul. 2010 Jun. 2012 Jun. 2014 Jun. 2015 Apr. 2017 Apr. 2019 Jul. 2019 Jun. 2020	Joined Nippon Petroleum Refining Co., Ltd. General Manager, Muroran Refinery of Nippon Petroleum Refining Co., Ltd. Senior Vice President Deputy Senior General Manager, Refining, Manufacturing & Engineering Division of JX Nippon Oil & Energy Corporation Senior Vice President General Manager, Oita Refinery of the above-mentioned company Senior Vice President General Manager, Negishi Refinery of the above-mentioned company Director Senior Vice President Responsible for Refining & Manufacturing Dept. and Engineering Dept. of the above-mentioned company Director Executive Vice President Assistant President (Safety, Health & Environment Dept., Quality Assurance Dept., Central Technical Research Laboratory, and Refining & Manufacturing Division), JXTG Nippon Oil & Energy Corporation President and Representative Director President and Chief Executive Officer, JX Engineering Corporation Vice President and Representative Director, Executive Vice President Assistant President of the Company Representative Director, Chairman of the Board of the Company (current position)	(Note) 1	13
(Representative Director) President	Teruhiko Mouri	Jan. 31, 1963	Apr. 1988 Apr. 2011 Sep. 2013 Jun. 2016 Jun. 2018 Jul. 2019 Apr. 2020 Jun. 2020	Joined Niigata Construction Co., Ltd. General Manager, Sendai Branch Office Division-1 of the Company General Manager, Chiba Branch Office Division-2 of the Company Executive Officer Senior General Manager, Project Operation Division of the Company Director Executive Managing Officer Responsible for Project Operation Division Senior General Manager, Project Operation Division of the Company Director Executive Managing Officer Responsible for Project Operation Division Senior General Manager, Project Operation Division of the Company Director Executive Managing Officer Responsible for Project Operation Division of the Company Representative Director, President of the Company (current position)	(Note) 1	25

Position	Name	Date of birth	Past experience		Term of office	Number of shares held (in thousands)
Director Executive Vice President Assistant President (Internal Control Office, Legal Department, General Administration Department, Personnel Department, Corporate Planning Department, Accounting Department and Digital Strategy Department)	Masaki Fukuhisa	Jun. 27, 1960	Apr. 1985	Joined Niigata Construction Co., Ltd.	(Note) 1	17
			Jul. 2007	General Manager, Personnel Department of the Company		
			Jun. 2013	Executive Officer General Manager, General Administration & Personnel Department of the Company		
			Jun. 2015	Executive Officer Responsible for Corporate Planning Department General Manager, General Administration & Personnel Department of the Company		
			Jun. 2018	Director Executive Managing Officer Assistant Division Director, Management Division (Responsible for General Administration & Personnel Department and Corporate Planning Department) of the Company		
			Jul. 2019	Director Executive Managing Officer Responsible for Internal Control Office, Legal Department, General Administration Department, Personnel Department, Corporate Planning Department, Accounting Department and Information System Department of the Company		
			Jun. 2020	Representative Director Executive Vice President Responsible for Internal Control Office, Legal Department, General Administration Department, Personnel Department, Corporate Planning Department, Accounting Department and Information System Department of the Company		
			Oct. 2020	Representative Director Executive Vice President Assistant President Responsible for Internal Control Office, Legal Department, General Administration Department, Personnel Department, Corporate Planning Department, Accounting Department and Information System Department of the Company		
			Jun. 2021	Director Executive Vice President Assistant President of the Company		
			Sep. 2021	Director Executive Vice President Assistant President General Manager, Business Strategy Office of the Company		
			Apr. 2023	Director Executive Vice President Assistant President (Internal Control Office, Legal Department, General Administration Department, Personnel Department, Corporate Planning Department and Accounting Department) Responsible for Digital Strategy Department of the Company		
			Apr. 2024	Director Executive Vice President Assistant President (Internal Control Office, Legal Department, General Administration Department, Personnel Department, Corporate Planning Department, Accounting Department		

Position	Name	Date of birth	Past experience		Term of office	Number of shares held (in thousands)
				and Digital Strategy Department) of the Company (current position)		

Position	Name	Date of birth	Past experience		Term of office	Number of shares held (in thousands)
Director Executive Vice President Assistant President (Project Operation Division and Safety & Quality Assurance Division) Responsible for Sales Division and Tank Engineering Division	Hideki Ueda	Dec. 16, 1960	Apr. 1983	Joined Koa Oil Co., Ltd.	(Note) 1	9
			Jun. 2012	General Manager, Marifu Refinery of JX Nippon Oil & Energy Corporation		
			Apr. 2016	President and Representative Director of Kawasaki Natural Gas Power Generation Co., Ltd.		
			Apr. 2018	Executive Officer Deputy Senior General Manager, Project Division of JX Engineering Corporation		
			Apr. 2019	Director Executive Officer (Special Missions) of the above-mentioned company		
			Jul. 2019	Director Executive Managing Officer Responsible for Sales Division, Metal & Material Facilities Project Division and Technical Service Division of the Company		
			Jun. 2020	Director Executive Managing Officer Responsible for Sales Division, Project Operation Division, Tank Engineering Division and Technical Service Division of the Company		
			Jun. 2021	Director Executive Managing Officer Responsible for Sales Division, Project Operation Division and Technical Service Division of the Company		
			Apr. 2023	Director Executive Vice President Assistant President (Project Operation Division and Safety & Quality Assurance Division) Responsible for Sales Division and Tank Engineering Division of the Company (current position)		

Position	Name	Date of birth	Past experience		Term of office	Number of shares held (in thousands)
Director Executive Vice President Assistant President (Project Division and Engineering Division)	Hiroyuki Kimura	Oct. 8, 1963	Apr. 1986	Joined Nippon Mining Co.	(Note) 1	-
			Jun. 2015	General Manager, Engineering Dept. of JX Nippon Oil & Energy Corporation		
			Jan. 2016	General Manager, Engineering Dept. of JX Nippon Oil & Energy Corporation		
			Apr. 2017	General Manager, Engineering & Capital Planning Dept., Refining & Manufacturing Division of JXTG Nippon Oil & Energy Corporation		
			Apr. 2018	Executive Officer General Manager, Refining & Manufacturing Dept., Refining & Manufacturing Division of the above-mentioned company		
			Apr. 2020	Senior Vice President Responsible for Safety, Health & Environment Dept., Quality Assurance Dept. and Renewable Energy Division of the above-mentioned company		
			Jun. 2020	Senior Vice President Responsible for Safety, Health & Environment Dept., and Quality Assurance Dept. of ENEOS Holdings, Inc. Managing Executive Officer Responsible for Safety, Health & Environment Dept., Quality Assurance Dept., and Renewable Energy Division of ENEOS Corporation		
			Apr. 2021	Senior Vice President Responsible for Refining & Manufacturing Dept., Mechanical Engineering Dept., Engineering & Capital Planning Dept., Refineries & Plants of ENEOS Corporation		
			Apr. 2024	Executive Vice President Assistant President (Project Division and Engineering Division) of the Company		
			Jun. 2024	Director Executive Vice President Assistant President (Project Division and Engineering Division) of the Company (current position)		
Director Senior Managing Executive Officer Responsible for Maintenance Division	Daisaku Nakatakuma	Dec. 21, 1963	Apr. 1982	Joined Niigata Construction Co., Ltd.	(Note) 1	4
			Jun. 2013	General Manager, Mizushima Branch Office, Division-3 of the Company		
			Apr. 2016	Deputy Senior General Manager, Division-3 of the Company		
			Jun. 2016	Executive Officer Senior General Manager, Division-3 of the Company		
			Jun. 2018	Managing Executive Officer, Senior General Manager, Division-3 of the Company		
			Apr. 2023	Managing Executive Officer Responsible for Maintenance Division of the Company		
			Apr. 2024	Senior Managing Executive Officer Responsible for Maintenance Division of the Company		
			Jun. 2024	Director Senior Managing Executive Officer Responsible for Maintenance Division of the Company (current position)		

Position	Name	Date of birth	Past experience		Term of office	Number of shares held (in thousands)
Outside Director	Noriaki Isa	Jul. 14, 1957	Apr. 1980	Joined Marubeni Corporation	(Note) 1	0
			Apr. 2006	General Manager, General Power Department, Power Division of the above-mentioned company		
			Apr. 2013	Executive Officer General Manager, Human Resources Department of the above-mentioned company		
			Apr. 2017	Executive Officer and Assistant CSO of the above-mentioned company Outside Auditor of Avanti Staff Corporation		
			Apr. 2018	Director and Chairman of Marubeni Power Retail Corporation		
			Apr. 2021	Advisor of NSG Holdings Co., Ltd. (current position)		
			Jan. 2022	Visiting Professor of Kaishi Professional University (current position) Visiting Professor of Niigata Agro-Food University (current position)		
			Jun. 2022	Outside Director of the Company (current position)		
			Jul. 2022	Director and Chairman of Power Retail Niigata K.K. (current position)		
Outside Director Audit and Supervisory Committee Member	Toshio Saburi	Jun. 2, 1949	Oct. 1982	Joined Chuo Audit Corporation	(Note) 2	4
			Mar. 1986	Registered as a certified public accountant		
			Sep. 1993	Partner, Chuo Audit Corporation		
			Jan. 1999	Joined Tempstaff Co., Ltd. (currently PERSOL TEMPSTAFF CO., LTD.)		
			Jun. 2004	Director General Manager, Support Division and General Manager, Finance Department of the above-mentioned company		
			Jun. 2005	Managing Director General Manager, Corporate Planning Division of the above-mentioned company		
			Oct. 2008	Managing Director General Manager, Group Corporate Planning Division of Temp Holdings Co., Ltd. (currently PERSOL HOLDINGS CO., LTD.)		
			May 2010	Director of Kelly Services, Inc.		
			Nov. 2012	CEO of TS Kelly Workforce Solutions Co., Ltd.		
			Jun. 2015	Outside Director of Japan Medical Dynamic Marketing, Inc. (current position)		
			Jul. 2019	Outside Director (Audit and Supervisory Committee Member) of the Company (current position)		

Position	Name	Date of birth	Past experience		Term of office	Number of shares held (in thousands)
Outside Director Audit and Supervisory Committee Member	Keiko Suichi	Apr. 23, 1955	Apr. 1983 Apr. 1983 Apr. 1999 Jan. 2010 Apr. 2010 Apr. 2014 Jul. 2018 Jul. 2019 Jun. 2021	Registered as a lawyer (Yokohama Bar Association) (currently Kanagawa Bar Association) Joined Mori Law Office Vice President of Yokohama Bar Association (currently Kanagawa Bar Association) Member of the Board, Social Welfare Corporation Shinzen-Fukushi Association President of Yokohama Bar Association (currently Kanagawa Bar Association) Vice President of Japan Federation of Bar Associations Chairperson of City of Yokohama Personnel Commission (current position) Outside Director (Audit and Supervisory Committee Member) of the Company (current position) Chairperson of Social Welfare Corporation Shinzen-Fukushi Association (current position)	(Note) 2	-
Outside Director Audit and Supervisory Committee Member	Mayumi Nishida	Feb. 27, 1957	Jul. 1998 Aug. 2009 Apr. 2011 Apr. 2014 Apr. 2015 Jun. 2020 Apr. 2022 Jun. 2022	Assistant Professor, Utility Research Development Department, Faculty of Pharmaceutical Sciences, Hokkaido University Visiting Professor, Renmin University of China (current position) Executive Officer, Director, Research Laboratory, Development & Marketing, KOEI CHEMICAL COMPANY, LIMITED Professor, Institute for Catalysis, Hokkaido University Advisor, CHEMICALSOFT Co., LTD. (current position) Advisor, Kagashin Global Network Pvt Ltd. Advisor, West Corner Company, Limited Cross-Appointment Fellow, The National Institute of Advanced Industrial Science and Technology Outside Director (Audit and Supervisory Committee Member) of the Company (current position) Research Support Professor, Institute for Catalysis, Hokkaido University (current position) CEO and President, West Corner Company, Limited (current position) Emeritus Professor, Hokkaido University (current position)	(Notes) 3	0
Total						76

(Notes) 1. The term of office of the Directors runs from the conclusion of the General Meeting of Shareholders for the fiscal year ended March 31, 2024 to the conclusion of the General Meeting of Shareholders for the fiscal year ending March 31, 2025.

2. The term of office of the Directors runs from the conclusion of the General Meeting of Shareholders for the fiscal year ended March 31, 2023 to the conclusion of the General Meeting of Shareholders for the fiscal year ending March 31, 2025.

3. The term of office of the Directors runs from the conclusion of the General Meeting of Shareholders for the fiscal year ended March 31, 2024 to the conclusion of the General Meeting of Shareholders for the fiscal year ending March 31, 2026.

