Cover page

[Document title]	Annual Securities Report
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[Place of filing]	Director-General, Kanto Local Finance Bureau
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[Fiscal year]	The 119th Fiscal Year (From April 1, 2022 to March 31, 2023)
[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		115th FY	116th FY	117th FY	118th FY	119th FY
Year ended		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales of completed construction contracts	(million yen)	97,331	140,578	145,914	129,832	140,061
Ordinary profit	(million yen)	7,939	10,239	10,657	11,270	11,243
Profit attributable to owners of parent	(million yen)	5,225	12,258	7,344	7,748	7,741
Comprehensive income	(million yen)	4,764	11,769	8,982	8,755	7,207
Net assets	(million yen)	47,988	67,819	73,890	79,342	83,283
Total assets	(million yen)	80,155	99,348	97,121	100,781	114,168
Net assets per share	(yen)	1,019.39	1,233.48	1,344.96	1,450.39	1,524.55
Basic earnings per share	(yen)	113.03	234.86	135.58	143.04	142.93
Diluted earnings per share	(yen)	–	–	–	–	–
Equity-to-asset ratio	(%)	58.8	67.3	75.0	78.0	72.2
Rate of return on equity	(%)	11.4	21.5	10.5	10.2	9.6
Price-earnings ratio	(times)	10.4	5.2	8.8	7.5	10.2
Net cash provided by (used in) operating activities	(million yen)	9,842	(6,384)	8,591	11,157	10,069
Net cash used in investing activities	(million yen)	(681)	(360)	(1,101)	(2,225)	(1,880)
Net cash used in financing activities	(million yen)	(1,893)	(5,142)	(7,170)	(2,849)	(3,281)
Cash and cash equivalents at end of period	(million yen)	16,821	6,368	6,686	12,835	17,758
Number of employees	(persons)	1,428	2,183	2,122	2,011	2,083

(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		115th FY	116th FY	117th FY	118th FY	119th FY
Year ended		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales of completed construction contracts	(million yen)	89,597	130,253	136,896	121,204	132,322
Ordinary profit	(million yen)	6,924	8,893	9,943	10,592	10,458
Profit	(million yen)	4,703	11,579	6,630	8,619	7,365
Share capital	(million yen)	2,754	2,754	2,754	2,754	2,754
Total number of issued shares	(shares)	46,310,892	54,168,053	54,168,053	54,168,053	54,168,053
Net assets	(million yen)	44,556	63,441	68,128	73,457	77,573
Total assets	(million yen)	74,735	93,979	90,026	96,375	109,369
Net assets per share	(yen)	963.86	1,171.20	1,257.74	1,356.12	1,433.91
Dividend paid per share [of which, interim dividend paid per share]	(yen)	46.00 [–]	53.00 [–]	55.00 [–]	58.00 [–]	72.00 [–]
Basic earnings per share	(yen)	101.74	221.87	122.40	159.13	136.00
Diluted earnings per share	(yen)	-	-	-	-	-
Equity-to-asset ratio	(%)	59.6	67.5	75.7	76.2	70.9
Rate of return on equity	(%)	10.8	21.4	10.1	12.2	9.8
Price-earnings ratio	(times)	11.6	5.5	9.8	6.7	10.7
Dividend payout ratio	(%)	45.2	44.1	44.9	36.4	52.9
Number of employees	(persons)	984	1,653	1,656	1,615	1,616
Total shareholder return [Comparative index: Dividend-included TOPIX]	(%) (%)	128.1 [95.0]	138.3 [85.9]	141.1 [122.1]	134.2 [124.6]	181.7 [131.8]
Highest share price	(yen)	1,272	1,489	1,366	1,263	1,523
Lowest share price	(yen)	926	986	1,093	1,069	1,029

(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.

2. History

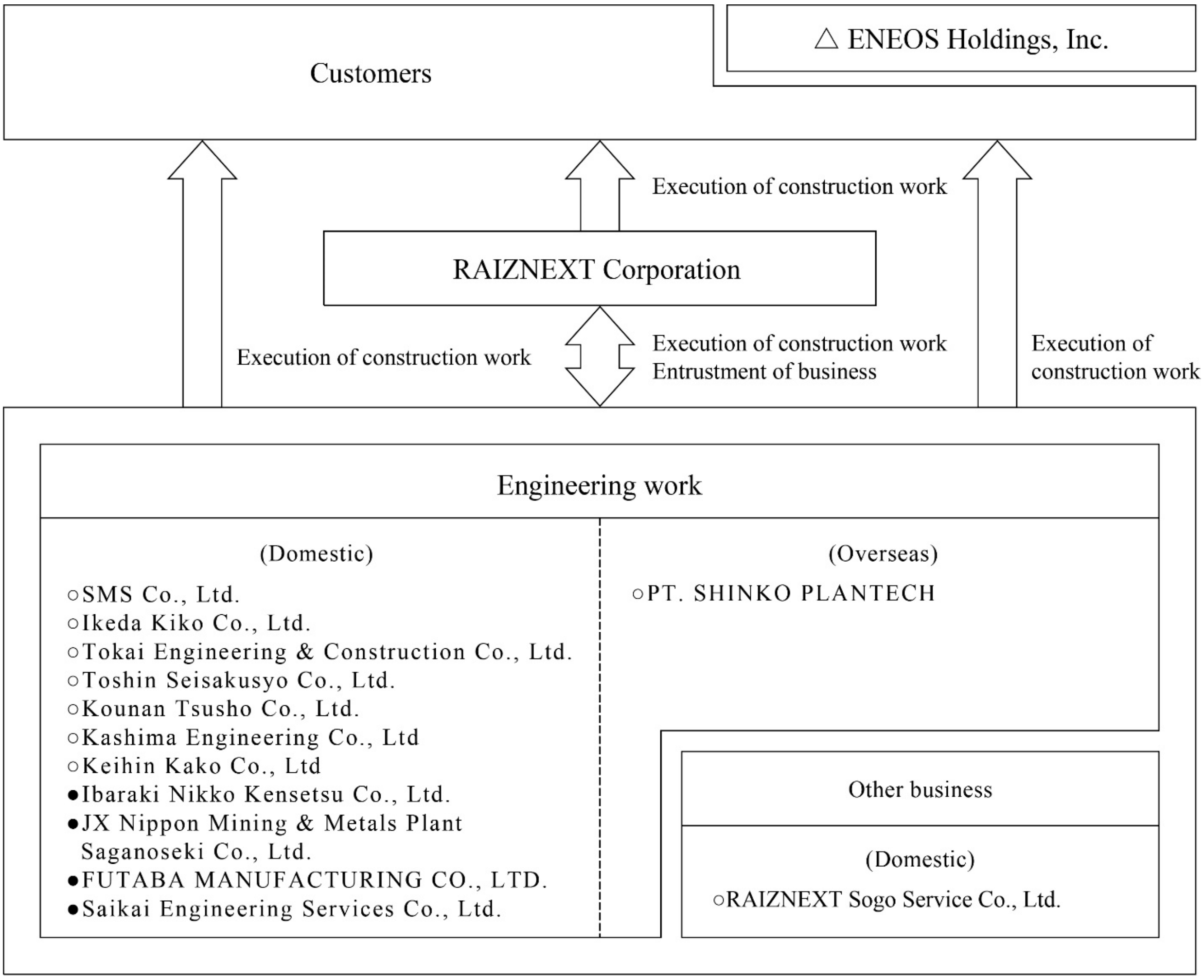
Jul. 1938	"Kabushiki-Kaisha Hosenkumi Tekkosyo" was established with a capital of 480 thousand yen.
Mar. 1941	The trade name was changed to "Kabushiki-Kaisha Hosen Tekkosyo."
Nov. 1945	The trade name was changed to "Kabushiki-Kaisha Sanko Seisakusho."
Jan. 1949	The head office was relocated to 813 Namamugi-cho, 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 and Shimizu Branch were opened. (Currently Wakayama Branch Office and Tokai 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)
Mar. 2000	Shares of N.S. Engineering Co., Ltd. were acquired (ownership ratio: 80%).
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.
Nov. 2003	Wuxi Xinggao Engineering Technology Limited Company was established as a subsidiary in Wuxi, Jiangsu in China.
Apr. 2004	Sendai 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.
Jun. 2009	The name of Toyama Branch Office was changed to Toyama Office.
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)
Jun. 2011	SHINKO PLANTECH (THAILAND) CO., LTD. was established as a subsidiary in Thailand.
Oct. 2011	Shares of Toshin Seisakusyo Co., Ltd. were acquired (ownership ratio: 100%). (Currently, a consolidated subsidiary)
Jun. 2012	The name of Yokohama Branch Office was changed to Yokohama Sales Office.
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.
Jun. 2017	Tasaka Tekko Kensetsu Co., Ltd. was established.
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.

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 by 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	(28.7) [7.18]	–	–	–	–
HIKARI TSUSHIN, Inc. (Note) 1	Toshima-ku, Tokyo	54,259	Corporate service, individual service, and intermediation sales	(22.4) [22.4]	–	–	–	–

(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, 2023

Name of segment	Number of employees (persons)
Engineering work	1,939
Other	144
Total	2,083

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

(2) Information about reporting company

As of March 31, 2023

Number of employees (persons)	Average age (years)	Average length of service (years)	Average annual salary (million yen)
1,616	42.3	15.8	796

(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, 2023, the Company group’s employees are members of the RAIZNEXT Trade Union (a membership of 981). There are no special items to be noted about labor relationships.

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

As of March 31, 2023

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 employees
1.4	64.4	67.7	70.5	59.3

(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. 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, under the concern for the shortage and longer delivery times of some materials including stainless steel due to the prolonged Ukraine situation, our procurement strategy in view of the situation is also an issue.

Furthermore, 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 promote the sustainability management, aiming for the sustainable growth of the Company and the medium- to long-term enhancement of our corporate value. In FY2023, we will work toward solving material issues for the Company.

As the progress of the Second Mid-Term Business Plan, in the maintenance business, we have implemented the organizational reform from the conventional three divisions to one division. With this reform, we aim to further secure contracts of large-scale regular repair works and implement fast decision-making through the optimization of human resources in the maintenance business. Additionally, we have achieved to participate in new areas in daily maintenance and regular repair works. In the engineering business, we have achieved to secure contracts of works toward a carbon-neutral society, including the construction of new mega solar power plants and green ammonia manufacturing plants.

Additionally, we have achieved to secure contracts of infrastructure development works including detoxification works and facility removal works toward the aggressive participation in the future plans of closed petroleum refining plants. We have also strengthened initiatives to secure contracts of new construction and modification works in the field of nonferrous metals with surging social demand. 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 have also implemented the research and study of the design and construction technologies of storage tanks of ammonia in addition to hydrogen.

In strengthening the management foundation, we have developed the company-wide risk management system as a measure to strengthen our governance. We have also started the sustainability management, promoting the enhancement of our corporate value with the formulation of material issues and key performance indicators (KPIs). For employees, in order to materialize a pleasant working environment, we have improved the working environment of temporary offices in construction sites and introduced hot desking. In response to the maximum overtime regulations in 2024, we have been improving the efficiency of work with the increase in the number of construction supervisors to be dispatched and the standardization of regular repair works. We have also established the Digital Strategy Department to improve productivity through the further promotion of DX.

(i) Performance plan

Performance Targets for the Final Fiscal Year of the Second Mid-Term Business Plan (FY 2024, 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.

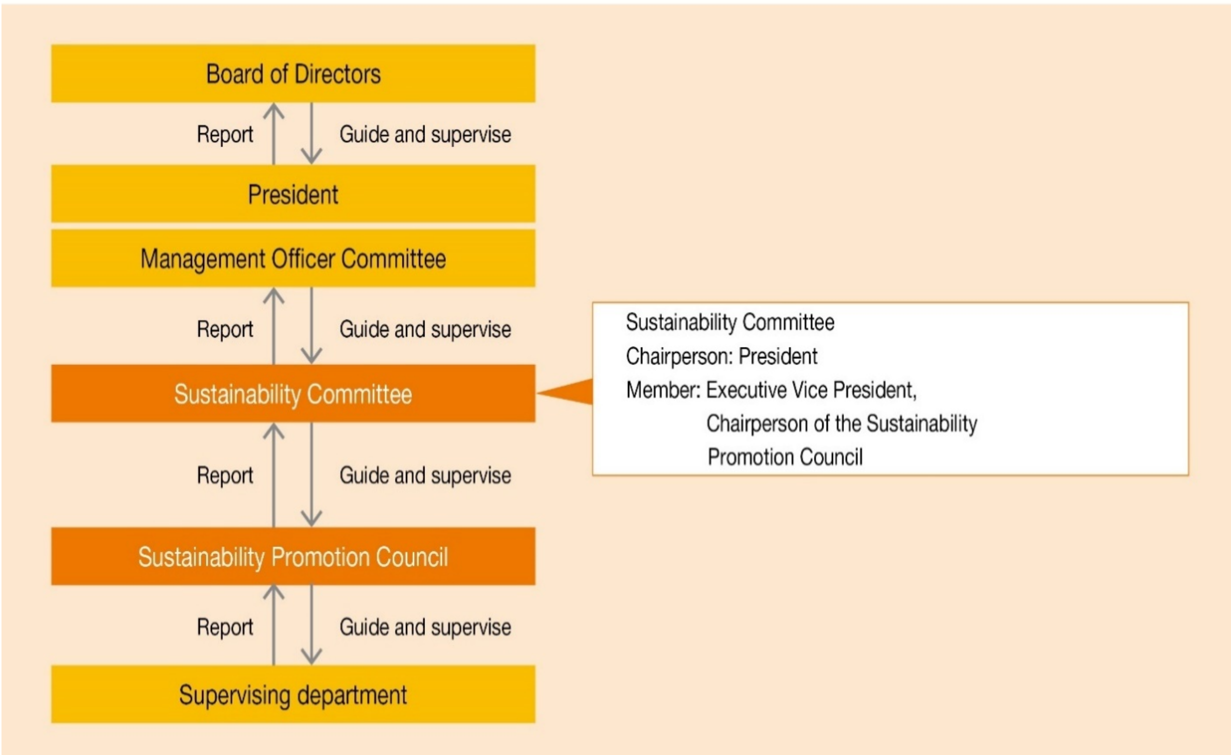
(i) Governance

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.

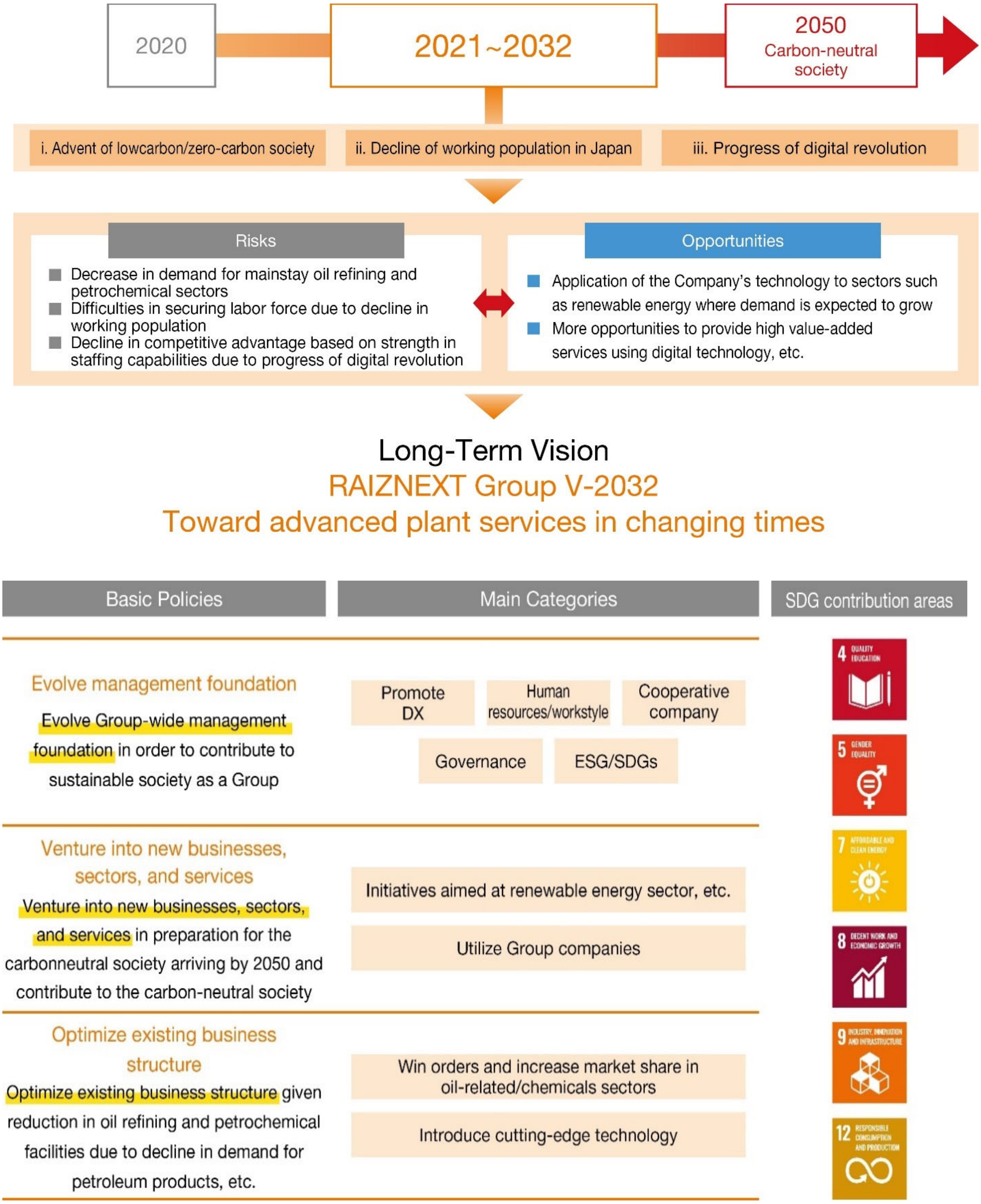
The results of discussion at the Sustainability Committee are reported to the Board of Directors which appropriately supervises the activities.