4. Executive Officers who do not concurrently serve as Directors are as follows:

Name	Position
Tomohide Arima	Managing Executive Officer Responsible for General Administration Department, Corporate Planning Department and Accounting Department
Yasunori Chiba	Managing Executive Officer Responsible for Project Division
Masanori Mine	Managing Executive Officer Responsible for Engineering Division
Hideya Matsue	Managing Executive Officer Responsible for Project Operation Division and Safety & Quality Assurance Division
Yutaka Sakuma	Managing Executive Officer Responsible for Internal Control Office, Legal Department and Personnel Department
Kenji Maruyama	Senior Executive Officer Senior General Manager, Maintenance Division
Tooru Misumi	Senior Executive Officer Senior General Manager, Safety & Quality Assurance Division
Hiroyuki Hayashi	Senior Executive Officer Responsible for Digital Strategy Department
Hiroshi Ando	Senior Executive Officer Senior General Manager, Engineering Division
Masanori Murota	Executive Officer Deputy Senior General Manager, Engineering Division
Hirohisa Nagai	Executive Officer Deputy Senior General Manager, Maintenance Division
Takatsugu Kamata	Executive Officer General Manager, Corporate Planning Department
Takashi Suzuki	Executive Officer Senior General Manager, Sales Division
Toshihiko Katsuta	Executive Officer Deputy Senior General Manager, Maintenance Division
Yoshitaka Kitagawa	Executive Officer Senior General Manager, Project Division
Shouji Mori	Executive Officer Deputy Senior General Manager, Safety & Quality Assurance Division
Masahiko Kawamura	Executive Officer Senior General Manager, Project Operation Division
Takeshi Akazawa	Executive Officer Senior General Manager, Tank Engineering Division
Katsuhiko Saito	Executive Officer Deputy Senior General Manager, Engineering Division
Shigeki Yamaoka	Executive Officer General Manager, Mizushima Branch Office Maintenance Division
Hiroyuki Matsumura	Executive Officer General Manager, Kawasaki Branch Office Maintenance Division

(ii) Outside Directors

1) The Company has four Outside Directors, Mr. Noriaki Isa, Mr. Toshio Saburi, Ms. Keiko Suichi, and Ms. Mayumi Nishida. The Company has set the following criteria for assessing the independence of Outside Directors when electing Outside Directors:

Criteria for Assessing Independence of Outside Directors of the Company

The Company shall, in addition to the requirements under the Companies Act and the Criteria for Independence stipulated by Tokyo Stock Exchange, determine that an Outside Officer (including a candidate thereof) is independent when he or she falls into none of the following:

1. A person who was or had been an executing person (as defined in Article 2, Paragraph 3, Item 6 of Ordinance For Enforcement of the Companies Act; the same applies hereinafter) of the Company or its subsidiaries (collectively called "the Group"; the same applies hereinafter) for any period during 10 years before his/her office
2. A person who is a major shareholder (meaning a shareholder that holds, either directly or indirectly, 10% or more of the total voting rights of the Company; the same applies hereinafter) of the Group, or an executing person thereof
3. A person who is an executing person of a company of which the Group currently is a major shareholder
4. A person whose major business partner is the Group (a person who received 2% or more of his/her consolidated annual gross sales for the previous fiscal year from the Group), or an executing person thereof
5. A person who is a major business partner of the Group (a person who made payment to the Group of 2% or more of the Company's consolidated annual gross sales for the previous fiscal year), or an executing person thereof
6. A person who is a director (limited to persons executing operations) of an organization that receives donations or grants that exceed a specified amount (the higher of 10 million yen on average during the past three fiscal years or 30% of the average total annual expenses of said organization) from the Group, or other executing person thereof
7. A person who is an executing person of a financial institution or other major creditors that is imperative to the Group's funding and on whom the Group is dependent to the extent that it cannot be replaced
8. A person who is a certified public accountant (or tax accountant), or a senior partner, a partner or an employee of an auditing firm (or a tax accountant firm), who serves as an accounting auditor or accounting advisor of the Group
9. A person who is an attorney at law, certified public accountant, tax accountant or other consultant that does not fall under item 8 above, and who receives the average of 10 million yen or more of cash or other financial benefits annually from the Group for the past three years besides remuneration as Officer
10. A person who is a senior partner, a partner, an associate or employee of a law firm, an auditing firm, a tax accountant firm, a consulting firm or other professional advisory firm whose major business partner is the Group (the firm that receives the average of 2% or more of its consolidated annual gross sales from the Group for the past three years) that does not fall under item 8 above
11. A person who fell under any of the items 2 to 10 above for any period during 3 years before his/her office
12. A person who is an executing person of a company that has a director/directors from the Group
13. A person who is a close family member (within the second degree of kinship) of a person (excluding a person who is not significant) that falls under any of the items 1 to 12 above
14. A person whose total term of office as an independent outside director exceeds 8 years

2) Mr. Noriaki Isa, Outside Director, has a wealth of experience and broad insights, such as engaging in the management strategies of a trading company. The Company has deemed that he can be expected to strengthen the management structure of the Company by drawing on his experience and insights, providing advice and guidance to the Company's management, and conducting appropriate supervision from an objective viewpoint. In addition, he meets requirements for Independent Officer stipulated by the stock exchange, and it is determined that there is no concern of a conflict of interest with general shareholders. The Company has thus designated him as its Independent Officer.

3) The Company has deemed that Mr. Toshio Saburi, Outside Director serving as Audit and Supervisory Committee Member, has experience as a CPA and in corporate management and specialist knowledge in finance and accounting, which enables him to audit Directors' execution of business from an objective and fair viewpoint. In addition, he meets requirements for Independent Officer stipulated by the stock exchange, and it is determined that there is no concern of a conflict of interest with general

shareholders. The Company has thus designated him as its Independent Officer.

4) The Company has deemed that Ms. Keiko Suichi, Outside Director serving as Audit and Supervisory Committee Member, can utilize her advanced understanding of laws in auditing Directors' execution of business from an objective and fair viewpoint. In addition, she meets requirements for Independent Officer stipulated by the stock exchange, and it is determined that there is no concern of a conflict of interest with general shareholders. The Company has thus designated her as its Independent Officer.

5) Ms. Mayumi Nishida, Outside Director serving as Audit and Supervisory Committee Member, has extensive academic expertise and experience as an expert in pharmacy. She also has a high-level of insight, having been involved in the management of a number of companies so far. The Company has deemed that she is qualified to appropriately implement supervision of the execution of duties by Directors by using her wealth of experience and high-level insights from an objective and fair standpoint. In addition, she meets requirements for Independent Officer stipulated by the stock exchange, and it is determined that there is no concern of a conflict of interest with general shareholders. The Company has thus designated her as its Independent Officer.

6) The current Articles of Incorporation stipulate that the Company may enter into agreements with Directors (excluding those who are executive directors, etc.) to limit their liability for damages to the Company to a certain extent. The outline of the agreement is as follows:

"After entering into the agreement, regarding liability under Article 423, Paragraph 1 of the Companies Act, the directors shall assume liability for damage up to the minimum liability amount provided in Article 425, Paragraph 1 of the Companies Act if they have performed their duties in good faith and without gross negligence."

(3) Audits

(i) Audits by the Audit and Supervisory Committee

1) Organization, members, and procedures of the Audit and Supervisory Committee

The Audit and Supervisory Committee of the Company and its members consists of three Outside Directors. The Audit and Supervisory Committee meets once or more every three months. To conduct audits, the Audit and Supervisory Committee defines audit policy, plans, and others every year, communicates with Directors (excluding Directors serving as Audit and Supervisory Committee Members), the Internal Audit Division, employees, and others, and works to gather information and enhance the audit environment. The committee independently defines primary audit items in the audit plans and visits major branch offices and subsidiaries to conduct audits. To monitor how Directors (excluding Directors serving as Audit and Supervisory Committee Members) execute their duties, all Directors serving as Audit and Supervisory Committee Members attend the Board of Directors meetings, and the chairperson of the Audit and Supervisory Committee attends important meetings such as the Management Officer Committee. In addition, the members express their opinions at the Board of Directors meetings as needed, and Representative Directors and all Directors serving as Audit and Supervisory Committee Members have information exchange meetings regularly to exchange their candid opinions actively with each other. The Company has established the Office of Audit and Supervisory Committee to assist the Audit and Supervisory Committee in its duties, in order to ensure the effective and efficient execution of audit duties of the Audit and Supervisory Committee.

2) Activities of the Audit and Supervisory Committee and its members

The Audit and Supervisory Committee held eight meetings during the current fiscal year. As key agenda at the Audit and Supervisory Committee, matters resolved include audit planning for the current fiscal year, the creation of audit reports for the previous fiscal year, decisions on the election of Directors (excluding Directors serving as Audit and Supervisory Committee Members), the reappointment of the Accounting Auditor, and agreement on fees for the Accounting Auditor, and matters reported include audit plans from the Accounting Auditor, the status of internal audit execution (quarterly), quarterly reviews of the Accounting Auditor, and interviews with Executive Officers.

The following describes how each Audit and Supervisory Committee Member attended the Audit and Supervisory Committee meetings held during the current fiscal year:

Position	Name	Number of meetings held	Number of meetings the member attended
Standing Audit and Supervisory Committee Member	Kenji Kurosawa	8	8
Part-time Audit and Supervisory Committee Member	Toshio Saburi	8	8
Part-time Audit and Supervisory Committee Member	Keiko Suichi	8	8
Part-time Audit and Supervisory Committee Member	Mayumi Nishida	8	8

(Note) In the table above, “Number of meetings held” represents the number of the Audit and Supervisory Committee meetings held during the member’s term of office.

(ii) Internal audits

The Company has set up the Internal Control Office (five members) as the Internal Audit Division. Internal audits are implemented according to the fiscal year internal audit plan, covering the entire RAIZNEXT Group.

The results of internal audits are reported to the President, and then to the Management Officer Committee. Important matters among the results of internal audits are reported to the Board of Directors.

In addition, the fiscal year internal audit plan and the results of internal audits are regularly reported from the Internal Control Division to the Audit and Supervisory Committee Members.

Audit and Supervisory Committee Members, the Accounting Auditor, and the Internal Audit Division maintain close cooperation by regularly holding meetings, etc.

(iii) Accounting audits

Name of Accounting Auditor

Ernst & Young ShinNihon LLC

Duration of audit

24 years from the fiscal year ended March 31, 2001

Certified public accountants who executed the audit duties

Certified public accountant: Yoshikatsu Nakahara

Certified public accountant: Kenji Sato

Assistants for the audit duties

Assistants for the audit duties of the Company consist of five certified public accountants and twenty-two other persons.

Policy and reason for selection of Accounting Auditor

The Company considers the following conditions to select an Accounting Auditor:

• The Accounting Auditor does not fall under any item of Article 340, Paragraph 1 of the Companies Act.

• There is no problem when comprehensively taking into consideration the independence of the Accounting Auditor and its execution of the duties.

Evaluation on the Accounting Auditor by the Audit and Supervisory Committee and its members

The Audit and Supervisory Committee of the Company and its members evaluate the Accounting Auditor in accordance with the Practice Guidelines for Audit & Supervisory Board Members to Define Criteria on Evaluation and Selection of Accounting Auditors. It is determined that there is no problem with the Accounting Auditor of the Company, Ernst & Young ShinNihon LLC, in terms of both independence and expertise.

(iv) Details of audit fees

1) Fees to certified public accountants

Category	Previous FY		Current FY	
	Fees for audit or attestation services (million yen)	Fees for non-audit services (million yen)	Fees for audit or attestation services (million yen)	Fees for non-audit services (million yen)
Reporting company	53	–	66	–
Consolidated subsidiaries	–	–	–	–
Total	53	–	66	–

2) Fees to the same network such as audit certified public accountants, etc. (excluding 1))

Not applicable.

3) Fees for other important audit or attestation services

Not applicable.

4) Policy on determining audit fees

Not applicable.

5) Reasons for the Audit and Supervisory Committee’s agreement to the Accounting Auditor’s fees, etc.

The Audit and Supervisory Committee of the Company verified the appropriateness of the audit plan from the Accounting

Auditor, actual accounting audit work records, and calculation factors for estimating fees, comprehensibly examined the validity of fees for the Accounting Auditor proposed by the Board of Directors, and then agreed in accordance with Article 399, Paragraph 1 of the Companies Act.

(4) Compensation, etc. of Directors

(i) Total amount of compensation, etc. for Directors

Officer category	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)			Number of applicable officers (persons)
		Base compensation	Performance-linked compensation, etc.	Non-monetary compensation, etc.	
Directors (excluding Directors serving as Audit and Supervisory Committee Members) [Outside Directors]	229 [6]	139 [6]	69 [–]	21 [–]	6 [1]
Directors serving as Audit and Supervisory Committee Members [Outside Directors]	41 [20]	41 [20]	– [–]	– [–]	4 [3]

(Note) Employee salaries for Directors with concurrent duties as an employee are not included in the total amount of Director compensation.

(ii) Total amount of consolidated compensation, etc. for each officer

Not applicable because there is no one whose total amount of consolidated compensation, etc. is 100 million yen or more.

(iii) Matters related to performance-linked compensation, etc.

To foster a heightened awareness of enhancing the Company’s business performance each fiscal year, the bonus is paid annually at a determined time on the basis of an amount calculated in accordance with the degree of achievement of the key performance indicators (KPIs) for consolidated operating profit, comprehensively taking into account dividends, trends of other companies, our medium- to long-term business performance, the track record of past payments, etc.

Consolidated operating profit was selected as the business performance indicator because consolidated operating profit was set as a target in the Mid-Term Business Plan.

As the financial results for the current fiscal year against the target of 9.3 billion yen for consolidated operating profit at the beginning of the fiscal year was 9.9 billion yen, the amount calculated based on the KPI achievement rate of 106% will be paid.

(iv) Material salaries that are paid as employees’ salaries for officers concurrently serving as employees

The portions of salaries as employees for Directors concurrently serving as employees are not paid.

(v) Matters related to General Meeting of Shareholders resolutions on Director compensation, etc.

The amount of monetary compensation to Company Directors (excluding Directors serving as Audit and Supervisory Committee Members) was, at the 112th Annual General Meeting of Shareholders held on June 24, 2016, resolved to be 400 million yen or less annually (not including employee salaries for Directors with concurrent duties as an employee). The maximum amount of the monetary compensation receivables for granting its share of common stock with restrictions on transfer to Company Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) was, at the 119th Annual General Meeting of Shareholders held on June 27, 2023, resolved to be 100 million yen or less annually within the amount resolved at the aforementioned General Meeting of Shareholders. The number of Directors (excluding Directors serving as Audit and Supervisory Committee Members) was nine as of the conclusion of the 112th Annual General Meeting of Shareholders, and the number of Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) as of the conclusion of the 119th Annual General Meeting of Shareholders was five.

The amount of monetary compensation to Company Directors serving as Audit and Supervisory Committee Members was, at the 112th Annual General Meeting of Shareholders held on June 24, 2016, resolved to be 70 million yen or less annually. The number of Directors serving as Audit and Supervisory Committee Members was five as of the conclusion of the 112th Annual General Meeting of Shareholders (of which, three were Outside Directors).

(vi) Matters related to the policy for deciding individual Director compensation, etc.

1) Method of deciding the policy for deciding individual Director compensation, etc.

For the policy for deciding individual Director compensation, etc. (hereinafter, “Decision Policy”), a draft was prepared by the Representative Directors who then consulted with the Outside Directors Advisory Committee. Respecting the committee's report, the Board of Directors resolved to adopt the following Decision Policy.