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 FY2023 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	Have proactive initiatives in areas related to carbon neutrality	
	Reduce GHG emissions in corporate activities	1) Have solar panels installed on at least one business site	
		2) Have low-carbon company vehicles (switch for 100% of new purchases and when renewing leases for vehicles that can be low- carbon)	
		3) Have all lighting possible within the company switched to LED lighting (for 100% of lights that can be switched in all business sites)	
		4) Have increased awareness of activities to reduce GHGs.	
2. Provide environmentally-conscious plant services	Thorough implementation of the 3Rs* in construction sites and appropriate processing of industrial waste. *Reduce, Reuse, Recycle	1) The 3Rs are thoroughly implemented in construction sites	
		2) No problems with industrial waste	
		3) Measures implemented to reduce waste from packaging of construction-related materials (100% of business sites)	

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 2.40 or less)	
	Strengthen the quality management system so customers can feel assured	1) Achievement of our quality nonconformity frequency rate (internal indicator: 2.59 or less)	
		2) Increased customer satisfacti on · Have 98% or higher return rate of customer satisfaction surveys · Have "dissatisfied" and "somewhat dissatisfied" items be less than 3% in customer satisfaction surveys	
4. Develop along with partner companies	Educating, training,and supporting partner companies	Carry out education, training, and support to secure skills, responding to 100% of partner companys requests	
	Maintaining good relationships with partner companies	Disseminate the "Declaration of Partnership Building" to partner companies.	
	Keeping up with partner companies business performance	Keeping up with partner companies' business performance	
	Promote sustainable procurement	A sustainable procurement policy and specific proposals have been developed	

Society

Material Issues	Initiative	KPI	SDGs Contributed to
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) Have training for female employees and for supervisors who have female subordinates	
		5) Make plans for measures to increase the percentage of women in management positions	
		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) Have a human rights policy and carry out awareness-raising activities	
		2) Have 100% of employees (executives and workers) take education on harassment	
	Improve the work environment	1) Have carried out an employee awareness survey and developed measures for improvement	
		2) Are promoting improvement of construction sites (portable toilets, locker rooms, rest areas)	
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	1) Are educating employees about the Corporate Philosophy and the Code of Conduct. (Have 100% of employees take the training and 100% pass the test.)	
	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 Enterprise Risk Management Committee, chaired by the director responsible for the Corporate Planning Department.

• The Enterprise Risk Management Committee studies climate change and reports 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

(iii) Risk management

- Scenario analysis was conducted by the working group on climate-related risks. In prioritizing these 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. Going forward, we will continue to check these risks in the Enterprise Risk Management Committee.
- As a process for managing climate-related risks, we will have the Enterprise Risk Management Committee analyze, plan, and promote countermeasures, and manage progress regarding climate-related risks.
- The contents analyzed and studied by the Enterprise Risk Management 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.

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

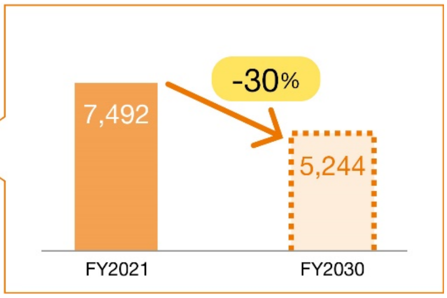
(iv) Indices and targets

- 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 personnel 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

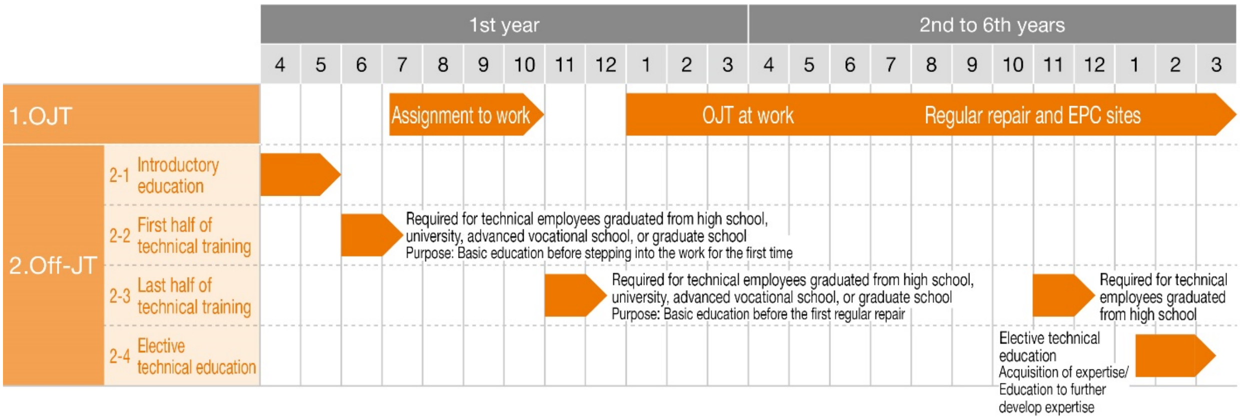
The Company holds the Education and Training Review Meeting twice a year to discuss the basic policy of education and training as well as the education and training plan. The education and training plan formulated based on the discussion is shared to management in the Enlarged Management Review Meeting held twice a year.

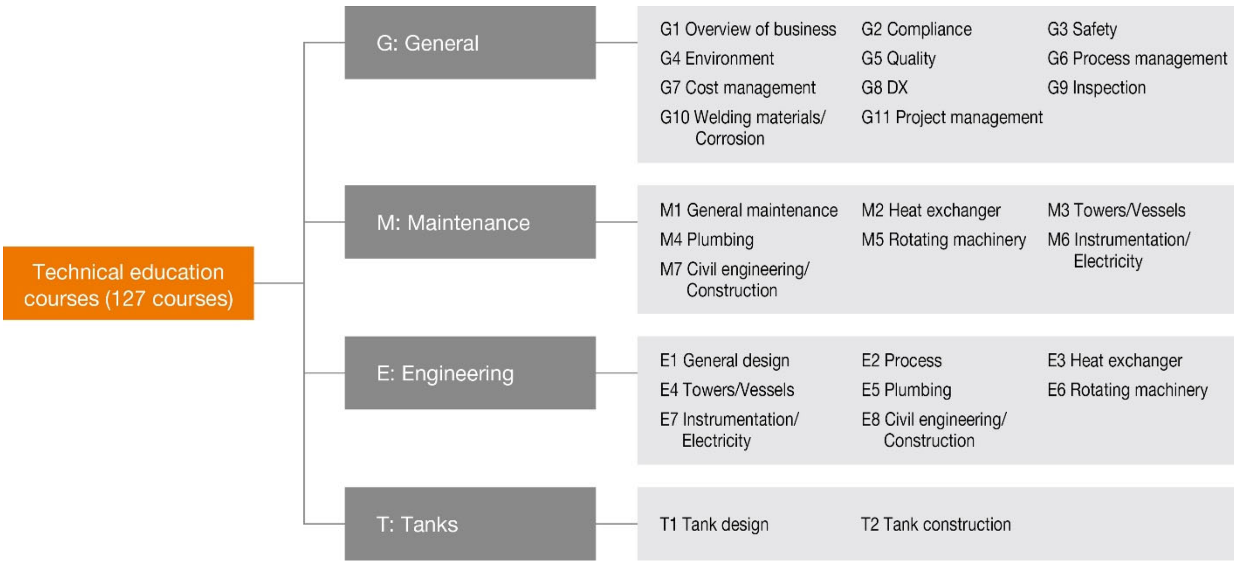
(ii) Policy for the development of human resources

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 twice after the business integration, and based on the results, we are improving the environment where employees feel pleasant and can demonstrate more abilities.

	Internal system	Characteristics of support system
Health management of employees	Regular health checkups	Non-statutory inspections and inspections dedicated to women
	Mental health care	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
		Implement stress testing once a year
Support for work-life balance	Maternity leave (women)	Support balancing work and family with the system to shorten daily working hours after returning from leave
	System for childcare and nursing care leave	
	Flexible working hours system	Employees freely set starting and finishing time in the time zone except core time
	Telework system	Support balancing work and family with the system for employees to select a place to work
	System for refreshment leave	Provide leave for consecutive three days and benefit money every time certain years of service are achieved
Employee engagement	Opinion exchange meeting between employees and management	Hold meetings where young employees and female employees directly exchange opinions with the President and the Vice Presidents
	Employee awareness survey	Implement surveys for all employees and reflect the results in policies, etc.

(iv) Indices, targets, and results

As the indices for FY2023, 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">1.4%</td><td rowspan="3">64.4%</td><td>All employees</td><td>67.7%</td><td rowspan="3">2.66%</td><td rowspan="3">81.3%</td><td rowspan="3">Implement twice a year</td></tr>
<tr><td>Regular employees</td><td>70.5%</td></tr>
<tr><td>Non-regular employment</td><td>59.3%</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. 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, 2023.

(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 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, passing the rise on to the construction price, and taking other measures.
(iv)	Shortage in construction personnel and higher wages	In the case of a shortage in construction personnel such as supervisors and workers or higher wages of construction personnel caused by such shortage, work profitability may worsen due to delays in regular repair work or construction work as well as an increase in work costs, which may affect the Company group's operating results, etc.	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. At the same time, as the wages of construction personnel are rising, 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 we cannot expect a large scale of capital investments as a reorganization of the industries and equipment progresses. Under the current circumstances, we are striving to retain and expand business results by meeting maintenance demand for countermeasure work for aging 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 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, and entered into a disaster support agreement with customers 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)	Pandemic	If economic activities are significantly impacted or restricted by the pandemics driven by the domestic and global spread of infectious diseases and business activities are materially limited by infection among employees of the Company group, the operating results may be significantly affected.	In case the Company group judges it necessary to respond to emergency situations due to pandemics, it is prepared with a system to prevent the infection from significantly affecting our business, establishing a task force in accordance with the Crisis Management Regulations, collecting information about the infection in a timely manner, and planning and promoting various measures and a roadmap, etc. In addition, we are striving to minimize the limitations on our business activities by formulating the Telework Regulations, and providing an environment for telework.
(v)	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.
(vi)	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. 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.

	Category	Description	Description of control activities
(vii)	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 newly promoting early development by developing the education plan of young employees in the technical field.
(viii)	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.
(ix)	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 through the aggressive introduction of process management with the utilization of digital tools, etc., in addition to the automation of various works. In addition, we will newly establish the Digital Strategy Department in FY2023 to further promote 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, 2023 is as follows:

(i) Financial position and operating results

The economy of Japan for the fiscal year ended March 31, 2023 showed moderate improvement with the recovery of personal consumption and corporate earnings, partially due to the effects of various political measures to co-exist with COVID-19, while weakness remains in some areas due to the increase in prices. On the other hand, under monetary tightening trend to continue globally, the possibilities of the downturn of overseas economies as the downward pressure on the domestic economy, and the risks of the increase in prices, constraints in supply, and volatility in financial and capital markets have remained a concern.

Regarding the Company's business environment, declining trend for product demand has continued in the petroleum industry with the reduction in refining capacity and the adjustment of operations due to a structural decline in demand primarily caused by the shift to more fuel-efficient vehicles, in addition to soaring crude oil prices triggered by the invasion in Ukraine. Also, in the petrochemical and general chemical industries, while some signs of a recovery in demand have been seen, overall demand for products has not been recovered due to the decline in the production volume of automobiles and sluggish product demand for industrial applications.

Although prices of certain materials used in construction works, such as stainless steel, have remained high due to the prolonged situation in Ukraine, inventories in Japan were secured and there were no major problems for securing materials in the fiscal year ended March 31, 2023. However, going forward, delivery times of materials have to be carefully monitored due to the prolonged situation in Ukraine.

For the Company group, new contracts in the fiscal year ended March 31, 2023 increased over the previous fiscal year, driven by the increase in regular repairs in the maintenance field. In the engineering field, while large-scale construction works related to carbon neutrality were received, overall new contracts decreased over the previous fiscal year as a result of repercussions from the orders for multiple large-scale construction works received in the previous fiscal year. In the same token as the new contracts, net sales in the maintenance field increased over the previous fiscal year driven by the increase in regular repairs. Net sales in the engineering field also increased over the previous fiscal year, driven by the recording of large-scale construction works for which the orders were received in the previous fiscal year.

(Financial position)

Total assets at the end of the fiscal year ended March 31, 2023 amounted to 114,168 million yen, an increase of 13,386 million yen from the end of the previous fiscal year. This is mainly attributable to an increase in cash and deposits of 4,927 million yen and an increase in notes receivable, accounts receivable from completed construction contracts, and contract assets of 7,395 million yen, and an increase in land of 1,229 million yen.

Total liabilities at the end of the fiscal year ended March 31, 2023 amounted to 30,884 million yen, an increase of 9,446 million yen from the end of the previous fiscal year. This is mainly attributable to an increase in notes payable, accounts payable for construction contracts of 4,920 million yen, an increase in other of 4,888 million yen, and an increase in retirement benefit liability of 837 million yen, despite a decrease in income tax payable of 948 million yen and a decrease in advances received on construction contracts in progress of 512 million yen.

Total net assets at the end of the fiscal year ended March 31, 2023 amounted to 83,283 million yen, an increase of 3,940 million yen from the end of the previous fiscal year. This is mainly attributable to an increase in retained earnings of 4,599 million yen, despite a decrease in remeasurements of defined benefit plans of 576 million yen.

(Operating results)

For the Company group's consolidated performance, new contracts were 138,849 million yen (down 1.7% YoY), net sales of completed construction contracts were 140,061 million yen (up 7.9% YoY), operating profit was 10,918 million yen (down 0.6% YoY), ordinary profit was 11,243 million yen (down 0.2% YoY), and profit attributable to owners of parent was 7,741 million yen (down 0.1% YoY).

For the Company's non-consolidated performance, new contracts were 131,308 million yen (down 0.7% YoY), net sales of completed construction contracts were 132,322 million yen (up 9.2% YoY), operating profit was 9,956 million yen (down 1.3% YoY), ordinary profit was 10,458 million yen (down 1.3% YoY), and profit was 7,365 million yen (down 14.5% YoY).

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

New contracts		Previous FY (FY ended Mar. 31, 2022)	Current FY (FY ended Mar. 31, 2023)	YoY	Percentage change
	Maintenance	90,167	93,196	3,028	3.4%
	Engineering	51,062	45,653	(5,409)	(10.6)%
Engineering work		141,229	138,849	(2,380)	(1.7)%

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, 2022)	Current FY (FY ended Mar. 31, 2023)	YoY	Percentage change
	Maintenance	87,032	89,884	2,852	3.3%
	Engineering	42,679	50,067	7,387	17.3%
Engineering work		129,711	139,952	10,240	7.9%
Other business		121	109	(11)	(9.8)%
Total		129,832	140,061	10,228	7.9%

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

(ii) Cash flows

The consolidated balance of cash and cash equivalents as of the end of the fiscal year ended March 31, 2023 increased 4,923 million yen (38.4% of the previous year) from the end of the previous fiscal year to 17,758 million yen.

(Cash flows from operating activities)

Cash flows from operating activities were an inflow of 10,069 million yen, a decrease of 1,087 million yen from the previous fiscal year. The main cash outflows include an increase in trade receivables of 6,656 million yen and income taxes paid of 4,447 million yen, and the main cash inflows include profit before income taxes of 11,408 million yen.

(Cash flows from investing activities)

Cash flows from investing activities were an outflow of 1,880 million yen, resulting in an increase of 344 million yen from the previous fiscal year. This is mainly attributable to purchase of property, plant and equipment and intangible assets of 1,910 million yen.

(Cash flows from financing activities)

Cash flows from financing activities were an outflow of 3,281 million yen, resulting in a decrease of 432 million yen from the previous fiscal year. The main expenses include dividends paid of 3,140 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	92,378	98,091
General industrial business	48,851	40,757
Total	141,229	138,849

2) Sales

By business segments

Category	Previous FY (million yen)	Current FY (million yen)
Engineering work		
Petroleum and petrochemicals	90,458	92,949
General industrial business	39,252	47,002
Total	129,711	139,952
Other business	121	109
Total	129,832	140,061

By construction type

Category	Previous FY (million yen)	Current FY (million yen)
Engineering work		
Maintenance	87,032	89,884
Engineering	42,679	50,067
Total	129,711	139,952
Other business	121	109
Total	129,832	140,061

(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	44,730	34.5	49,686	35.5

(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, 2023.

(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, 2023, new contracts were 138,849 million yen (down 1.7% YoY), net sales of completed construction contracts were 140,061 million yen (up 7.9% YoY), operating profit was 10,918 million yen (down 0.6% YoY), ordinary profit was 11,243 million yen (down 0.2% YoY), and profit attributable to owners of parent was 7,741 million yen (down 0.1% YoY).

a. New contracts and net sales of completed construction contracts

New contracts decreased 2,380 million yen YoY, mainly because overall new contracts decreased over the previous fiscal year in the engineering field, as a result of repercussions from the orders for multiple large-scale construction works received in the previous fiscal year, although large-scale construction works related to carbon neutrality were received. Net sales of completed construction contracts increased 10,228 million yen YoY, mainly because of the recording of large-scale construction works in the engineering field for which the orders were received in the previous fiscal year, in addition to the increase in regular repairs in the maintenance field.

b. Operating profit

Operating profit decreased 63 million yen YoY to 10,918 million yen, because of an increase in selling, general and administrative expenses in addition to the slight increase in gross profit over the previous fiscal year, although net sales of completed construction contracts increased as a result of repercussions from an increase in gross profit in the previous fiscal year due to profitable works.

c. Ordinary profit

Ordinary profit decreased 27 million yen YoY to 11,243 million yen, with total non-operating income exceeding total non-operating expenses by 324 million yen.

d. Profit attributable to owners of parent

Profit attributable to owners of parent decreased 6 million yen YoY to 7,741 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 increased 4,923 million yen (38.4%) from the end of the previous fiscal year to 17,758 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, given the impact of COVID-19, 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 second 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 60 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 existing products (quick pullers of Sugino Machine, etc.) with the utilization of heat exchangers for training, and examined the introduction of re-tubing work with robot arms in the factory and an automatic seal welding machine. 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. We improved foreign products, validated motorization toward automation and extracted its issues, and introduced foreign products. Specifically, as the first case introduced in Asian region, the overseas product introduced at the end of the current fiscal year enables the semi-automatic cleansing work with the input of tube alignment size in advance. In the following fiscal year, we will aim to disseminate safe and high-quality cleansing work with machinery, applying them to actual sites, extracting points for improvement, utilizing 3D scanning technologies, and validating more advanced automation technologies.

(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. In the following fiscal year, as the equipment is 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 will aim to apply the technology at actual sites, for the purposes of establishing welding conditions depending on plate thickness and ensuring stable welding quality. We also plan to apply 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 customers and other prime contractors at many regular repair work sites. As seven years have passed since development and commencement of operation of the system, we conducted proof of concept (PoC) to drastically review and rebuild the system for making it more user-friendly than ever before by utilizing cutting-edge IT technologies. After practicability of the functions, etc. to be newly developed was verified with this PoC, we have proceeded with development since the current fiscal year. In the following fiscal year, we will proceed the implementation of functions centering around those which showed a high demand in operation, planning to introduce to actual sites around September, 2023. 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 research and introduction including the existing systems, 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) Extended Reality (XR) (a generic term for technologies that can provide new experiences by combining reality and virtual reality, such as Cross Reality, Virtual Reality (VR), etc.)

Utilizing Visual Positioning System (VPS) technology which determines the environment and items by holding up a camera and recognizing images, pointing a smartphone at a target enables to visually confirm the specifications of devices for intended works and the displays of off-limits areas, etc. Keeping the linkage with internal and existing systems in mind, we have started the technology verification and the system development, aiming for operational reforms through automatically displaying information on the screen, depending on actual equipment and locations.

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, 2023, investments were made in renewal of various machines and tools for construction, and land and buildings of branch offices, amounting to 1,142 million yen in total.

In the fiscal year ended March 31, 2023, there was no significant transfer of principal facilities.