2) Decision policy for Director compensation

a. Basic policy

a) Directors (excluding Directors serving as Audit and Supervisory Committee Members)

i) Compensation for Company Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) shall consist of monthly compensation, bonuses, and stock compensation, and shall be structured to reflect responsibilities and results.

ii) Compensation for Outside Directors (excluding Directors serving as Audit and Supervisory Committee Members) shall consist of monthly compensation only.

b) Directors serving as Audit and Supervisory Committee Members

Monthly compensation only shall be paid.

b. Policy for deciding the amount of individual compensation, etc. for monetary compensation (including policy for deciding the timing and terms for providing compensation, etc.)

a) Directors (excluding Directors serving as Audit and Supervisory Committee Members)

Monthly compensation shall be decided in accordance with each Director's position.

b) Directors serving as Audit and Supervisory Committee Members

Shall be decided through consultation among the Audit and Supervisory Committee Members taking into account their role, duties, etc.

c. Policy for deciding the calculation method for the details, amount or quantity of performance-linked compensation, etc. and non-monetary compensation (including policy for deciding the timing and terms for providing compensation, etc.)

a) Bonuses for Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) shall be paid annually as cash bonuses at a determined time on the basis of an amount calculated in accordance with the degree of achievement of the key performance indicators (KPIs) for consolidated operating profit in each fiscal year; after comprehensively taking into account dividends, trends of other companies, our medium- to long-term business performance, the track record of past payments, etc., the Representative Directors shall prepare a draft compensation proposal and consult with the Outside Directors Advisory Committee on the appropriateness of the draft compensation proposal, and ultimately the Board of Directors shall make a decision respecting the committee's report.

b) For stock compensation, its share of common stock with restrictions on transfer shall be granted to Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) immediately after the commencement of applicable period.

d. Policy for deciding amounts of monetary compensation, performance-linked compensation, etc., or non-monetary compensation, etc. as a ratio of individual Director compensation, etc.

The ratio of compensation by type for Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) shall be structured such that performance-linked compensation and stock compensation are weighted more heavily as Director position ranks higher, using as a benchmark the level of compensation of companies with similar business scale and in related industries and business categories as those of the Company.

If the Board of the Directors decides or amends the ratio of compensation by type for Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors), it shall first consult with the Outside Directors Advisory Committee regarding the appropriateness of the draft decision proposal, and shall respect the report from that committee.

Furthermore, the standard percentage of each type of compensation, etc. is described in the following table. (It assumes 100% achievement of KPIs.)

Position	Monthly compensation	Bonuses	Stock compensation
Representative Director	51%	34%	15%
Director	64%	27%	9%

e. Matters related to deciding the compensation, etc. of individual Directors (excluding Directors serving as Audit and Supervisory Committee Members)

In accordance with resolution by the Board of Directors, the specific details regarding the amount of compensation for each individual shall be delegated to President and Representative Director Teruhiko Mouri, and the content of this authority shall be the amount of monthly compensation, bonuses and stock compensation for each Director (excluding Directors serving as Audit and Supervisory Committee Members). The reason for delegating this authority is that Mr. Mouri is most familiar with the environment surrounding the Company group, the Company group's management situation, etc., and it was determined that he is able to comprehensively determine the amount of compensation for directors.

In order to ensure that the President and Representative Director exercises this authority appropriately, the Board of Directors consults with the non-statutory Outside Directors Advisory Committee consisting of Outside Directors to obtain a report on the draft. The delegated President and Representative Director above must determine the amount of compensation for individual Directors in accordance with the content of the report. In this way, the Board of Directors has deemed that the content thereof is in line with the above Decision Policy because measures are taken to ensure that decisions are not made arbitrarily and that authority is appropriately exercised.

(5) Shareholdings

(i) Criteria and concept for classification of investment securities

The Company does not hold any investment securities for pure investment purposes. For investment securities other than for pure investment purposes, the Company targets stocks that are expected to create business synergies for the purpose of maintaining and expanding medium- to long-term transactional relationships, and decides which stocks to hold in accordance with the basic policy to enhance our corporate value and contribute to the interests of shareholders, investors, and other stakeholders by holding these stocks. The Company's policy is to sell shares that are considered to have little need to be held as promptly as possible.

(ii) Investment securities held for purposes other than pure investment

1) Policy for holding shares, methods to verify the rationality of holding shares, and details of verification at the Board of Directors, etc. concerning the appropriateness of holding specific issues

While the new purchase, continued holdings, etc., for cross-shareholdings of the Company is in principle decided at the Board of Directors, decisions on holdings are assessed each year in accordance with the Cross-Shareholdings Management Regulations which describe the standards for decisions on cross-shareholdings, standards for decisions on exercise of voting rights and the decision flow for cross-shareholdings, etc. and the results of review on the appropriateness of continued holdings is reported by the Outside Officers Advisory Committee.

2) Number of issuers and amounts on the balance sheet

	Number of issuers	Total amount on the balance sheet (million yen)
Unlisted stocks	9	59
Other than unlisted stocks	27	5,182

(Increase in number of stocks in the current fiscal year)

	Number of issuers	Total amount of acquisition cost due to increase in stocks (million yen)	Reason for stock increase
Unlisted stocks	–	–	–
Other than unlisted stocks	5	5	Due to joining the client shareholding association, etc.

(Decrease in number of stocks in the current fiscal year)

	Number of stock names	Total amount of sales value due to decrease in stocks (million yen)
Unlisted stocks	2	0
Other than unlisted stocks	2	182

3) Information about the number of shares and the amount on the balance sheet for each stock name of specified investment shares and deemed shareholdings

Specified investment

Stock name	Current fiscal year Number of shares (shares) Balance sheet amount (million yen)	Previous fiscal year Number of shares (shares) Balance sheet amount (million yen)	Purpose of holding, overview of business alliance, etc., quantitative effect of holding (Note), and reason for increase in the number of shares held	Ownership of the Company's shares: Yes/No
ENEOS Holdings, Inc.	1,672,011 1,222	1,672,011 777	(Purpose of holding) The Company holds this company's shares continuously as it is the most important customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	Yes
Zeon Corporation	592,000 782	592,000 828	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	Yes
NIPPON SHOKUBAI CO., LTD.	87,200 511	87,200 460	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	Yes
Sato Foods Industries Co., Ltd.	195,500 390	295,500 500	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	Yes
SHIONOGI & CO., LTD.	41,000 317	41,000 245	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	No
ADEKA Corporation	93,831 302	92,954 209	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company. (Reason for increase in the number of shares held) The number of shares held increased due to dividend reinvestment, etc. through the client shareholding association.	No
MEISEI INDUSTRIAL CO., LTD.	188,000 246	188,000 145	(Purpose of holding) The Company holds this company's shares continuously as it is a subcontractor in the execution of construction work of the Company, and in order to maintain and enhance the business partnership with the said company.	Yes

Stock name	Current fiscal year Number of shares (shares) Balance sheet amount (million yen)	Previous fiscal year Number of shares (shares) Balance sheet amount (million yen)	Purpose of holding, overview of business alliance, etc., quantitative effect of holding (Note), and reason for increase in the number of shares held	Ownership of the Company's shares: Yes/No
Hokuetsu Corporation	100,000 192	100,000 88	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	No
Cosmo Energy Holdings Co., Ltd.	24,615 188	24,267 103	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company. (Reason for increase in the number of shares held) The number of shares held increased due to dividend reinvestment, etc. through the client shareholding association.	No
Takeda Pharmaceutical Company Limited	40,500 169	40,500 176	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	No
OSAKA ORGANIC CHEMICAL INDUSTRY LTD.	50,000 158	50,000 107	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	No
RIKEN VITAMIN CO., LTD.	42,000 108	42,000 80	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	Yes
HISAKA WORKS, LTD.	104,000 105	104,000 92	(Purpose of holding) The Company holds this company's shares continuously as it is a subcontractor in the execution of construction work of the Company, and in order to maintain and enhance the business partnership with the said company.	Yes
NICHIAS Corporation	25,000 101	25,000 66	(Purpose of holding) The Company holds this company's shares continuously as it is a subcontractor in the execution of construction work of the Company, and in order to maintain and enhance the business partnership with the said company.	Yes
Hodogaya Chemical Co., Ltd.	20,500 74	20,500 61	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	No

Stock name	Current fiscal year Number of shares (shares) Balance sheet amount (million yen)	Previous fiscal year Number of shares (shares) Balance sheet amount (million yen)	Purpose of holding, overview of business alliance, etc., quantitative effect of holding (Note), and reason for increase in the number of shares held	Ownership of the Company's shares: Yes/No
FUJI OIL HOLDINGS INC.	29,166 69	28,696 55	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company. (Reason for increase in the number of shares held) The number of shares held increased due to dividend reinvestment, etc. through the client shareholding association.	No
Tosoh Corporation	27,500 56	27,500 49	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	No
Daiichi Sankyo Co., Ltd.	9,039 43	9,039 43	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	No
Nippon Seiro Co., Ltd.	200,000 34	200,000 25	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	No
JAPAN INSULATION CO., LTD.	21,700 22	21,700 17	(Purpose of holding) The Company holds this company’s shares continuously as it is a subcontractor in the execution of construction work of the Company, and in order to maintain and enhance the business partnership with the said company.	Yes
DIC Corporation	5,300 15	5,300 12	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	No
Asahi Kasei Corp.	13,308 14	13,308 12	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	No
JFE Holdings, Inc.	3,400 8	3,400 5	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company.	No

Stock name	Current fiscal year Number of shares (shares) Balance sheet amount (million yen)	Previous fiscal year Number of shares (shares) Balance sheet amount (million yen)	Purpose of holding, overview of business alliance, etc., quantitative effect of holding (Note), and reason for increase in the number of shares held	Ownership of the Company's shares: Yes/No
KANEKA CORPORATION	2,116 8	1,937 6	(Purpose of holding) The Company holds this company's shares continuously as it is a customer in the Company's engineering work, and in order to maintain and enhance the business partnership with the said company. (Reason for increase in the number of shares held) The number of shares held increased due to dividend reinvestment, etc. through the client shareholding association.	No

(Notes) Quantitative effect of holding is not stated as it relates to trade secrets between the Company and its business partners. The Company has confirmed quantitative effect of holding by comprehensively judging the significance of shareholdings in terms of management strategy and the relationships among business sites, and other factors, in addition to factors such as dividends and transaction amounts, in light of the capital costs.

Deemed Shareholdings

Not applicable.

(iii) Investment securities held solely for investment purpose

Not applicable.

(iv) Investment securities reclassified from held solely for investment purpose to held for purposes other than pure investment during the current fiscal year

Stock name	Number of shares (shares)	Balance sheet amount (million yen)
–	–	–

(v) Equity securities reclassified from held for purposes other than pure investment to held solely for investment purpose during the current fiscal year

Stock name	Number of shares (shares)	Balance sheet amount (million yen)
–	–	–

V. Financial Information

1 Preparation Methods of Consolidated Financial Statements and Financial Statements

(1) The Consolidated Financial Statements of RAIZNEXT Corporation (the “Company”) are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976) and prepared in accordance with the “Regulation for Enforcement of the Construction Business Act” (Ministry of Construction Order No. 14 of 1949).

(2) The Company’s Financial Statements are prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963) and prepared in accordance with the “Regulation for Enforcement of the Construction Business Act” (Ministry of Construction Order No. 14 of 1949).

2 Audit Certification

The Company’s Consolidated Financial Statements for the fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024) and the Financial Statements for the fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024) have been audited by Ernst & Young ShinNihon LLC pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

i. 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	Note 1 69,072	Note 1 67,832
Electronically recorded monetary claims - operating	986	1,192
Costs on construction contracts in progress	Note 2 1,373	Note 2 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	Note 3 10,530	Note 3 11,870
Accumulated depreciation	Note 4 (6,471)	(6,236)
Buildings and structures, net	4,058	5,633
Machinery, equipment and vehicles	5,230	5,132
Accumulated depreciation	Note 4 (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	Note 3 9,607	Note 3 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	Notes 3, 5 9	Notes 3, 5 0
Income taxes payable	1,874	1,655
Advances received on construction contracts in progress	136	266
Provision for loss on construction contracts	Note 2 356	Note 2 581
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	Note 3 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

ii. 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	Note 1 140,061	Note 1 140,366
Cost of sales of completed construction contracts	Note 2 122,006	Note 2 123,164
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	Note 3 60	Note 3 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
Extraordinary income		
Settlement income	100	–

(Unit: Million yen)

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Gain on sale of non-current assets	Note 4 9	Note 4 262
Gain on sale of investment securities	64	81
Total extraordinary income	173	344
Extraordinary losses		
Loss on sale of non-current assets	Note 5 0	Note 5 1
Loss on retirement of non-current assets	Note 6 6	Note 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	Note 1 (586)	Note 1 808
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

iii. Consolidated Statement of Changes in Net Assets

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

iv. 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)
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)

(Unit: Million yen)

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
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	Note 1 17,758	Note 1 12,446

Notes to Consolidated Financial Statements

(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 excluding 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 the market price, etc. on the closing date

(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 construction work 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 significant revenue and expenses

Main performance obligations in the principal businesses related to revenue arising from contracts with customers

(i) Maintenance business

In terms of the maintenance business, the Company and its consolidated subsidiaries provide routine maintenance work and regular repair work for customers' plants.

(ii) Engineering business

In terms of the engineering business, the Company and its consolidated subsidiaries provide plant construction work as well as remodeling and renovation work.

Timing when performance obligations related to revenue arising from contracts with customers are typically satisfied

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

Performance obligations are deemed satisfied over a certain period and revenue is recognized in reference to the progress related to the fulfillment of the performance obligations. The progress is measured by comparing the accumulated amount of costs incurred by the end of the current fiscal year with the estimated total costs 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 recognized 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

Based on 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.

(Significant accounting estimates)

1. Estimates of total construction cost in applying the method where revenue is recognized as performance obligations are satisfied over time

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

(million yen)

	Previous FY	Current FY
Net sales of completed construction contracts	140,061	140,366
Net sales of completed construction contracts where revenue is recognized as performance obligations are satisfied over time included in net sales of completed construction contracts	33,902	32,663
As of the end of the fiscal year, net sales of completed construction contracts related to ongoing projects	16,002	12,386

(2) Information related to significant accounting estimates pertaining to identified items

(i) Calculation method

Revenue from specific construction contracts that satisfy certain criteria is recorded in accordance with the progress of such construction contracts as of the end of the current fiscal year. The progress is measured by comparing 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) Key assumptions

Estimated total cost is measured for each contract based on various information such as the content of the construction contracts, required specifications, local circumstances, and actual costs incurred in similar contracts in the past and calculated using assumptions such as the price and quantity of required materials and equipment and labor hours.

(iii) Impact on consolidated financial statements for the following fiscal year

As these specific contracts are relatively long-term contracts, the estimated total cost may change due to changes in the environment during the construction process, such as higher than expected prices of equipment and materials due to market trends or exchange rate fluctuations, as well as a shortage of construction personnel such as construction supervisors and construction workers due to delays in the work process or the occurrence of unexpected events.

Although the estimates are made in line with latest information at the time of recording, if the actual results deviate from the estimates due to future changes in circumstances, it may have an impact on operating results of the Company group.

(Accounting standards not yet applied, etc.)

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28,2022)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These standards provide for the categories in which income taxes on other comprehensive income should be recorded, and the treatment of tax effects associated with the sale of shares in subsidiaries, etc. under the group taxation regime.

(2) Planned date of application

To be applied at the beginning of the fiscal year ending March 31, 2025.

(3) Impact of the application of such accounting standards, etc.

The impact amount is still under evaluation at the time of the preparation of the consolidated financial statements.

(Consolidated balance sheet)

Note 1 Presentation of notes receivable, accounts receivable from completed construction contracts and contract assets

	Previous FY (As of March 31, 2023)	Current FY (As of March 31, 2024)
Notes receivable	200 million yen	16 million yen
Accounts receivable from completed construction contracts	48,091 million yen	44,920 million yen
Contract assets	20,781 million yen	22,895 million yen

Note 2 Presentation of costs on construction contracts in progress and provision for loss on construction contracts

(Previous fiscal year)

For construction contracts where losses are expected, costs on construction contracts in progress and provision for loss on construction contracts are presented separately without offsetting.

For costs on construction contracts in progress of construction contracts where losses are expected, there is no corresponding amount of provision for loss on construction contracts.

(Current fiscal year)

For construction contracts where losses are expected, costs on construction contracts in progress and provision for loss on construction contracts are presented separately without offsetting.

For costs on construction contracts in progress of construction contracts where losses are expected, there is no corresponding amount of provision for loss on construction contracts.

Note 3 Assets pledged as collateral and collateral liabilities

Assets pledged as collateral

	Previous FY (As of March 31, 2023)	Current FY (As of March 31, 2024)
Buildings	47 million yen	44 million yen
Land	220 million yen	220 million yen
Total	268 million yen	265 million yen

Liabilities secured by the collateral

	Previous FY (As of March 31, 2023)	Current FY (As of March 31, 2024)
Short-term borrowings (including the current portion of long-term borrowings)	9 million yen	0 million yen
Long-term borrowings	0 million yen	– million yen
Total	10 million yen	0 million yen

Note 4 Accumulated depreciation of property, plant and equipment includes accumulated impairment loss.

Note 5 The Company has entered into syndication-type committed line of credit contracts with five correspondent banks to efficiently procure working capital.

The balance of unused credit under such committed line of credit contracts is as follows:

	Previous FY (As of March 31, 2023)	Current FY (As of March 31, 2024)
Lines of credit	4,000 million yen	4,000 million yen
Credit utilized	– million yen	– million yen
Available credit	4,000 million yen	4,000 million yen

(Consolidated statement of income)

Note 1 Revenue from contracts with customers

For net sales, revenue arising from contracts with customers and revenue from other sources are not presented separately. The amount of revenue arising from contracts with customers is disclosed in the Consolidated Financial Statements, “Notes to Consolidated Financial Statements (Revenue recognition)”.

Note 2 The amount of provision for loss on construction contracts included in cost of sales of completed construction contracts is as follows:

Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
528 million yen	520 million yen

Note 3 Research and development expenses included in administrative expenses are as follows:

(Previous fiscal year) (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
60 million yen	77 million yen

Note 4 Breakdown of gain on sale of non-current assets is as follows:

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Buildings and structures	0 million yen	250 million yen
Machinery, equipment and vehicles	9 million yen	7 million yen
Tools, furniture and fixtures	0 million yen	0 million yen
Land	– million yen	4 million yen
Total	9 million yen	262 million yen

Note 5 Breakdown of loss on sale of non-current assets is as follows:

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Buildings and structures	– million yen	1 million yen
Machinery, equipment and vehicles	0 million yen	0 million yen
Total	0 million yen	1 million yen

Note 6 Breakdown of loss on retirement of non-current assets is as follows:

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Buildings and structures	2 million yen	11 million yen
Machinery, equipment and vehicles	4 million yen	0 million yen
Tools, furniture and fixtures	0 million yen	0 million yen
Telephone subscription right	0 million yen	23 million yen
Software	– million yen	0 million yen
Total	6 million yen	36 million yen

(Consolidated statement of comprehensive income)

Note 1 Reclassification adjustments and tax effect related to other comprehensive income

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Valuation difference on available-for-sale securities		
Amounts arising during period	48 million yen	1,082 million yen
Reclassification adjustment	(64) million yen	– million yen
Before tax effect	(15) million yen	1,082 million yen
Tax effect	9 million yen	(332) million yen
Valuation difference on available-for-sale securities	(6) million yen	749 million yen
Deferred gains or losses on hedges		
Amounts arising during period	– million yen	4 million yen
Before tax effect	– million yen	4 million yen
Tax effect	– million yen	(1) million yen
Deferred gains or losses on hedges	– million yen	3 million yen
Foreign currency translation adjustment		
Amounts arising during period	(2) million yen	88 million yen
Remeasurements of defined benefit plans, net of tax		
Amounts arising during period	(389) million yen	332 million yen
Reclassification adjustment	(443) million yen	(382) million yen
Before tax effect	(833) million yen	(49) million yen
Tax effect	256 million yen	17 million yen
Remeasurements of defined benefit plans, net of tax	(576) million yen	(31) million yen
Total other comprehensive income	(586) million yen	808 million yen

(Consolidated statement of changes in net assets)

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

1 Matters related to issued shares

Type of shares	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year
Common shares (shares)	54,168,053	–	–	54,168,053

2 Matters related to treasury shares

Type of shares	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year
Common shares (shares)	666	68,261	–	68,927

(Overview of reason for change)

Purchase of treasury shares by resolution of the Board of Directors on March 3, 2023: 67,700 shares

Increase due to purchase of shares less than one unit: 561 shares

3 Matters related to dividends

(1) Dividends paid

Resolution	Type of shares	Total dividend amount (million yen)	Dividend paid per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 23, 2022	Common shares	3,141	58	March 31, 2022	June 24, 2022

(2) Dividends with a record date during the fiscal year, but an effective date during the following fiscal year

Resolution	Type of shares	Source of dividends	Total dividend amount (million yen)	Dividend paid per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 27, 2023	Common shares	Retained earnings	3,895	72	March 31, 2023	June 28, 2023

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

1 Matters related to issued shares

Type of shares	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year
Common shares (shares)	54,168,053	–	–	54,168,053

2 Matters related to treasury shares

Type of shares	At the beginning of the fiscal year	Increase	Decrease	At the end of the fiscal year
Common shares (shares)	68,927	856,508	40,422	885,013

(Overview of reason for change)

Purchase of treasury shares by resolution of the Board of Directors on December 1, 2023: 144,800 shares

Purchase of treasury shares by resolution of the Board of Directors on February 9, 2024: 711,300 shares

Increase due to purchase of shares less than one unit: 408 shares

Decrease due to disposal of treasury shares for restricted stock compensation: 40,422 shares

3 Matters related to dividends

(1) Dividends paid

Resolution	Type of shares	Total dividend amount (million yen)	Dividend paid per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 27, 2023	Common shares	3,895	72	March 31, 2023	June 28, 2023
Board of Directors meeting held on November 10, 2023	Common shares	1,624	30	September 30, 2023	December 6, 2023

(2) Dividends with a record date during the fiscal year, but an effective date during the following fiscal year

Resolution	Type of shares	Source of dividends	Total dividend amount (million yen)	Dividend paid per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 25, 2024	Common shares	Retained earnings	5,594	105	March 31, 2024	June 26, 2024

(Note) The dividend paid per share of 105 yen includes a commemorative dividend of 65 yen per share for the fifth anniversary of the business integration.

(Consolidated statement of cash flows)

Note 1 Reconciliations between cash and cash equivalents at end of period and the amounts of items in the consolidated balance sheet

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Cash and deposits	17,802 million yen	12,492 million yen
Time deposits with maturities of more than three months	(44) million yen	(46) million yen
Cash and cash equivalents	17,758 million yen	12,446 million yen

(Financial instruments)

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

1. Matters related to the status of financial instruments

(1) Policy for financial instruments

The Company group determines the demand for funds in accordance with the business plan and the capital investment plan, and raises necessary capital through bank loans. The Company's policy is to invest its temporary surplus funds in highly secure financial assets, and, in principle, does not engage in high-risk or speculative derivative transactions.

(2) Contents and risks of financial instruments

Notes receivable, accounts receivable from completed construction contracts and electronically recorded monetary claims - operating are trade receivables, which are exposed to customer credit risk. Investment securities mainly comprise bonds held to maturity and stocks of companies with which the Company group has business partnerships, and are subject to market price fluctuation risk.

Most notes payable, accounts payable for construction contracts and electronically recorded obligations - operating are trade liabilities due within one year. Although some of these liabilities are denominated in foreign currencies for settlements at overseas branches, etc., and exposed to foreign exchange rate fluctuation risk, amounts are constantly maintained to be within the scope of accounts receivable that are denominated in the same foreign currencies. Borrowings are to procure funding for equipment and operating capital for consolidated subsidiaries, and maturity date is as a maximum one year and one month from the end of the fiscal year.

(3) Risk management system related to financial instruments

(i) Management of credit risk (risks related to breach of contract with business partners)

The Company manages closing dates and balances of trade partners of each division in accordance with the credit management rules related to trade receivables to ensure early identification and mitigation of potential doubtful recoveries associated with the deterioration of their financial position. Similar management is conducted at consolidated subsidiaries in accordance with the Company's claim management rules.

For bonds held to maturity, investment is restricted to highly rated debt securities solely based on the Company's capital management rules, and the credit risk of these investments is minimal.

The maximum risk amount as of the consolidated closing date of the current fiscal year has been represented as the balance sheet amount of financial assets subject to credit risk.

(ii) Management of market risks (risks associated with changes in exchange and interest rates)

The Company and some of its consolidated subsidiaries determine and enter into forward exchange contracts, etc., for trade receivables and payables denominated in foreign currencies to hedge against the fluctuation risks in foreign currency exchange rates which are monitored on a monthly basis and according to each currency.

In terms of investment securities, fair value and the financial conditions of the issuing companies (business partners) are monitored on a regular basis, and the holding status of securities classified in categories other than bonds held to maturity are continuously reviewed in consideration of the relationship with business partners.

When engaging in derivative transactions, the Company ensures that they are conducted in strict accordance with internal management rules that stipulate authority and amount limits for transactions.

(iii) Management of liquidity risk (risk of not being able to execute payment on payment date)

The Company manages liquidity risk by having the Accounting Department prepare and update a cash flow management plan as appropriate based on the reports by respective departments, and by entering into committed line of credit contracts with correspondent banks to ensure liquidity at hand and cope with sudden demand for funds.

(4) Supplementary explanation of matters related to the fair value of financial instruments, etc.

The fair value of financial instruments is based on market prices or estimates determined using reasonable calculations when market prices are not available. Since factors that may result in fluctuations in value are taken into account in calculating the fair value of financial instruments, this price may fluctuate when differing assumptions are adopted.

2. Matters related to the fair value of financial instruments, etc.

The consolidated balance sheet amounts, fair value and differences between them as of March 31, 2023, are shown below.

Shares, etc. without market prices of 60 million yen are not included in "Other securities." Information on deposits, notes receivable, accounts receivable from completed construction contracts and contract assets, electronically recorded monetary claims - operating, notes payable, accounts payable for construction contracts, and short-term borrowings is omitted, as their book values are a reasonable approximation of their fair value due to the short period until settlement.

(Unit: Million yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Investment securities and shares of subsidiaries and associates			
(i) Bonds held to maturity	10	9	(0)
(ii) Other securities	4,198	4,198	–

(Note) 1 A description of the valuation technique(s) and input method used in fair value measurements

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 fair value: Fair value measured using observable inputs other than those in Level 1, either directly or indirectly

Level 3 fair value: Fair value measured using significant unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Investment securities and shares of subsidiaries and associates

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

(Note) 2 Shares, etc. without a market price

(Unit: Million yen)

Category	Consolidated balance sheet amount
Unlisted stocks	60
Shares of subsidiaries and associates	736

The above items are not included in "(1) Investment securities and shares of subsidiaries and associates," because they have no market price and it is considered extremely difficult to determine their fair value.

(Note) 3 Redemption schedule of monetary claims and securities with fixed maturities after the consolidated closing date

(Unit: Million yen)

	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
Cash and deposits	17,796	–	–	–
Notes receivable, accounts receivable from completed construction contracts	45,170	–	–	–
Electronically recorded monetary claims - operating	986	–	–	–
Total	63,953	–	–	–

(Note) 4 Repayment schedule for long-term borrowings after the consolidated closing date

(Unit: Million yen)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Long-term borrowings	9	0	–	–	–	–

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

1. Matters related to the status of financial instruments

(1) Policy for financial instruments

The Company group determines the demand for funds in accordance with the business plan and the capital investment plan, and raises necessary capital through bank loans. The Company's policy is to invest its temporary surplus funds in highly secure financial assets, and, in principle, does not engage in high-risk or speculative derivative transactions.

(2) Contents and risks of financial instruments

Notes receivable, accounts receivable from completed construction contracts and electronically recorded monetary claims - operating are trade receivables, which are exposed to customer credit risk. Investment securities mainly comprise bonds held to maturity and stocks of companies with which the Company group has business partnerships, and are subject to market price fluctuation risk.