(Other business)

In the fiscal year ended March 31, 2023, 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	1,298	308	33,846	3,892	5,499	239
Kawasaki Branch Office (Kawasaki-ku, Kawasaki-shi)	Engineering work	88	47	5,245	1,408	1,544	127
Nagoya Branch Office (Otamachi, Tokai-shi)	Engineering work	312	45	733	177	536	26
Chiba Plant (Chigusa, Ichihara-shi)	Engineering work	155	58	30,889	864	1,078	13
Mizushima Branch Office (Matsue, Kurashiki-shi)	Engineering work	286	42	9,330	485	814	80
Osaka Branch Office (Nishi-ku, Sakai-shi)	Engineering work	258	11	1,011	160	430	52

(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	96 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, 2023)	Number of issued shares as of the filing date (shares) (June 27, 2023)	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, 2023

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)	–	17	20	155	126	3	3,074	3,395	–
Number of shares held (units)	–	60,189	3,083	317,907	92,923	31	67,217	541,350	33,053
Ratio (%)	–	11.12	0.57	58.71	17.17	0.01	12.42	100.00	–

(Notes) 1. For the treasury shares of 68,927 shares, 689 units are included in “Individuals and other” and 27 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, 2023

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	21.55
UH Partners 2, Inc.	2-9-9 Minamiikebukuro, Toshima-ku, Tokyo	4,904	9.07
HIKARI TSUSHIN, Inc.	1-4-10 Nishiikebukuro, Toshima-ku, Tokyo	4,054	7.50
NIPPO CORPORATION	1-19-11 Kyobashi, Chuo-ku, Tokyo	3,882	7.18
The Master Trust Bank of Japan, Ltd.(Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	3,857	7.13
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)	3,135	5.80
UH Partners 3, Inc.	2-9-9 Minamiikebukuro, Toshima-ku, Tokyo	1,854	3.43
System Integrating Laboratory Co., Ltd.	2-9-9 Minamiikebukuro, Toshima-ku, Tokyo	1,354	2.50
Custody Bank of Japan, Ltd.(Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	1,318	2.44
RAIZNEXT Supplier Shareholding Association	1-1-8 Sakuragicho, Naka-ku, Yokohama-shi, Kanagawa	1,175	2.17
Total	–	37,196	68.76

(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) 3,848 thousand shares

Custody Bank of Japan, Ltd. (Trust Account) 1,315 thousand shares

2. In the Large Shareholding Report (amendment report) made available for public inspection as of October 7, 2022, the Company was notified of the following shareholdings by FMR LLC as of September 30, 2022. 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.	4,580	8.46

(7) Voting rights

(i) Issued shares

As of March 31, 2023

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 68,900	–	–
Shares with full voting rights (others)	Common shares 54,066,100	540,661	–
Shares less than one unit	Common shares 33,053	–	Shares less than one unit (100 shares)
Total number of issued shares	54,168,053	–	–
Total number of voting rights	–	540,661	–

(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, 2023

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	68,900	–	68,900	0.13
Total	–	68,900	–	68,900	0.13

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	–	–
Treasury shares acquired during the current fiscal year	67,700	99
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

(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	561	0
Treasury shares acquired during the current period	–	–

(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, 2023 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	–	–	–	–
Number of treasury shares held	68,927	–	68,927	–

(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, 2023 until the filing date of the securities report.

3. Dividend Policy

Our group provides maintenance and engineering services for plants in the petroleum, petrochemical, general chemical, and other industries. Our industry revolves around the acquisition of new contracts, meaning that we are easily affected by fluctuations in private capital investment.

Given the nature of our business, we believe that we can enhance our corporate value if we build a stable management base by strengthening our corporate structure in anticipation of changes in the business environment and future business developments, which in turn will help bring future benefits for our shareholders, customers, business partners, employees, and other stakeholders.

With this understanding, we believe that profit distribution to shareholders should be positioned as a management issue of the highest priority. Accordingly, we aim to ensure a consolidated dividend payout ratio of 40% or more, keeping in mind that dividends should be paid in line with earnings, continuously, and stably.

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 decided to distribute the surplus as a year-end dividend of 72 yen per share (consolidated dividend payout ratio of 50.4%).

(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)
June 27, 2023 Resolution of the Annual General Meeting of Shareholders	3,895	72

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.

b) The Company is a company with an Audit and Supervisory Committee and has a structure consisting of four Directors serving as Audit and Supervisory Committee Members, three 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 twice a year at Management Review Meetings. 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. 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.

(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, 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.

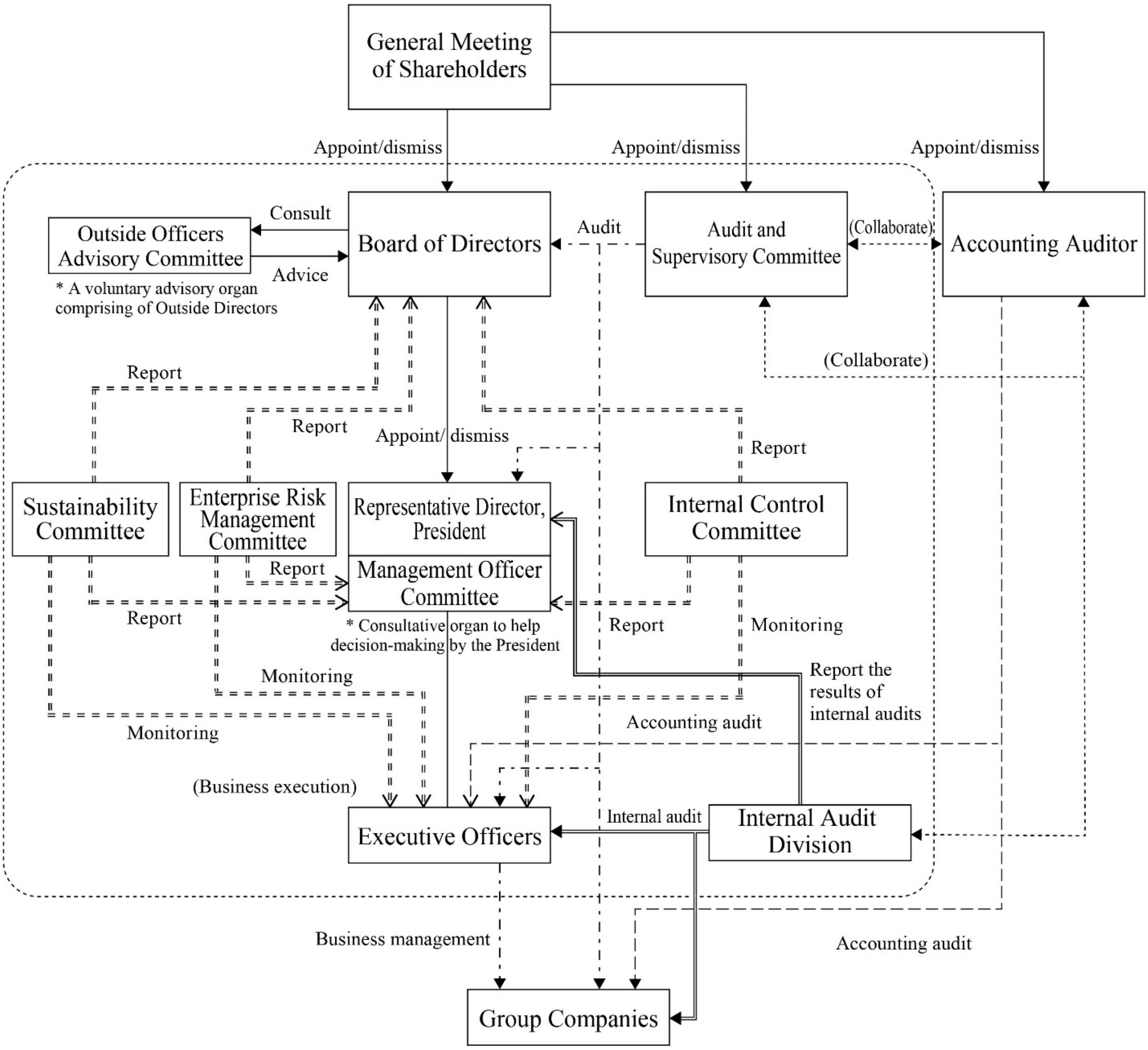
(6) The Internal Audit Division shall strive to maintain close cooperation with the Audit and Supervisory Committee, such as exchanging opinions on audit plans and audit results.

(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.

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	Joined Nippon Petroleum Refining Co., Ltd.	(Note) 1	6
			Jun. 2008	General Manager, Muroran Refinery of Nippon Petroleum Refining Co., Ltd.		
			Jul. 2010	Senior Vice President Deputy Senior General Manager, Refining, Manufacturing & Engineering Division of JX Nippon Oil & Energy Corporation		
			Jun. 2012	Senior Vice President General Manager, Oita Refinery of the above-mentioned company		
			Jun. 2014	Senior Vice President General Manager, Negishi Refinery of the above-mentioned company		
			Jun. 2015	Director Senior Vice President Responsible for Refining & Manufacturing Dept. and Engineering Dept. of the above-mentioned company		
			Apr. 2017	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		
			Apr. 2019	President and Representative Director President and Chief Executive Officer, JX Engineering Corporation		
			Jul. 2019	Vice President and Representative Director, Executive Vice President Assistant President of the Company		
			Jun. 2020	Representative Director, Chairman of the Board of the Company (current position)		
(Representative Director) President	Teruhiko Mouri	Jan. 31, 1963	Apr. 1988	Joined Niigata Construction Co., Ltd.	(Note) 1	16
			Apr. 2011	General Manager, Sendai Branch Office Division-1 of the Company		
			Sep. 2013	General Manager, Chiba Branch Office Division-2 of the Company		
			Jun. 2016	Executive Officer Senior General Manager, Project Operation Division of the Company		
			Jun. 2018	Director Executive Managing Officer Responsible for Project Operation Division Senior General Manager, Project Operation Division of the Company		
			Jul. 2019	Director Executive Managing Officer Responsible for Project Operation Division Senior General Manager, Project Operation Division of the Company		
			Apr. 2020	Director Executive Managing Officer Responsible for Project Operation Division of the Company		
			Jun. 2020	Representative Director, President 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 (Internal Control Office, Legal Department, General Administration Department, Personnel Department, Corporate Planning Department and Accounting Department) Responsible for Digital Strategy Department	Masaki Fukuhisa	Jun. 27, 1960	Apr. 1985	Joined Niigata Construction Co., Ltd.	(Note) 1	13
			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		
			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 (current position)		