Most notes payable, accounts payable for construction contracts and electronically recorded obligations - operating are trade liabilities due within one year. Although some of these liabilities are denominated in foreign currencies for settlements at overseas branches, etc., and exposed to foreign exchange rate fluctuation risk, amounts are constantly maintained to be within the scope of accounts receivable that are denominated in the same foreign currencies. Borrowings are to procure funding for equipment and operating capital for consolidated subsidiaries, and maturity date is as a maximum one month from the end of the fiscal year.

(3) Risk management system related to financial instruments

(i) Management of credit risk (risks related to breach of contract with business partners)

The Company manages closing dates and balances of trade partners of each division in accordance with the credit management rules related to trade receivables to ensure early identification and mitigation of potential doubtful recoveries associated with the deterioration of their financial position. Similar management is conducted at consolidated subsidiaries in accordance with the Company's claim management rules.

For bonds held to maturity, investment is restricted to highly rated debt securities solely based on the Company's capital management rules, and the credit risk of these investments is minimal.

The maximum risk amount as of the consolidated closing date of the current fiscal year has been represented as the balance sheet amount of financial assets subject to credit risk.

(ii) Management of market risks (risks associated with changes in exchange and interest rates)

The Company and some of its consolidated subsidiaries determine and enter into forward exchange contracts, etc., for trade receivables and payables denominated in foreign currencies to hedge against the fluctuation risks in foreign currency exchange rates which are monitored on a monthly basis and according to each currency.

In terms of investment securities, fair value and the financial conditions of the issuing companies (business partners) are monitored on a regular basis, and the holding status of securities classified in categories other than bonds held to maturity are continuously reviewed in consideration of the relationship with business partners.

When engaging in derivative transactions, the Company ensures that they are conducted in strict accordance with internal management rules that stipulate authority and amount limits for transactions.

(iii) Management of liquidity risk (risk of not being able to execute payment on payment date)

The Company manages liquidity risk by having the Accounting Department prepare and update a cash flow management plan as appropriate based on the reports by respective departments, and by entering into committed line of credit contracts with correspondent banks to ensure liquidity at hand and cope with sudden demand for funds.

(4) Supplementary explanation of matters related to the fair value of financial instruments, etc.

The fair value of financial instruments is based on market prices or estimates determined using reasonable calculations when market prices are not available. Since factors that may result in fluctuations in value are taken into account in calculating the fair value of financial instruments, this price may fluctuate when differing assumptions are adopted.

2. Matters related to the fair value of financial instruments, etc.

The consolidated balance sheet amounts, fair value and differences between them as of March 31, 2024, are shown below.

Shares, etc. without market prices of 59 million yen are not included in "Other securities." Information on deposits, notes receivable, accounts receivable from completed construction contracts and contract assets, electronically recorded monetary claims - operating, notes payable, accounts payable for construction contracts, and short-term borrowings is omitted, as their book values are a reasonable approximation of their fair value due to the short period until settlement.

(Unit: Million yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Investment securities and shares of subsidiaries and associates			
(i) Bonds held to maturity	10	9	(0)
(ii) Other securities	5,182	5,182	–

(Note) 1 A description of the valuation technique(s) and input method used in fair value measurements

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 fair value: Fair value measured using observable inputs other than those in Level 1, either directly or indirectly

Level 3 fair value: Fair value measured using significant unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Investment securities and shares of subsidiaries and associates

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

(Note) 2 Shares, etc. without a market price

(Unit: Million yen)

Category	Consolidated balance sheet amount
Unlisted stocks	59
Shares of subsidiaries and associates	736

The above items are not included in "(1) Investment securities and shares of subsidiaries and associates," because they have no market price and it is considered extremely difficult to determine their fair value.

(Note) 3 Redemption schedule of monetary claims and securities with fixed maturities after the consolidated closing date

(Unit: Million yen)

	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
Cash and deposits	12,487	–	–	–
Notes receivable, accounts receivable from completed construction contracts	44,937	–	–	–
Electronically recorded monetary claims - operating	1,192	–	–	–
Total	58,617	–	–	–

(Note) 4 Repayment schedule for long-term borrowings after the consolidated closing date

(Unit: Million yen)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Long-term borrowings	0	–	–	–	–	–

(Securities)

1. Other securities

Previous FY (As of March 31, 2023)

Category	Consolidated balance sheet amount (million yen)	Acquisition cost (million yen)	Difference (million yen)
Securities whose consolidated balance sheet amount exceeds acquisition cost (i) Stocks	3,388	1,665	1,722
Subtotal	3,388	1,665	1,722
Securities whose consolidated balance sheet amount does not exceed acquisition cost (i) Stocks	810	886	(76)
Subtotal	810	886	(76)
Total	4,198	2,552	1,646

Current FY (As of March 31, 2024)

Category	Consolidated balance sheet amount (million yen)	Acquisition cost (million yen)	Difference (million yen)
Securities whose consolidated balance sheet amount exceeds acquisition cost (i) Stocks	5,182	2,456	2,725
Subtotal	5,182	2,456	2,725
Securities whose consolidated balance sheet amount does not exceed acquisition cost (i) Stocks	–	–	–
Subtotal	–	–	–
Total	5,182	2,456	2,725

2. Other securities sold during the fiscal year

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

Category	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Stocks	132	64	–
Total	132	64	–

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

Category	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Stocks	182	81	0
Total	182	81	0

(Retirement benefits)

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

1. Summary of retirement benefit plans

The Company and its consolidated subsidiaries have defined retirement benefit plans that mainly consist of a defined benefit corporate pension plan and a lump-sum severance payment plan.

A premium on employee retirement benefits may be added upon the retirement of said employee.

Some consolidated subsidiaries adopt a simplified method in calculating retirement benefit liability and retirement benefit expenses by using retirement benefits payable assuming the voluntary retirement of employees at the end of the fiscal year as the retirement benefit obligation.

2. Defined benefit plan

(1) Reconciliation between beginning and ending balances of retirement benefit obligations (excluding plans adopting the simplified method)

Retirement benefit obligations at beginning of period	9,631	million yen
Service costs	700	million yen
Interest expenses	29	million yen
Actuarial differences	218	million yen
Past service costs	–	million yen
Retirement benefit paid	(750)	million yen
Other	19	million yen
Retirement benefit obligations at end of period	9,849	million yen

(2) Reconciliation between beginning and ending balances of pension assets (excluding plans adopting the simplified method)

Pension assets at beginning of period	7,788	million yen
Expected return on plan assets	38	million yen
Actuarial differences	(170)	million yen
Contribution from employers	–	million yen
Retirement benefit paid	(488)	million yen
Pension assets at end of period	7,167	million yen

(3) Reconciliation between beginning and ending balances of retirement benefit liability for plans adopting the simplified method

Retirement benefit liability at beginning of period	66	million yen
Retirement benefit expenses	16	million yen
Retirement benefit paid	(7)	million yen
Contribution to plans	(10)	million yen
Other	–	million yen
Retirement benefit liability at end of period	65	million yen

(4) Reconciliation between retirement benefit obligations/pension assets at end of period and retirement benefit liability/retirement benefit asset recorded on consolidated balance sheet

Retirement benefit obligations for funded plans	6,184	million yen
Pension assets	(7,314)	million yen
	(1,129)	million yen
Retirement benefit obligations for unfunded plans	3,876	million yen
Net liabilities and assets recorded on consolidated balance sheet	2,746	million yen

Retirement benefit liability	3,876	million yen
Retirement benefit asset	1,129	million yen
Net liabilities and assets recorded on consolidated balance sheet	2,746	million yen

(5) Amount of retirement benefit expenses and item breakdown

Service costs	700 million yen
Interest expenses	29 million yen
Expected return on plan assets	(38) million yen
Amortization of actuarial differences	(115) million yen
Retirement benefit expenses calculated by a simplified method	16 million yen
Amortization of past service costs	(328) million yen
Retirement benefit expenses for defined benefit plans	263 million yen

(6) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans consist of the following (before tax effect).

Past service costs	(328) million yen
Actuarial differences	(504) million yen
Total	(833) million yen

(7) Accumulated remeasurements of defined benefit plans

Accumulated remeasurements of defined benefit plans consist of the following (before tax effect).

Unrecognized past service costs	(1,067) million yen
Unrecognized actuarial differences	(552) million yen
Total	(1,620) million yen

(8) Matters related to pension assets

(i) Major breakdown of pension assets

The ratios of major classifications to total pension assets are as follows:

Cash and deposits	92 %
Other	8 %
Total	100 %

(ii) Method for determining the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on pension assets, the current and expected portfolio of pension assets and the current and future expected long-term profitability of the various assets comprising the pension assets are taken into consideration.

(9) Matters related to assumptions used in actuarial calculations

Major assumptions used in actuarial calculations as of the end of the fiscal year (represented as a weighted average)

Discount rate	0.4 %
Long-term expected rate of return on plan assets	0.5 %
Expected rate of salary increase	4.8 %

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

1. Summary of retirement benefit plans

The Company and its consolidated subsidiaries have defined retirement benefit plans that mainly consist of a defined benefit corporate pension plan and a lump-sum severance payment plan.

A premium on employee retirement benefits may be added upon the retirement of said employee.

Some consolidated subsidiaries adopt a simplified method in calculating retirement benefit liability and retirement benefit expenses by using retirement benefits payable assuming the voluntary retirement of employees at the end of the fiscal year as the retirement benefit obligation.

2. Defined benefit plan

(1) Reconciliation between beginning and ending balances of retirement benefit obligations (excluding plans adopting the simplified method)

Retirement benefit obligations at beginning of period	9,849	million yen
Service costs	670	million yen
Interest expenses	50	million yen
Actuarial differences	(350)	million yen
Past service costs	(26)	million yen
Retirement benefit paid	(562)	million yen
Other	11	million yen
Retirement benefit obligations at end of period	9,642	million yen

(2) Reconciliation between beginning and ending balances of pension assets (excluding plans adopting the simplified method)

Pension assets at beginning of period	7,167	million yen
Expected return on plan assets	6	million yen
Actuarial differences	(17)	million yen
Contribution from employers	–	million yen
Retirement benefit paid	(394)	million yen
Pension assets at end of period	6,761	million yen

(3) Reconciliation between beginning and ending balances of retirement benefit liability for plans adopting the simplified method

Retirement benefit liability at beginning of period	65	million yen
Retirement benefit expenses	16	million yen
Retirement benefit paid	(4)	million yen
Contribution to plans	(8)	million yen
Other	–	million yen
Retirement benefit liability at end of period	68	million yen

(4) Reconciliation between retirement benefit obligations/pension assets at end of period and retirement benefit liability/retirement benefit asset recorded on consolidated balance sheet

Retirement benefit obligations for funded plans	5,715	million yen
Pension assets	(6,913)	million yen
	(1,197)	million yen
Retirement benefit obligations for unfunded plans	4,147	million yen
Net liabilities and assets recorded on consolidated balance sheet	2,949	million yen

Retirement benefit liability	4,147	million yen
Retirement benefit asset	1,197	million yen
Net liabilities and assets recorded on consolidated balance sheet	2,949	million yen

(5) Amount of retirement benefit expenses and item breakdown

Service costs	670	million yen
Interest expenses	50	million yen
Expected return on plan assets	(6)	million yen
Amortization of actuarial differences	(53)	million yen
Retirement benefit expenses calculated by a simplified method	16	million yen
Amortization of past service costs	(328)	million yen
Retirement benefit expenses for defined benefit plans	349	million yen

(6) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans consist of the following (before tax effect).

Past service costs	328	million yen
Actuarial differences	(279)	million yen
Total	49	million yen

(7) Accumulated remeasurements of defined benefit plans

Accumulated remeasurements of defined benefit plans consist of the following (before tax effect).

Unrecognized past service costs	(739)	million yen
Unrecognized actuarial differences	(831)	million yen
Total	(1,571)	million yen

(8) Matters related to pension assets

(i) Major breakdown of pension assets

The ratios of major classifications to total pension assets are as follows:

Cash and deposits	92 %
Other	8 %
Total	100 %

(ii) Method for determining the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on pension assets, the current and expected portfolio of pension assets and the current and future expected long-term profitability of the various assets comprising the pension assets are taken into consideration.

(9) Matters related to assumptions used in actuarial calculations

Major assumptions used in actuarial calculations as of the end of the fiscal year (represented as a weighted average)

Discount rate	0.7 %
Long-term expected rate of return on plan assets	0.1 %
Expected rate of salary increase	4.8 %

(Tax effect accounting)

1. Breakdown of significant components of deferred tax assets and deferred tax liabilities

	Previous FY (As of March 31, 2023)	Current FY (As of March 31, 2024)
Deferred tax assets		
Allowance for doubtful accounts	52 million yen	52 million yen
Accumulated impairment losses	154 million yen	137 million yen
Loss on valuation of investment securities	25 million yen	21 million yen
Loss on valuation of golf club membership	54 million yen	54 million yen
Provision for loss on construction contracts	108 million yen	177 million yen
Provision for warranties for completed construction	52 million yen	56 million yen
Provision for bonuses	648 million yen	600 million yen
Retirement benefit liability	795 million yen	861 million yen
Provision for retirement benefits for directors (and other officers)	1 million yen	– million yen
Accrued enterprise taxes	119 million yen	109 million yen
Accrued social insurance expenses	95 million yen	97 million yen
Loss carryforwards	3 million yen	– million yen
Auxiliary materials	58 million yen	63 million yen
Other	163 million yen	122 million yen
Deferred tax assets subtotal	2,335 million yen	2,355 million yen
Valuation allowance for tax loss carried forward (Note 2)	(3) million yen	– million yen
Valuation allowance for total deductible temporary differences	(282) million yen	(168) million yen
Valuation allowance subtotal (Note 1)	(285) million yen	(168) million yen
Total deferred tax assets	2,049 million yen	2,186 million yen
Deferred tax liabilities		
Valuation of shares of subsidiaries and associates	454 million yen	444 million yen
Valuation difference on available-for-sale securities	480 million yen	811 million yen
Other	17 million yen	20 million yen
Total deferred tax liabilities	951 million yen	1,275 million yen
Net deferred tax assets	1,097 million yen	910 million yen

Net deferred tax assets are included in the following items of consolidated balance sheet.

	Previous FY (As of March 31, 2023)	Current FY (As of March 31, 2024)
Non-current assets - Deferred tax assets	1,202 million yen	1,004 million yen
Non-current liabilities - Deferred tax liabilities	105 million yen	93 million yen

(Notes) 1. Valuation allowance decreased by 117 million yen. This was mainly due to a decrease in valuation allowance of 129 million yen for impairment losses.

2. Amount of tax loss carried forward and their deferred tax assets carried forward by maturity date

Previous FY (As of March 31, 2023)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carried forward (a)	–	–	–	–	3	–	3 million yen
Valuation allowance	–	–	–	–	(3)	–	(3) million yen

(a) Tax loss carried forward is calculated by multiplying by the statutory tax rate.

Current FY (As of March 31, 2024)

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carried forward (a)	–	–	–	–	–	–	– million yen
Valuation allowance	–	–	–	–	–	–	– million yen

(a) Tax loss carried forward is calculated by multiplying by the statutory tax rate.

2. Breakdown of significant components of difference between statutory tax rate and effective tax rate after adoption of tax effect accounting

(Note) Notes are omitted for the previous and the current fiscal years because the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting is less than 5% of the statutory tax rate.

(Business combinations)

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

Not applicable.

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

Not applicable.

(Real estate for lease, etc.)

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

The Company leases land and other properties owned in Kanagawa and other areas. Rental income from real estate for lease, etc. for the fiscal year ended March 31, 2023 is 78 million yen (rental income is recorded under non-operating income and rental expenses are recorded under non-operating expenses).

The amount for real estate for lease, etc. on the consolidated balance sheet, major changes during the fiscal year under review, and the fair value thereof as of the consolidated closing date as well as the method used to calculate this fair value are as follows:

Consolidated balance sheet amount			Fair value as of consolidated closing date (million yen)
Balance at beginning of the fiscal year (million yen)	Increase or decrease during the fiscal year (million yen)	Balance at end of the fiscal year (million yen)	
1,419	82	1,501	1,114

(Notes) 1. The consolidated balance sheet amount is the acquisition cost less accumulated depreciation and accumulated impairment loss.

2. Major changes

Major increase due to transfer to real estate for lease, etc.: 91 million yen

Major decrease due to transfer for own use: 2 million yen

3. Calculation method of fair value

The amounts for major properties are based on real estate appraisals by outside real estate appraisers, and the amounts (including those adjusted using indices, etc.) for other properties are calculated based on internal standards.

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

The Company leases land and other properties owned in Kanagawa and other areas. Rental income from real estate for lease, etc. for the fiscal year ended March 31, 2024 is 81 million yen (rental income is recorded under non-operating income and rental expenses are recorded under non-operating expenses), gain on sale of non-current assets is 206 million yen (recorded under extraordinary income), and other income is 41 million yen.

The amount for real estate for lease, etc. on the consolidated balance sheet, major changes during the fiscal year under review, and the fair value thereof as of the consolidated closing date as well as the method used to calculate this fair value are as follows:

Consolidated balance sheet amount			Fair value as of consolidated closing date (million yen)
Balance at beginning of the fiscal year (million yen)	Increase or decrease during the fiscal year (million yen)	Balance at end of the fiscal year (million yen)	
1,501	(392)	1,108	761

(Notes) 1. The consolidated balance sheet amount is the acquisition cost less accumulated depreciation and accumulated impairment loss.

2. Major changes

Major decrease due to sale and disposal of real estate for lease: 351 million yen

3. Calculation method of fair value

The amounts for major properties are based on real estate appraisals by outside real estate appraisers, and the amounts (including those adjusted using indices, etc.) for other properties are calculated based on internal standards.

(Revenue recognition)

1. Breakdown of revenue from contracts with customers

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

(Unit: Million yen)

	Engineering work			Other (Note)	Total
	Maintenance	Engineering	Total		
Goods transferred at a point in time	34,399	3,778	38,178	–	38,178
Goods transferred over time	55,484	46,288	101,773	–	101,773
Revenue from contracts with customers	89,884	50,067	139,952	–	139,952
Revenue from other sources	0	0	0	109	109
Net sales to external customers	89,884	50,067	139,952	109	140,061

Note: “Other” includes businesses such as real estate leasing and other services that are not considered engineering work.

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

(Unit: Million yen)

	Engineering work			Other (Note)	Total
	Maintenance	Engineering	Total		
Goods transferred at a point in time	26,521	1,982	28,504	–	28,504
Goods transferred over time	73,767	37,992	111,759	–	111,759
Revenue from contracts with customers	100,288	39,975	140,264	–	140,264
Revenue from other sources	–	–	–	101	101
Net sales to external customers	100,288	39,975	140,264	101	140,366

Note: “Other” includes businesses such as real estate leasing and other services that are not considered engineering work.

2. Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue is as presented in “(Significant matters that serve as the basis for preparation of the consolidated financial statements), 4. Accounting policies, (5) Accounting standards for significant revenue and expenses.” The promised consideration is generally received within a short period of time after the performance obligation is satisfied, and the amount of such consideration does not include a significant financing component.

3. Information concerning the relationship between the fulfillment of performance obligations based on contracts with customers and cash flows arising from those contracts, and the amount and timing of revenues expected to be recognized in and after the following fiscal year from contracts with customers that exist at the end of the current fiscal year

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

(1) Balances of contract assets and contract liabilities

(Unit: Million yen)

	Previous FY
Receivables from contracts with customers (balance at beginning of period)	46,468
Receivables from contracts with customers (balance at end of period)	49,278
Contract assets (balance at beginning of period)	16,903
Contract assets (balance at end of period)	20,781
Contract liabilities (balance at beginning of period)	649
Contract liabilities (balance at end of period)	136

Contract assets relate to the right of the Company and its consolidated subsidiaries to consideration for completed and delivered construction for which construction contracts with customers have been completed but an invoice has not yet been issued as of the end of the period. Once the Company and its consolidated subsidiaries have an unconditional right to the consideration, it reclassifies contract assets to receivables from contracts with customers. The consideration for construction is charged and received in accordance with payment terms in construction contracts. Contract liabilities primarily relate to advances received from customers based on the payment terms in construction contracts. Contract liabilities are reversed as revenue is recognized.

The amount of revenue recognized in the previous fiscal year from performance obligations that were satisfied (or partially satisfied) in previous periods (mainly changes in transaction price) is 3,157 million yen.

(2) Transaction price allocated to the remaining performance obligations

The Company and its consolidated subsidiaries have applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and does not disclose contracts with an original expected duration of one year or less. The performance obligations that are unsatisfied (or partially unsatisfied) amounted to 52,891 million yen as of the end of the previous fiscal year. The performance obligation relates to construction undertaken by the engineering business. The Company expects to recognize this revenue within one year from the end of the period.

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

(1) Balances of contract assets and contract liabilities

(Unit: Million yen)

	Current FY
Receivables from contracts with customers (balance at beginning of period)	49,278
Receivables from contracts with customers (balance at end of period)	46,129
Contract assets (balance at beginning of period)	20,781
Contract assets (balance at end of period)	22,895
Contract liabilities (balance at beginning of period)	136
Contract liabilities (balance at end of period)	266

Contract assets relate to the right of the Company and its consolidated subsidiaries to consideration for completed and delivered construction for which construction contracts with customers have been completed but an invoice has not yet been issued as of the end of the period. Once the Company and its consolidated subsidiaries have an unconditional right to the consideration, it reclassifies contract assets to receivables from contracts with customers. The consideration for construction is charged and received in accordance with payment terms in construction contracts. Contract liabilities primarily relate to advances received from customers based on the payment terms in construction contracts. Contract liabilities are reversed as revenue is recognized.

The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied (or partially satisfied) in previous periods (mainly changes in transaction price) is 2,703 million yen.

(2) Transaction price allocated to the remaining performance obligations

The Company and its consolidated subsidiaries have applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and does not disclose contracts with an original expected duration of one year or less. The performance obligations that are unsatisfied (or partially unsatisfied) amounted to 61,186 million yen as of the end of the current fiscal year. The performance obligation relates to construction undertaken by the engineering business. The Company expects to recognize this revenue within one year from the end of the period.

(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	57,037	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.

[Related parties]

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

Transactions with related parties

Transactions between company submitting consolidated financial statements and related parties

Affiliated company

Type	Company name	Location	Capital (million yen)	Description of business	Percentage of voting rights owned (%)	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of period (million yen)
Company in which major shareholders (companies, etc.) hold a majority of voting rights	ENEOS Corporation	Chiyoda-ku, Tokyo	30,000	Manufacture of petroleum and petrochemical products	–	Construction work and maintenance	Contracted construction	48,829	Accounts receivable from completed construction contracts Contract assets Advances received on construction contracts in progress	12,211 10,165 0

(Note) 1. Transaction terms and policy for deciding transaction terms

The amount of orders received is determined in the same manner as for general transactions (competition) by presenting price quotations.

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

Transactions with related parties

Transactions between company submitting consolidated financial statements and related parties

Affiliated company

Type	Company name	Location	Capital (million yen)	Description of business	Percentage of voting rights owned (%)	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of period (million yen)
Company in which major shareholders (companies, etc.) hold a majority of voting rights	ENEOS Corporation	Chiyoda-ku, Tokyo	30,000	Manufacture of petroleum and petrochemical products	–	Construction work and maintenance	Contracted construction	56,286	Accounts receivable from completed construction contracts Contract assets Advances received on construction contracts in progress	13,236 11,485 0

(Note) 1. Transaction terms and policy for deciding transaction terms

The amount of orders received is determined in the same manner as for general transactions (competition) by presenting price quotations.

(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 per share	54,099,126 shares	Number of common shares used for calculating the amounts of net assets per share	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 event)

Disposal of treasury shares through third-party allotment to employee shareholding association

At the Board of Directors meeting held on May 24, 2024 (hereinafter, the “Board Resolution Date”), the Company resolved to dispose of treasury shares (hereinafter, the “Treasury Share Disposal”) with a disposal date of September 20, 2024 to the RAIZNEXT Employee Shareholding Association (hereinafter, the “Shareholding Association”) as the allottee, based on a restricted stock incentive plan for employee shareholding association (hereinafter, the “Plan”).

1. Overview of the disposal

Issue	Type	Description of shares
Shares of RAIZNEXT Corporation	Common shares	The shares have full voting rights and are the Company’s standard shares with no restrictions on their rights. The number of shares constituting one unit is 100 shares.

Number of shares to be disposed of	Disposal price	Total disposal value
668,730 shares (Note 1)	1,843 yen (Note 2)	1,232,469,390 yen (Notes 1, 3)

(Notes) 1. The number of shares to be disposed of and the total disposal value above are calculated on the assumption that the shares will be granted to 1,700 employees of the Company, which is the maximum number of employees eligible for the Plan as of the Board Resolution Date, in accordance with the number of shares granted per employee as determined by the Company based on their respective grades (Ma: maximum 40 employees and 502 shares, Mb: maximum 100 employees and 484 shares, Mc: maximum 240 employees and 466 shares, Sa: maximum 150 employees and 431 shares, Sb: maximum 280 employees and 413 shares, Sc: maximum 270 employees and 395 shares, Sd: maximum 400 employees and 377 shares, Senior Managers: maximum 40 employees and 333 shares, Senior Employees: maximum 70 employees and 279 shares, Professional Employees: maximum 20 employees and 162 shares, and Contract Employees: maximum 90 employees and 162 shares). The number of shares to be disposed of and the total disposal value for the Treasury Share Disposal will be determined by the number of employees of the Company who agree to the Plan (hereinafter, the "Eligible Employees") after the promotion of membership to non-members of the Shareholding Association is completed and the consent to the Plan is confirmed for members of the Shareholding Association.

2. The disposal price has been set at 1,843 yen, which is the closing price of the Company's common stock on the Prime Market of the Tokyo Stock Exchange on May 23, 2024.

3. The total disposal value represents the total amount disposed of for the Treasury Share Disposal under the Companies Act, and is an estimate calculated by multiplying the closing price of the Company's common shares on the Prime Market of the Tokyo Stock Exchange on its business day preceding the Board Resolution Date by the estimated number of shares to be disposed of.

2. Purpose and reason for the disposal

The Company resolved to introduce the Plan to the Eligible Employees who are members of the Shareholding Association to commemorate the fifth anniversary of the business integration. The Plan aims to promote the welfare of the Eligible Employees, to provide incentives to the Eligible Employees to contribute to the sustainable enhancement of the Company's corporate value, and to promote their sharing of value with the Company's shareholders.

v. Annexed Consolidated Detailed Schedules

[Annexed consolidated detailed schedule of corporate bonds]

Not applicable.

[Annexed consolidated detailed schedule of borrowings]

Category	Balance at beginning of period (million yen)	Balance at end of period (million yen)	Average interest rate (%)	Repayment date
Short-term borrowings	–	–	–	–
Current portion of long-term borrowings	9	0	2.0	–
Current portion of lease obligations	10	29	–	–
Long-term borrowings (excluding current portion)	0	–	–	–
Lease obligations (excluding current portion)	1	46	–	June 24, 2025- March 14, 2031
Total	23	76	–	–

(Notes) 1. "Average interest rate" represents the weighted-average interest rate for the balance at end of period.
The "average interest rate" for lease obligations is not presented because the amount equivalent to interest included in total lease payments is allocated to each fiscal year using the straight-line method.

2. The repayment schedule for long-term borrowings and lease obligations (excluding current portion) due within four years from the consolidated closing date are as follows:

	Over one year and within two years (million yen)	Over two years and within three years (million yen)	Over three years and within four years (million yen)	Over four years and within five years (million yen)
Long-term borrowings	–	–	–	–
Lease obligations	17	12	9	3

[Annexed consolidated detailed schedule of asset retirement obligations]

This information is omitted as the amount of asset retirement obligations at the beginning and the end of the current fiscal year is 1% or less of total liabilities and net assets at the beginning and end of the current fiscal year.