Position	Name	Date of birth	Past experience		Term of office	Number of shares held (in thousands)
Director Executive Vice President Assistant President (Maintenance Division, Project Division and Engineering Division)	Hiroto Yamanouchi	Aug., 21, 1958	Apr. 1981	Joined Niigata Construction Co., Ltd.	(Note) 1	15
			Jun. 2004	General Manager, Sales Department-2, Sales Division of the Company		
			Jun. 2011	Deputy Senior General Manager, Sales Division of the Company		
			Jun. 2012	Executive Officer Senior General Manager, Sales Division of the Company		
			Jun. 2014	Director, Executive Managing Officer, Responsible for Division-1, General Manager, Division-1 of the Company		
			Jun. 2015	Director Executive Managing Officer Responsible for Division-1, General Manager, Division-1 of the Company, Division Director, JX group and TG group		
			Jul. 2019	Director Executive Managing Officer Responsible for Division-1, General Manager, Division-1 of the Company		
			Jun. 2020	Director Executive Managing Officer Responsible for Division-1, Division-2, Division-3 and Maintenance Design Department of the Company		
			Apr. 2023	Director Executive Vice President Assistant President (Maintenance Division, Project Division and Engineering Division) of the Company (current position)		
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	4
			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		
			Jun. 2022	Director Executive Managing Officer Responsible for Sales Division, Project Operation Division and Tank Engineering 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)
Outside Director	Noriaki Isa	Jul. 14, 1957	Apr. 1980 Apr. 2006 Apr. 2013 Apr. 2017 Apr. 2018 Apr. 2021 Jan. 2022 Jun. 2022 Jul. 2022	Joined Marubeni Corporation General Manager, General Power Department, Power Division of the above-mentioned company Executive Officer General Manager, Human Resources Department of the above-mentioned company Executive Officer and Assistant CSO of the above-mentioned company Outside Auditor of Avanti Staff Corporation Director and Chairman of Marubeni Power Retail Corporation Advisor of NSG Holdings Co., Ltd. (current position) Visiting Professor of Kaishi Professional University (current position) Visiting Professor of Niigata Agro-Food University (current position) Outside Director of the Company (current position) Director and Chairman of Power Retail Niigata K.K. (current position)	(Note) 1	–
Director Audit and Supervisory Committee Member	Kenji Kurosawa	Mar. 22, 1959	Apr. 1982 Jul. 2007 Jun. 2010 Jun. 2019	Joined the Company General Manager, Internal Control Office of the Company General Manager, Corporate Planning Department of the Company Director (Audit and Supervisory Committee Member) of the Company (current position)	(Note) 2	7
Outside Director Audit and Supervisory Committee Member	Toshio Saburi	Jun. 2, 1949	Oct. 1982 Mar. 1986 Sep. 1993 Jan. 1999 Jun. 2004 Jun. 2005 Oct. 2008 May 2010 Nov. 2012 Jun. 2015 Jul. 2019	Joined Chuo Audit Corporation Registered as a certified public accountant Partner, Chuo Audit Corporation Joined Tempstaff Co., Ltd. (currently PERSOL TEMPSTAFF CO., LTD.) Director General Manager, Support Division and General Manager, Finance Department of the above-mentioned company Managing Director General Manager, Corporate Planning Division of the above-mentioned company Managing Director General Manager, Group Corporate Planning Division of Temp Holdings Co., Ltd. (currently PERSOL HOLDINGS CO., LTD.) Director of Kelly Services, Inc. CEO of TS Kelly Workforce Solutions Co., Ltd. Outside Director of Japan Medical Dynamic Marketing, Inc. (current position) Outside Director (Audit and Supervisory Committee Member) of the Company (current position)	(Notes) 3	2

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 May 2017 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 Kanagawa Minchoren 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)	(Notes) 3	–
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. (current position) 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)	(Note) 2	–
Total						66

(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, 2023 to the conclusion of the General Meeting of Shareholders for the fiscal year ending March 31, 2024.

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, 2022 to the conclusion of the General Meeting of Shareholders for the fiscal year ending March 31, 2024.

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, 2023 to the conclusion of the General Meeting of Shareholders for the fiscal year ending March 31, 2025.

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
Daisaku Nakatakuma	Managing Executive Officer Responsible for Maintenance 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
Yoshinari Sekiguchi	Senior Executive Officer Special Mission of the Company (Group Sales Strategy)
Tooru Kihara	Senior Executive Officer, Senior General Manager, Engineering Division
Kenji Maruyama	Senior Executive Officer Senior General Manager, Maintenance Division
Tooru Misumi	Executive Officer Deputy Senior General Manager, Safety & Quality Assurance Division
Hiroyuki Hayashi	Executive Officer Deputy 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, Maintenance 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
Hiroshi Ando	Executive Officer Senior General Manager, Safety & Quality Assurance 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 consists of four Directors serving as Audit and Supervisory Committee Members, one of whom is a standing Director serving as an Audit and Supervisory Committee Member, and three of whom are part-time Directors serving as Audit and Supervisory Committee Members (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 standing Director serving as an Audit and Supervisory Committee Member 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 Audit and Supervisory Committee is, if necessary, directly reported by Representative Directors, Executive Officers, General Manager of the Internal Control Office, the Accounting Auditor, and others.

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

The Audit and Supervisory Committee held nine 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	9	9
Part-time Audit and Supervisory Committee Member	Toshio Saburi	9	9
Part-time Audit and Supervisory Committee Member	Keiko Suichi	9	9
Part-time Audit and Supervisory Committee Member	Yutaka Oonishi	3	3
Part-time Audit and Supervisory Committee Member	Mayumi Nishida	9	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

23 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 three certified public accountants and eleven 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	51	–	53	–
Consolidated subsidiaries	–	–	–	–
Total	51	–	53	–

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]	293 [4]	147 [4]	146 [–]	– [–]	8 [1]
Directors serving as Audit and Supervisory Committee Members [Outside Directors]	41 [21]	41 [21]	– [–]	– [–]	5 [4]

(Notes) 1. The Directors above include three Directors who retired during the fiscal year ended March 31, 2023.

2. 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 of Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) 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 for each fiscal year, 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.

(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. For the details of the compensation plan for its share of common stock with restrictions on transfer, please refer to Notes (Significant subsequent event).

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

For the purpose of maintaining and expanding medium- to long-term transactional relationships, the Company targets stocks that are expected to create business synergies, 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.

(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	11	60
Other than unlisted stocks	24	4,174

(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	1	1	Enrollment of golf club membership
Other than unlisted stocks	5	11	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	–	–
Other than unlisted stocks	2	132

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, quantitative effect of holding, and reason for increase in the number of shares held	Ownership of the Company's shares: Yes/No
Zeon Corporation	592,000 828	592,000 807	Maintaining and enhancing the business partnership and others	Yes
ENEOS Holdings, Inc.	1,672,011 777	1,672,011 765	Maintaining and enhancing the business partnership and others	Yes
Sato Foods Industries Co., Ltd.	295,500 500	295,500 434	Maintaining and enhancing the business partnership and others	Yes
NIPPON SHOKUBAI CO., LTD.	87,200 460	87,200 464	Maintaining and enhancing the business partnership and others	Yes
SHIONOGI & CO., LTD.	41,000 245	41,000 308	Maintaining and enhancing the business partnership and others	No
ADEKA Corporation	92,954 209	90,885 245	Maintaining and enhancing the business partnership and others Due to joining the client shareholding association	No
Takeda Pharmaceutical Company Limited	40,500 176	40,500 141	Maintaining and enhancing the business partnership and others	No
MEISEI INDUSTRIAL CO., LTD.	188,000 145	188,000 129	Maintaining and enhancing the business partnership and others	Yes
OSAKA ORGANIC CHEMICAL INDUSTRY LTD.	50,000 107	50,000 153	Maintaining and enhancing the business partnership and others	No
Cosmo Energy Holdings Co., Ltd.	24,267 103	23,471 61	Maintaining and enhancing the business partnership and others Due to joining the client shareholding association	No
HISAKA WORKS, LTD.	104,000 92	104,000 82	Maintaining and enhancing the business partnership and others	Yes
Hokuetsu Corporation	100,000 88	100,000 69	Maintaining and enhancing the business partnership and others	No
RIKEN VITAMIN CO., LTD.	42,000 80	92,000 154	Maintaining and enhancing the business partnership and others 50,000 shares were sold in the current fiscal year	Yes
NICHIAS Corporation	25,000 66	25,000 63	Maintaining and enhancing the business partnership and others	Yes
Hodogaya Chemical Co., Ltd.	20,500 61	20,500 90	Maintaining and enhancing the business partnership and others	No
FUJI OIL HOLDINGS INC.	28,696 55	27,547 54	Maintaining and enhancing the business partnership and others Due to joining the client shareholding association	No
Tosoh Corporation	27,500 49	27,500 49	Maintaining and enhancing the business partnership and others	No
Daiichi Sankyo Co., Ltd.	9,039 43	9,039 24	Maintaining and enhancing the business partnership and others	No
Nippon Seiro Co., Ltd.	200,000 25	200,000 35	Maintaining and enhancing the business partnership and others	No
JAPAN INSULATION CO., LTD.	21,700 17	21,700 19	Maintaining and enhancing the business partnership and others	Yes
Asahi Kasei Corp.	13,308 12	13,308 14	Maintaining and enhancing the business partnership and others	No