(2) Other

Quarterly information for the fiscal year ended March 31, 2024

	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)	120th fiscal year (From April 1, 2023 to March 31, 2024)
Net sales (million yen)	29,974	70,219	102,281	140,366
Profit before income taxes (million yen)	1,152	4,369	6,491	10,477
Profit attributable to owners of parent (million yen)	700	2,869	4,379	7,249
Basic earnings per share (yen)	12.94	53.02	80.94	134.20

	First quarter of the fiscal year (From April 1, 2023 to June 30, 2023)	Second quarter of the fiscal year (From July 1, 2023 to September 30, 2023)	Third quarter of the fiscal year (From October 1, 2023 to December 31, 2023)	Fourth quarter of the fiscal year (From January 1, 2024 to March 31, 2024)
Basic earnings per share (yen)	12.94	40.07	27.92	53.39

2. Financial Statements

(1) Financial Statements

i. 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	14,187	8,328
Notes receivable - trade	184	4
Electronically recorded monetary claims - operating	986	1,192
Accounts receivable from completed construction contracts	42,680	43,067
Contract assets	23,829	22,786
Costs on construction contracts in progress	1,216	834
Other	1,485	1,753
Allowance for doubtful accounts	(2)	(2)
Total current assets	84,568	77,965
Non-current assets		
Property, plant and equipment		
Buildings	8,107	9,777
Accumulated depreciation	(4,963)	(4,955)
Buildings, net	3,144	4,821
Structures	900	993
Accumulated depreciation	(530)	(544)
Structures, net	369	449
Machinery and equipment	4,046	3,941
Accumulated depreciation	(3,497)	(3,200)
Machinery and equipment, net	549	741
Vehicles	305	296
Accumulated depreciation	(291)	(272)
Vehicles, net	14	23
Tools, furniture and fixtures	1,732	1,907
Accumulated depreciation	(1,448)	(1,512)
Tools, furniture and fixtures, net	283	395
Land	9,063	8,916
Leased assets	6	71
Accumulated depreciation	(4)	(25)
Leased assets, net	2	45
Construction in progress	535	985
Total property, plant and equipment	13,962	16,379
Intangible assets		
Other	1,413	1,480
Total intangible assets	1,413	1,480
Investments and other assets		
Investment securities	4,244	5,216
Shares of subsidiaries and associates	3,098	3,098
Long-term prepaid expenses	5	19
Deferred tax assets	1,592	1,406
Other	651	490
Allowance for doubtful accounts	(167)	(166)
Total investments and other assets	9,424	10,065
Total non-current assets	24,800	27,925
Total assets	109,369	105,891

(Unit: Million yen)

	Previous FY (As of March 31, 2023)	Current FY (As of March 31, 2024)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	14,574	13,293
Short-term borrowings	Note 1 1,300	Note 1 1,700
Income taxes payable	1,740	1,550
Advances received on construction contracts in progress	103	177
Provision for loss on construction contracts	356	581
Provision for warranties for completed construction	172	185
Provision for bonuses	1,987	1,825
Accounts payable - other	1,708	3,261
Other	5,554	1,047
Total current liabilities	27,499	23,622
Non-current liabilities		
Provision for retirement benefits	4,142	4,295
Other	154	197
Total non-current liabilities	4,296	4,493
Total liabilities	31,795	28,116
Net assets		
Shareholders' equity		
Share capital	2,754	2,754
Capital surplus		
Legal capital surplus	11,460	11,460
Other capital surplus	384	378
Total capital surplus	11,845	11,839
Retained earnings		
Legal retained earnings	408	408
Other retained earnings		
General reserve	500	500
Retained earnings brought forward	61,007	62,202
Total retained earnings	61,915	63,110
Treasury shares	(101)	(1,833)
Total shareholders' equity	76,413	75,871
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,160	1,900
Deferred gains or losses on hedges	–	3
Total valuation and translation adjustments	1,160	1,903
Total net assets	77,573	77,774
Total liabilities and net assets	109,369	105,891

ii. 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	132,322	132,544
Cost of sales of completed construction contracts	Note 1 116,026	Note 1 117,107
Gross profit on completed construction contracts	16,296	15,437
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	187	205
Employees' salaries and allowances	1,286	1,229
Employees' bonuses	425	386
Provision for bonuses	356	328
Directors' bonuses	126	64
Retirement benefit expenses	39	48
Legal welfare expenses	419	390
Welfare expenses	259	262
Repair and maintenance expenses	250	266
Stationery expenses	65	112
Communication and transportation expenses	270	409
Power utilities expenses	26	23
Advertising expenses	107	139
Entertainment expenses	81	133
Donations	0	10
Rent expenses on land and buildings	154	91
Depreciation	388	470
Taxes and dues	428	401
Insurance expenses	83	31
Fee expenses	420	434
Research and development expenses	Note 2 60	Note 2 77
Miscellaneous expenses	901	788
Total selling, general and administrative expenses	6,339	6,306
Operating profit	9,956	9,130
Non-operating income		
Interest income	5	3
Dividend income	354	354
Rental income	96	99
Reversal of allowance for doubtful accounts	3	0
Foreign exchange gains	16	33
Other	55	32
Total non-operating income	532	524
Non-operating expenses		
Interest expenses	9	16
Rental expenses	10	10
Other	10	17
Total non-operating expenses	30	44
Ordinary profit	10,458	9,611

(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		
Gain on sale of non-current assets	Note 3 3	Note 3 9
Gain on sale of investment securities	64	81
Settlement income	100	–
Total extraordinary income	167	91
Extraordinary losses		
Loss on sale of non-current assets	Note 4 0	Note 4 1
Loss on retirement of non-current assets	Note 5 6	Note 5 35
Impairment losses	–	80
Other	–	0
Total extraordinary losses	6	118
Profit before income taxes	10,619	9,584
Income taxes - current	3,172	3,012
Income taxes - deferred	81	(142)
Total income taxes	3,253	2,870
Profit	7,365	6,714

Cost of Sales of Completed Construction Contracts Report

		Previous FY (From April 1, 2022 to March 31, 2023)		Current FY (From April 1, 2023 to March 31, 2024)	
Category	Note number	Amount (million yen)	Composition ratio (%)	Amount (million yen)	Composition ratio (%)
I Material costs		11,117	9.5	10,014	8.6
II Labor costs		9,586	8.3	9,920	8.5
III Outsourcing costs		80,747	69.6	82,973	70.9
IV Expenses		14,573	12.6	14,199	12.0
[Personnel expenses]		[3,720]		[3,798]	
Total		116,026	100.00%	117,107	100.00%

(Note) The cost accounting method is job costing, which aggregates the actual cost for each construction.
Furthermore, for labor costs and a part of expenses, the planned costs are applied and the cost difference is adjusted at the end of the fiscal year.

iii. Statement of Changes in Net Assets

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

(Unit: Million yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	2,754	11,460	384	11,845	408	500	56,783	57,691
Changes during period								
Dividends of surplus				–			(3,141)	(3,141)
Profit				–			7,365	7,365
Purchase of treasury shares				–				–
Disposal of treasury shares								–
Net changes in items other than shareholders' equity				–				–
Total changes during period	–	–	–	–	–	–	4,224	4,224
Balance at end of period	2,754	11,460	384	11,845	408	500	61,007	61,915

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(0)	72,290	1,167	–	1,167	73,457
Changes during period						
Dividends of surplus		(3,141)				(3,141)
Profit		7,365				7,365
Purchase of treasury shares	(100)	(100)				(100)
Disposal of treasury shares		–				–
Net changes in items other than shareholders' equity		–	(7)	–	(7)	(7)
Total changes during period	(100)	4,123	(7)	–	(7)	4,115
Balance at end of period	(101)	76,413	1,160	–	1,160	77,573

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

(Unit: Million yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	2,754	11,460	384	11,845	408	500	61,007	61,915
Changes during period								
Dividends of surplus				–			(5,519)	(5,519)
Profit				–			6,714	6,714
Purchase of treasury shares				–				–
Disposal of treasury shares			(5)	(5)				–
Net changes in items other than shareholders' equity				–				–
Total changes during period	–	–	(5)	(5)	–	–	1,195	1,195
Balance at end of period	2,754	11,460	378	11,839	408	500	62,202	63,110

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(101)	76,413	1,160	–	1,160	77,573
Changes during period						
Dividends of surplus		(5,519)				(5,519)
Profit		6,714				6,714
Purchase of treasury shares	(1,791)	(1,791)				(1,791)
Disposal of treasury shares	59	54				54
Net changes in items other than shareholders' equity		–	740	3	743	743
Total changes during period	(1,732)	(542)	740	3	743	201
Balance at end of period	(1,833)	75,871	1,900	3	1,903	77,774

Notes to Financial Statements

(Significant accounting policies)

1. Valuation standards and methods for securities

Shares of subsidiaries

Stated at cost using the moving average method

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

(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

2. Valuation standards and methods for inventory assets

Costs on construction contracts in progress

Stated at cost using the specific identification method

3. Valuation standards and methods for derivatives

Stated at market value

4. Depreciation and amortization methods for non-current assets

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

Declining balance method is applied. However, straight-line method applies 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	2 to 55 years
Machinery and equipment	2 to 12 years

(2) 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.

(3) 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.

5. Accounting standards for allowance and provisions

(1) 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.

(2) Allowance for investment loss

To prepare for potential losses on shares of subsidiaries and associates, the necessary amounts are recorded considering the financial position of the relevant company.

(3) 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.

(4) 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 construction work is recorded where construction expenses for warranties are anticipated to occur.

(5) Provision for bonuses

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

(6) Provision for retirement benefits

To prepare for retirement benefits, it is recorded on the basis of the estimated amounts of retirement benefit obligations and pension assets at the end of the current fiscal year.

(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 differences and treatment of 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 (5 to 11 years) at the time of its occurrence during each fiscal year.

6. Accounting standards for significant revenue and expenses

(1) Main performance obligations in the principal businesses related to revenue arising from contracts with customers

(i) Maintenance business

In terms of the maintenance business, the Company provides routine maintenance works and regular repair works for customers' plants.

(ii) Engineering business

In terms of the engineering business, the Company provides plant construction work as well as remodeling and renovation work.

(2) Timing when performance obligations related to revenue arising from contracts with customers are typically satisfied

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

Performance obligations are deemed satisfied over a certain period and revenue is recognized in reference to the progress related to the fulfillment of the performance obligations. The progress is measured by comparing the accumulated amount of costs incurred by the end of the current fiscal year with the estimated total costs 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 recognized at the time when the performance obligations are fully satisfied.

7. Hedge accounting

(1) Hedge accounting

Deferred hedge accounting is applied.

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

(2) Hedging instruments and hedged items

Hedging instruments	Forward exchange transactions
Hedged items	Forward transactions denominated in foreign currencies

(3) Hedging policies

Based on 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.

(4) 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.

8. Other significant matters that serve as the basis for preparation of the financial statements

Accounting treatment for retirement benefits

The accounting treatment of unrecognized actuarial differences and unrecognized past service costs with regard to retirement benefits is different than the accounting treatment used in the consolidated financial statements.

(Significant accounting estimates)

1. Estimates of total construction cost in applying the method where revenue is recognized as performance obligations are satisfied over time

(1) Amount recorded in the financial statements for the fiscal year ended March 31, 2024

(million yen)

	Previous FY	Current FY
Net sales of completed construction contracts	132,322	132,544
Net sales of completed construction contracts where revenue is recognized as performance obligations are satisfied over time included in net sales of completed construction contracts	33,902	32,663
As of the end of the fiscal year, net sales of completed construction contracts related to ongoing projects	16,002	12,386

(2) Information related to significant accounting estimates pertaining to identified items

Omitted as it is the same as the notes on “Consolidated Financial Statements, ‘Notes (Significant accounting estimates).’”

(Balance sheet)

Note 1 The Company has entered into syndication-type committed line of credit contracts with five correspondent banks to efficiently procure working capital.

The balance of unused credit under such committed line of credit contracts is as follows:

	Previous FY (As of March 31, 2023)	Current FY (As of March 31, 2024)
Lines of credit	4,000 million yen	4,000 million yen
Credit utilized	– million yen	– million yen
Available credit	4,000 million yen	4,000 million yen

(Statement of income)

Note 1 The amount of provision for loss on construction contracts included in cost of sales of completed construction contracts is as follows:

Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
528 million yen	520 million yen

Note 2 Research and development expenses included in administrative expenses are as follows:

Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
60 million yen	77 million yen

Note 3 Breakdown of gain on sale of non-current assets is as follows:

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Buildings	0 million yen	0 million yen
Machinery and equipment	0 million yen	2 million yen
Vehicles	3 million yen	2 million yen
Tools, furniture and fixtures	0 million yen	0 million yen
Land	– million yen	4 million yen
Total	3 million yen	9 million yen

Note 4 Breakdown of loss on sale of non-current assets is as follows:

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Buildings	– million yen	1 million yen
Machinery and equipment	0 million yen	– million yen
Vehicles	– million yen	0 million yen
Total	0 million yen	1 million yen

Note 5 Breakdown of loss on retirement of non-current assets is as follows:

	Previous FY (From April 1, 2022 to March 31, 2023)	Current FY (From April 1, 2023 to March 31, 2024)
Buildings	1 million yen	10 million yen
Structures	– million yen	0 million yen
Machinery and equipment	4 million yen	0 million yen
Vehicles	0 million yen	0 million yen
Tools, furniture and fixtures	0 million yen	0 million yen
Telephone subscription right	0 million yen	23 million yen
Software	– million yen	0 million yen
Total	6 million yen	35 million yen

(Securities)

Previous FY

The fair value of shares of subsidiaries and associates is not presented because they are shares, etc. without a market price.

The balance sheet amount of shares, etc. without a market price of subsidiaries and associates is as follows:

Category	Previous FY (As of March 31, 2023)
Shares of subsidiaries	2,361 million yen
Shares of associates	736 million yen
Total	3,098 million yen

Current FY

The fair value of shares of subsidiaries and associates is not presented because they are shares, etc. without a market price.