DIC Corporation	5,300	5,300	Maintaining and enhancing the business partnership and others	No
	12	13		
KANEKA CORPORATION	1,937	1,717	Maintaining and enhancing the business partnership and others Due to joining the client shareholding association	No
	6	6		
JFE Holdings, Inc.	3,400	3,400	Maintaining and enhancing the business partnership and others	No
	5	5		
Kansai Paint Co., Ltd.	–	27,000	All shares were sold in the current fiscal year	No
	–	53		

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, 2023 (April 1, 2022 to March 31, 2023) and the Financial Statements for the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023) 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, 2022)	Current FY (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	12,875	17,802
Notes receivable, accounts receivable from completed construction contracts and contract assets	Note 1 61,677	Note 1 69,072
Electronically recorded monetary claims - operating	1,691	986
Costs on construction contracts in progress	Note 2 1,551	Note 2 1,373
Other	591	1,193
Allowance for doubtful accounts	(8)	(2)
Total current assets	78,379	90,427
Non-current assets		
Property, plant and equipment		
Buildings and structures	Note 3 10,271	Note 3 10,530
Accumulated depreciation	Note 4 (6,272)	Note 4 (6,471)
Buildings and structures, net	3,999	4,058
Machinery, equipment and vehicles	5,105	5,230
Accumulated depreciation	Note 4 (4,402)	Note 4 (4,510)
Machinery, equipment and vehicles, net	702	720
Tools, furniture and fixtures	1,806	1,882
Accumulated depreciation	(1,530)	(1,583)
Tools, furniture and fixtures, net	276	298
Land	Note 3 8,378	Note 3 9,607
Leased assets	44	71
Accumulated depreciation	(28)	(42)
Leased assets, net	15	28
Construction in progress	1,341	536
Total property, plant and equipment	14,713	15,251
Intangible assets		
Other	1,251	1,874
Total intangible assets	1,251	1,874
Investments and other assets		
Investment securities	4,329	4,268
Shares of subsidiaries and associates	736	736
Long-term prepaid expenses	7	7
Deferred tax assets	1,027	1,202
Other	498	566
Allowance for doubtful accounts	(163)	(166)
Total investments and other assets	6,435	6,615
Total non-current assets	22,401	23,740
Total assets	100,781	114,168

(Unit: Million yen)

	Previous FY (As of March 31, 2022)	Current FY (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	10,589	15,510
Electronically recorded obligations - operating	139	190
Short-term borrowings	Notes 3, 5 9	Notes 3, 5 9
Income taxes payable	2,823	1,874
Advances received on construction contracts in progress	649	136
Provision for loss on construction contracts	Note 2 233	Note 2 356
Provision for warranties for completed construction	106	172
Provision for bonuses	2,057	2,107
Provision for bonuses for directors (and other officers)	9	13
Other	2,561	7,450
Total current liabilities	19,180	27,822
Non-current liabilities		
Long-term borrowings	Note 3 10	Note 3 0
Deferred tax liabilities	113	105
Provision for retirement benefits for directors (and other officers)	11	7
Retirement benefit liability	1,909	2,746
Other	213	202
Total non-current liabilities	2,258	3,062
Total liabilities	21,438	30,884
Net assets		
Shareholders' equity		
Share capital	2,754	2,754
Capital surplus	11,845	11,845
Retained earnings	61,060	65,660
Treasury shares	(0)	(101)
Total shareholders' equity	75,659	80,158
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,169	1,163
Foreign currency translation adjustment	30	28
Remeasurements of defined benefit plans	1,703	1,126
Total accumulated other comprehensive income	2,904	2,318
Non-controlling interests	778	806
Total net assets	79,342	83,283
Total liabilities and net assets	100,781	114,168

ii. Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: Million yen)

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Net sales of completed construction contracts	Note 1 129,832	Note 1 140,061
Cost of sales of completed construction contracts	Note 2 112,084	Note 2 122,006
Gross profit on completed construction contracts	17,748	18,055
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	464	343
Employees' salaries and allowances	1,520	1,450
Employees' bonuses	488	465
Provision for bonuses	360	392
Directors' bonuses	139	145
Provision for bonuses for directors (and other officers)	21	15
Retirement benefit expenses	107	64
Provision for retirement benefits for directors (and other officers)	5	1
Legal welfare expenses	486	465
Welfare expenses	302	284
Repair and maintenance expenses	276	255
Stationery expenses	77	72
Communication and transportation expenses	256	294
Power utilities expenses	31	34
Advertising expenses	87	109
Entertainment expenses	33	91
Donations	0	0
Rent expenses on land and buildings	99	162
Depreciation	400	473
Taxes and dues	421	433
Insurance expenses	98	86
Fee expenses	385	444
Amortization of goodwill	36	27
Research and development expenses	Note 3 85	Note 3 60
Miscellaneous expenses	578	959
Total selling, general and administrative expenses	6,765	7,136
Operating profit	10,982	10,918
Non-operating income		
Interest income	6	2
Dividend income	142	160
Rental income	88	87
Foreign exchange gains	41	25
Other	120	80
Total non-operating income	399	357
Non-operating expenses		
Interest expenses	23	5
Rental expenses	12	10
Compensation expenses	13	–
Other	62	17
Total non-operating expenses	112	32
Ordinary profit	11,270	11,243
Extraordinary income		
Settlement income	–	100

(Unit: Million yen)

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Gain on sale of non-current assets	Note 4 0	Note 4 9
Gain on sale of businesses	200	–
Gain on sale of investment securities	–	64
Total extraordinary income	200	173
Extraordinary losses		
Loss on sale of non-current assets	Note 5 0	Note 5 0
Loss on retirement of non-current assets	Note 6 6	Note 6 6
Loss on disaster	–	1
Loss on sale of investment securities	32	–
Loss on sale of shares of subsidiaries and associates	115	–
Total extraordinary losses	153	8
Profit before income taxes	11,316	11,408
Income taxes - current	3,716	3,532
Income taxes - deferred	(212)	82
Total income taxes	3,503	3,614
Profit	7,813	7,793
Profit attributable to non-controlling interests	64	52
Profit attributable to owners of parent	7,748	7,741

Consolidated Statement of Comprehensive Income

(Unit: Million yen)

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Profit	7,813	7,793
Other comprehensive income		
Valuation difference on available-for-sale securities	(313)	(6)
Deferred gains or losses on hedges	(0)	–
Foreign currency translation adjustment	25	(2)
Remeasurements of defined benefit plans, net of tax	1,230	(576)
Total other comprehensive income	Note 1 941	Note 1 (586)
Comprehensive income	8,755	7,207
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,690	7,155
Comprehensive income attributable to non-controlling interests	64	52

iii. Consolidated Statement of Changes in Net Assets

Previous FY (from April 1, 2021 to March 31, 2022)

(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	56,291	(0)	70,890
Changes during period					
Dividends of surplus			(2,979)		(2,979)
Profit attributable to owners of parent			7,748		7,748
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	4,769	(0)	4,768
Balance at end of period	2,754	11,845	61,060	(0)	75,659

	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	1,483	0	5	473	1,962	1,036	73,890
Changes during period							
Dividends of surplus					–		(2,979)
Profit attributable to owners of parent					–		7,748
Purchase of treasury shares					–		(0)
Net changes in items other than shareholders' equity	(313)	(0)	25	1,230	941	(258)	683
Total changes during period	(313)	(0)	25	1,230	941	(258)	5,452
Balance at end of period	1,169	–	30	1,703	2,904	778	79,342

Current 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)
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	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)
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

iv. Consolidated Statement of Cash Flows

(Unit: Million yen)

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	11,316	11,408
Depreciation	749	777
Amortization of goodwill	36	27
Increase (decrease) in allowance for doubtful accounts	(8)	(3)
Increase (decrease) in provision for warranties for completed construction	(205)	66
Increase (decrease) in provision for loss on construction contracts	(86)	122
Increase (decrease) in provision for bonuses	49	50
Increase (decrease) in provision for bonuses for directors (and other officers)	0	3
Increase (decrease) in retirement benefit liability	103	3
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(3)	(3)
Interest and dividend income	(149)	(163)
Interest expenses and loss on sale of notes receivable - trade	23	5
Foreign exchange losses (gains)	(47)	(44)
Loss (gain) on sale of non-current assets	(0)	(9)
Loss (gain) on sale of investment securities	14	(64)
Loss (gain) on sale of shares of subsidiaries and associates	102	–
Loss on retirement of non-current assets	6	6
Decrease (increase) in trade receivables	1,704	(6,656)
Decrease (increase) in costs on construction contracts in progress	45	178
Increase (decrease) in trade payables	(548)	4,969
Increase (decrease) in advances received on construction contracts in progress	(126)	(512)
Increase (decrease) in accrued consumption taxes	(1,259)	3,601
Loss (gain) on sale of businesses	(200)	–
Other, net	564	593
Subtotal	12,083	14,359
Interest and dividends received	149	163
Interest paid	(23)	(5)
Income taxes paid	(1,051)	(4,447)
Net cash provided by (used in) operating activities	11,157	10,069
Cash flows from investing activities		
Payments into long-term time deposits	(4)	(4)
Purchase of property, plant and equipment and intangible assets	(2,949)	(1,910)
Proceeds from sale of property, plant and equipment and intangible assets	1	9
Purchase of investment securities	(16)	(22)
Proceeds from sale of investment securities	133	132
Loan advances	(0)	(0)
Proceeds from collection of loans receivable	0	0
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	382	–
Proceeds from sale of businesses	215	–
Other, net	11	(85)
Net cash provided by (used in) investing activities	(2,225)	(1,880)

(Unit: Million yen)

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	170	–
Repayments of long-term borrowings	(9)	(9)
Purchase of treasury shares	(0)	(100)
Dividends paid	(2,978)	(3,140)
Dividends paid to non-controlling interests	(24)	(24)
Other, net	(5)	(5)
Net cash provided by (used in) financing activities	(2,849)	(3,281)
Effect of exchange rate change on cash and cash equivalents	66	16
Net increase (decrease) in cash and cash equivalents	6,148	4,923
Cash and cash equivalents at beginning of period	6,686	12,835
Cash and cash equivalents at end of period	Note 1 12,835	Note 1 17,758

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. (previous Shinko Sogo Service Co., Ltd.)
SMS Co., Ltd. (previous Shinko Machinery Service 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

Wuxi Xinggao Engineering Technology Limited Company was excluded from the scope of consolidation during the fiscal year ended March 31, 2023 due to completion of liquidation.