The balance sheet amount of shares, etc. without a market price of subsidiaries and associates is as follows:

Category	Current FY (As of March 31, 2024)
Shares of subsidiaries	2,361 million yen
Shares of associates	736 million yen
Total	3,098 million yen

(Tax effect accounting)

1. Breakdown of significant components of deferred tax assets and deferred tax liabilities

	Previous FY (As of March 31, 2023)	Current FY (As of March 31, 2024)
(Deferred tax assets)		
Allowance for doubtful accounts	51 million yen	51 million yen
Accumulated impairment losses	154 million yen	137 million yen
Loss on valuation of investment securities	21 million yen	21 million yen
Loss on valuation of shares of subsidiaries and associates	35 million yen	35 million yen
Loss on valuation of golf club membership	54 million yen	54 million yen
Provision for loss on construction contracts	108 million yen	177 million yen
Provision for warranties for completed construction	52 million yen	56 million yen
Provision for bonuses	608 million yen	558 million yen
Provision for retirement benefits	1,267 million yen	1,314 million yen
Accrued enterprise taxes	109 million yen	100 million yen
Accrued social insurance expenses	89 million yen	92 million yen
Auxiliary materials	58 million yen	63 million yen
Other	134 million yen	109 million yen
Deferred tax assets subtotal	2,746 million yen	2,773 million yen
Valuation allowance	(317) million yen	(203) million yen
Total deferred tax assets	2,428 million yen	2,570 million yen
(Deferred tax liabilities)		
Valuation of shares of subsidiaries and associates	341 million yen	341 million yen
Valuation difference on available-for-sale securities	477 million yen	803 million yen
Other	17 million yen	17 million yen
Total deferred tax liabilities	836 million yen	1,163 million yen
Net deferred tax assets	1,592 million yen	1,406 million yen

2. Breakdown of significant components of difference between statutory tax rate and effective tax rate after adoption of tax effect accounting

(Note) Notes are omitted for the previous and the current fiscal years because the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting is less than 5% of the statutory tax rate.

(Business combinations)

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

Not applicable.

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

Not applicable.

(Revenue recognition)

Useful information in understanding revenue from contracts with customers is omitted as the same details are presented in “Notes (Revenue recognition)” in the consolidated financial statements.

(Significant subsequent event)

Disposal of treasury shares through third-party allotment to employee shareholding association

Notes are omitted as the same details are presented in “Notes (Significant subsequent event)” in the consolidated financial statements.

iv. Annexed Detailed Schedules

[Annexed detailed schedule of securities]

[Stocks]

Issue	Number of shares (shares)	Balance sheet amount (million yen)
(Investment securities)		
Other securities		
ENEOS Holdings, Inc.	1,672,011	1,222
Zeon Corporation	592,000	782
NIPPON SHOKUBAI CO., LTD.	87,200	511
Sato Foods Industries Co., Ltd.	195,500	390
SHIONOGI & CO., LTD.	41,000	317
ADEKA Corporation	93,831	302
MEISEI INDUSTRIAL CO., LTD.	188,000	246
Hokuetsu Corporation	100,000	192
Cosmo Energy Holdings Co., Ltd.	24,615	188
Takeda Pharmaceutical Company Limited	40,500	169
OSAKA ORGANIC CHEMICAL INDUSTRY LTD.	50,000	158
RIKEN VITAMIN CO., LTD.	42,000	108
HISAKA WORKS, LTD.	104,000	105
NICHIAS Corporation	25,000	101
Hodogaya Chemical Co., Ltd.	20,500	74
FUJI OIL HOLDINGS INC.	29,166	69
Tosoh Corporation	27,500	56
Daiichi Sankyo Co., Ltd.	9,039	43
Nippon Seiro Co., Ltd.	200,000	34
JAPAN INSULATION CO., LTD.	21,700	22
Yokohama Tekko Kensetsu Co., Ltd.	35,000	17
DIC Corporation	5,300	15
Asahi Kasei Corp.	13,308	14
Rinkai Nissan Construction Co., Ltd.	400	12
JFE Holdings, Inc.	3,400	8
KANEKA CORPORATION	2,116	8
Hon-Atsugi Country Club Co., Ltd.	30	7
Wakayama Petroleum Refining Co., Ltd.	60,000	6
ASAHI INDUSTRY Co., Ltd.	8,400	6
Shinminami Aichi Country Club Co., Ltd.	1	4
Tapyrus Holdings Corporation	80,000	4
Hamano Golf Club Co., Ltd.	2	2
Heat Transfer Research, Inc.	1	0
(Bonds held to maturity)		
Kanagawa prefecture public offering public bond (green bond)	100,000	10
Total	3,871,522	5,216

[Annexed detailed schedule of property, plant and equipment, etc.]

Asset type	Balance at beginning of period (million yen)	Increase during period (million yen)	Decrease during period (million yen)	Balance at end of period (million yen)	Accumulated depreciation/ amortization and accumulated impairment losses or amortization at end of period (million yen)	Depreciation/ amortization during period (million yen)	Net balance at end of period (million yen)
Property, plant and equipment							
Buildings	8,107	1,957	287	9,777	4,955	245 [8]	4,821
Structures	900	117	24	993	544	36 [0]	449
Machinery and equipment	4,046	348	453	3,941	3,200	154	741
Vehicles	305	18	27	296	272	8	23
Tools, furniture and fixtures	1,732	219	44	1,907	1,512	107 [0]	395
Land	9,063	–	146 [72]	8,916	–	–	8,916
Leased assets	6	64	–	71	25	3	45
Construction in progress	535	4,764	4,313	985	–	–	985
Total property, plant and equipment	24,697	7,489	5,297 [72]	26,889	10,510	555 [8]	16,379
Intangible assets							
Other	2,845	2,475	2,080	3,239	1,759	288	1,480
Total intangible assets	2,845	2,475	2,080	3,239	1,759	288	1,480
Long-term prepaid expenses	25	20	12	33	9	1	23 [4]

(Notes) 1. Amounts in parentheses in the decrease during period represent impairment losses and are included in the figure without parentheses.
2. Long-term prepaid expenses are depreciated using the straight-line method stipulated in the Corporate Tax Act. Amounts in parentheses in the net balance at the end of the period are to be expensed within one year and are therefore included in "Other" under current assets on the balance sheet.
3. Amounts in parentheses in the depreciation/amortization during period represent impairment losses and are included in the figure without parentheses.

[Annexed detailed schedule of provisions]

Category	Balance at beginning of period (million yen)	Increase during period (million yen)	Decrease during period (Intended use) (million yen)	Decrease during period (Other) (million yen)	Balance at end of period (million yen)
Allowance for doubtful accounts	169	0	0	0	168
Provision for loss on construction contracts	356	520	295	–	581
Provision for warranties for completed construction	172	53	40	–	185
Provision for bonuses	1,987	1,825	1,987	–	1,825

(Note) "Decrease during period (Other)" in allowance for doubtful accounts is due to a revaluation of golf club memberships.

(2) Components of major assets and liabilities

This information is omitted as the Company prepares consolidated financial statements.

(3) Other

Not applicable.

VI. Outline of Share-related Administration of Reporting Company

Fiscal year	From April 1 to March 31
Annual general meeting of shareholders	In June
Record date	March 31
Record date of distribution of surplus	September 30, March 31
Number of shares per unit	100 shares
Purchase of shares less than one unit	
Handling location	(Special account) Corporate Agency Division Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Shareholder registry administrator	(Special account) Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Agency	–
Purchase handling fee	Amount separately determined as the amount equivalent to the purchase handling fee related to the consignment of stock trading
Announcement method	Announcements are delivered electronically. In the event that electronic delivery is not possible, we will publish announcements in the Nihon Keizai Shimbun. In addition, the electronic delivery is posted on the Company's website, and its address is as follows: https://www.raiznext.co.jp/
Benefits for shareholders	Not applicable.

(Note) Shareholders of the Company may not exercise any rights other than those listed below with respect to the shares less than one unit held.

Rights listed in each item of Article 189, Paragraph 2 of the Companies Act

Right to make a request pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act

Right to receive allotment of offered shares and allotment of offered stock acquisition rights according to the number of shares held by shareholders

VII. Reference Information of Reporting Company

1. Information on Parent Company, etc., of Reporting Company

The Company does not have a parent company, etc.

2. Other Reference Information

The following documents have been submitted between the start date of the fiscal year ended March 31, 2024 and the submission date of the annual securities report.

(1) Annual securities report, its attached documents, and confirmation report of the annual securities report

Fiscal year: 119th fiscal year (from April 1, 2022 to March 31, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2023.

(2) Internal control report and its attached documents

Fiscal year: 119th fiscal year (from April 1, 2022 to March 31, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2023.

(3) Extraordinary report

Submitted an extraordinary report based on the provisions of Article 19, Paragraph 2, Item 9-2 (Results of exercising voting rights at a general meeting of shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs to the Director-General of the Kanto Local Finance Bureau on June 28, 2023.

Submitted an extraordinary report based on the provisions of Article 19, Paragraph 2, Item 2-2 (Disposal of treasury shares) of the Cabinet Office Order on Disclosure of Corporate Affairs to the Director-General of the Kanto Local Finance Bureau on May 24, 2024.

(4) Quarterly securities report, confirmation report of the quarterly securities report

1Q 120th fiscal year (from April 1, 2023 to June 30, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on August 14, 2023.

2Q 120th fiscal year (from July 1, 2023 to September 30, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2023.

3Q 120th fiscal year (from October 1, 2023 to December 31, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2024.

(5) Amendment report of the annual securities report and confirmation report

Fiscal year: 118th fiscal year (from April 1, 2021 to March 31, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2023.

Fiscal year: 117th fiscal year (from April 1, 2020 to March 31, 2021) Submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2023.

Fiscal year: 116th fiscal year (from April 1, 2019 to March 31, 2020) Submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2023.

(6) Share repurchase report

Submitted to the Director-General of the Kanto Local Finance Bureau on July 11, 2023, January 11, 2024, March 21, 2024, April 11, 2024, May 10, 2024, and June 10, 2024.

Part 2. Information on Guarantee Company, etc., of Reporting Company

Not applicable.

Independent Auditor's Report

The Board of Directors
RAIZNEXT Corporation.

Opinion

We have audited the accompanying consolidated financial statements of RAIZNEXT Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of total construction cost in applying the method where revenue is recognized as performance obligations are satisfied over time	
Description of Key Audit Matter	**Auditor's Response**
RAIZNEXT Corporation (the "Company") and its consolidated subsidiaries (collectively, the "Group") are engaged in the design, manufacture, construction, sale and	In order to assess the reasonableness of the estimate of total construction cost in applying the method where revenue is recognized as performance obligations are satisfied over

maintenance and other businesses related to industrial equipment and machinery and equipment used for industrial pollution prevention. As described in 4. Accounting policies, (5) Accounting standards for significant revenue and expenses, revenue from construction contracts in the engineering business is mainly recognized using a method where revenue is recognized as performance obligations are satisfied over time for measuring the progress of construction work up to the end of the fiscal year ended March 31, 2024 for which the performance obligations are deemed to have been satisfied (progress in satisfying performance obligations is estimated using a cost-based input method). As described in (Significant accounting estimates), the amount of completed construction accounted for under the method where revenue is recognized as performance obligations are satisfied over time for the fiscal year ended March 31, 2024 was 32,663 million yen, of which the amount for construction projects in progress at the end of the current fiscal year was 12,386 million yen. Revenue recognized using the method where revenue is recognized as performance obligations are satisfied over time is measured based on progress made in satisfying performance obligations, which is determined based on the proportion of the cumulative	time for engineering construction contracts in the engineering business, we mainly performed the following audit procedures. (1) Evaluation of internal controls We assessed the design and operating effectiveness of internal controls related to the estimation process for the total construction cost. In this assessment, we focused on the following internal controls: ・ Internal control relevant to ensuring the appropriateness of the estimated total construction cost for each construction contract by having project managers review and approve the construction schedule, documents prepared for cost management purposes and purchase orders from customers prepared by persons in charge of construction work. ・ Internal control relevant to ensuring that any changes in circumstances after the commencement of construction are reflected in the estimated total construction cost in a timely manner by having persons in charge of construction work report the status of construction costs to project managers on a monthly basis. (2) Evaluation of estimated total construction cost In order to evaluate the estimate of the total construction cost determined for each construction contract, we mainly performed the following audit procedures for material construction work,

amount of costs incurred as of the end of the fiscal year to the estimated total cost. In applying the method where revenue is recognized as performance obligations are satisfied over time, it is necessary to reasonably estimate total construction revenue and total construction cost. In particular, total construction cost is estimated using assumptions such as the price and quantity of the required materials and equipment and the labor hours based on various types of information such as the nature of the relevant construction contracts, required specifications, local conditions and the actual cost incurred for similar contracts in the past. As a characteristic of the Group's business, the construction contracts to which the method where revenue is recognized as performance obligations are satisfied over time has been applied are relatively long term. Therefore, the Group's business operations during the construction process are affected by various environmental factors, such as unexpected increases in the prices of materials and equipment due to varying market trends and exchange rate fluctuations, a shortage of construction personnel (including construction supervisors and workers) due to delays in the work process and the occurrence of events not originally anticipated. Due to the above-mentioned factors, the Group revises its estimates in applying the method where revenue is recognized as	construction work with other characteristics, and other components: • We inspected the documents prepared for cost management purposes and analyzed trends in the cost structure ratio of main cost items such as material costs, labor costs and outsourcing costs to the total construction cost and considered whether there were any abnormalities in the cost items. • Regarding changes in operating costs, which serve as the basis for the estimate of total construction cost, we compared the estimate of total construction cost at the time of receiving the construction orders with the revised estimate and evaluated the differences, if any. • We evaluated whether there were factors resulting in changes in operating costs, such as changes in specifications during the construction period, extensions of construction periods, changes in contracts, and suspensions in construction work, by comparing the schedule with the construction progress based on the input method and making inquiries of persons in charge of construction work, and considered whether such factors resulting in changes in operating costs were reflected in the revised estimation of the total construction cost. • We considered the accuracy of the Company's estimates for completed

performance obligations are satisfied over time, in particular the total construction cost, in a timely manner. However, the determination of the necessity of such revisions and the assumptions used in making estimates involve the subjective judgment of management. Based on the above, we have determined that the estimate of total construction cost in applying the method where revenue is recognized as performance obligations are satisfied over time for construction contracts in the engineering business was a significant matter in our audit of the consolidated financial statements for this fiscal year, and accordingly, it is a key audit matter.	construction work by comparing the actual total construction cost with the most recent total construction cost estimate.

Other Information

The other information comprises the information included in the Annual Securities Report that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

December 17, 2024

中原　義勝
Yoshikatsu Nakahara
Designated Engagement Partner
Certified Public Accountant

佐藤　賢治
Kenji Sato
Designated Engagement Partner
Certified Public Accountant