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 constructions is recorded where construction expenses for warranties are anticipated to occur.

d) Provision for bonuses

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

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

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

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

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

(4) Accounting treatment for retirement benefits

(i) Method for attributing estimated retirement benefits into periods

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

(ii) Actuarial difference and treatment for past service costs

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

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

(5) Accounting standards for 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 the 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 at the end of the current fiscal year with the estimated total cost until the construction is completed (input method).

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

Cost recovery method

(iii) Maintenance work where the construction period is short

Revenue is 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

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

(iv) Assessment of hedge effectiveness

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

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

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

(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, 2023

(million yen)

	Previous FY	Current FY
Net sales of completed construction contracts	129,832	140,061
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	27,346	33,902
As of the end of the fiscal year, net sales of completed construction contracts related to ongoing projects	12,665	16,002

(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.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the fiscal year ended March 31, 2023, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This has no impact on the consolidated financial statements for the fiscal year ended March 31, 2023.

(Consolidated balance sheet)

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

	Previous FY (As of March 31, 2022)	Current FY (As of March 31, 2023)
Notes receivable	206 million yen	200 million yen
Accounts receivable from completed construction contracts	42,624 million yen	48,091 million yen
Contract assets	18,847 million yen	20,781 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, 2022)	Current FY (As of March 31, 2023)
Buildings	51 million yen	47 million yen
Land	220 million yen	220 million yen
Total	271 million yen	268 million yen

Liabilities secured by the collateral

	Previous FY (As of March 31, 2022)	Current FY (As of March 31, 2023)
Short-term borrowings (including the current portion of long-term borrowings)	9 million yen	9 million yen
Long-term borrowings	10 million yen	0 million yen
Total	20 million yen	10 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, 2022)	Current FY (As of March 31, 2023)
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 arising 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, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
233 million yen	528 million yen

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

Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
85 million yen	60 million yen

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

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Buildings and structures	– million yen	0 million yen
Machinery, equipment and vehicles	0 million yen	9 million yen
Tools, furniture and fixtures	0 million yen	0 million yen
Total	0 million yen	9 million yen

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

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Machinery, equipment and vehicles	0 million yen	0 million yen
Total	0 million yen	0 million yen

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

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Buildings and structures	5 million yen	2 million yen
Machinery, equipment and vehicles	0 million yen	4 million yen
Tools, furniture and fixtures	0 million yen	0 million yen
Telephone subscription right	– million yen	0 million yen
Total	6 million yen	6 million yen

(Consolidated statement of comprehensive income)

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

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities		
Amounts arising during period	(475) million yen	48 million yen
Reclassification adjustment	14 million yen	(64) million yen
Before tax effect	(460) million yen	(15) million yen
Tax effect	147 million yen	9 million yen
Valuation difference on available-for-sale securities	(313) million yen	(6) million yen
Deferred gains or losses on hedges		
Amounts arising during period	(0) million yen	– million yen
Foreign currency translation adjustment		
Amounts arising during period	25 million yen	(2) million yen
Remeasurements of defined benefit plans, net of tax		
Amounts arising during period	2,056 million yen	(389) million yen
Reclassification adjustment	(284) million yen	(443) million yen
Before tax effect	1,771 million yen	(833) million yen
Tax effect	(541) million yen	256 million yen
Remeasurements of defined benefit plans, net of tax	1,230 million yen	(576) million yen
Total other comprehensive income	941 million yen	(586) million yen

(Consolidated statement of changes in net assets)

Previous FY (from April 1, 2021 to March 31, 2022)

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)	425	241	–	666

(Overview of reason for change)

The detail of the increase in number of shares is as follows:

Increase due to purchase of shares less than one unit: 241 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 24, 2021	Common shares	2,979	55	March 31, 2021	June 25, 2021

(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 23, 2022	Common shares	Retained earnings	3,141	58	March 31, 2022	June 24, 2022

Current 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

(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, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Cash and deposits	12,875 million yen	17,802 million yen
Time deposits with maturities of more than three months	(40) million yen	(44) million yen
Cash and cash equivalents	12,835 million yen	17,758 million yen

(Financial instruments)

Previous FY (from April 1, 2021 to March 31, 2022)

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 two years 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 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 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, 2022, are shown below.

Shares, etc. without market prices of 58 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) Other securities	4,270	4,270	–

(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	58
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	12,862	–	–	–
Notes receivable, accounts receivable from completed construction contracts	42,830	–	–	–
Electronically recorded monetary claims - operating	1,691	–	–	–
Total	57,384	–	–	–

(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	9	0	–	–	–

Current 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 use 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 deriving. 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 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 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	–	–	–	–

(Securities)

1. Other securities

Previous FY (As of March 31, 2022)

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	3,409	1,656	1,753
Subtotal	3,409	1,656	1,753
Securities whose consolidated balance sheet amount does not exceed acquisition cost (i) Stocks	861	953	(91)
Subtotal	861	953	(91)
Total	4,270	2,609	1,661

Current 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

2. Other securities sold during the fiscal year

Previous FY (from April 1, 2021 to March 31, 2022)

Category	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Stocks	133	17	32
Total	133	17	32

Current 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	–

(Retirement benefits)

Previous FY (from April 1, 2021 to March 31, 2022)

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	11,362	million yen
Service costs	700	million yen
Interest expenses	50	million yen
Actuarial differences	(621)	million yen
Past service costs	(1,642)	million yen
Retirement benefit paid	(229)	million yen
Other	11	million yen
Retirement benefit obligations at end of period	9,631	million yen

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

Pension assets at beginning of period	7,850	million yen
Expected return on plan assets	39	million yen
Actuarial differences	(128)	million yen
Contribution from employers	108	million yen
Retirement benefit paid	(82)	million yen
Pension assets at end of period	7,788	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	86	million yen
Retirement benefit expenses	17	million yen
Retirement benefit paid	(7)	million yen
Contribution to plans	(8)	million yen
Other	(21)	million yen
Retirement benefit liability at end of period	66	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	6,575	million yen
Pension assets	(7,925)	million yen
	(1,349)	million yen
Retirement benefit obligations for unfunded plans	3,258	million yen
Net liabilities and assets recorded on consolidated balance sheet	1,909	million yen

Retirement benefit liability	3,258	million yen
Retirement benefit asset	1,349	million yen
Net liabilities and assets recorded on consolidated balance sheet	1,909	million yen

(5) Amount of retirement benefit expenses and item breakdown

Service costs	700	million yen
Interest expenses	50	million yen
Expected return on plan assets	(39)	million yen
Amortization of actuarial differences	(38)	million yen
Retirement benefit expenses calculated by a simplified method	17	million yen
Amortization of past service costs	(246)	million yen
Retirement benefit expenses for defined retirement plans	444	million yen

(6) Remeasurements of defined benefit plans, net of tax

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

Past service costs	(1,396)	million yen
Actuarial differences	(375)	million yen
Total	(1,771)	million yen

(7) Remeasurements of defined benefit plans

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

Unrecognized past service costs	(1,396)	million yen
Unrecognized actuarial differences	(1,059)	million yen
Total	(2,456)	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:

Bonds	56 %
Stocks	17 %
Alternatives	16 %
Cash and deposits	3 %
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	0.2 %
Long-term expected rate of return on plan assets	0.5 %
Expected rate of salary increase	4.8 %

Current 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 retirement 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 %

(Tax effect accounting)

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

	Previous FY (As of March 31, 2022)	Current FY (As of March 31, 2023)
Deferred tax assets		
Allowance for doubtful accounts	53 million yen	52 million yen
Accumulated impairment losses	154 million yen	154 million yen
Loss on valuation of investment securities	25 million yen	25 million yen
Loss on valuation of shares of subsidiaries and associates	112 million yen	– million yen
Loss on valuation of golf club membership	54 million yen	54 million yen
Provision for loss on construction contracts	71 million yen	108 million yen
Provision for warranties for completed construction	32 million yen	52 million yen
Provision for bonuses	634 million yen	648 million yen
Long-term accounts payable - other	2 million yen	– million yen
Retirement benefit liability	546 million yen	795 million yen
Provision for retirement benefits for directors (and other officers)	2 million yen	1 million yen
Accrued enterprise taxes	174 million yen	119 million yen
Accrued social insurance expenses	99 million yen	95 million yen
Loss carryforwards	23 million yen	3 million yen
Auxiliary materials	55 million yen	58 million yen
Other	163 million yen	163 million yen
Deferred tax assets subtotal	2,204 million yen	2,335 million yen
Valuation allowance for tax loss carried forward (Note 2)	(23) million yen	(3) million yen
Valuation allowance for total deductible temporary differences	(281) million yen	(282) million yen
Valuation allowance subtotal (Note 1)	(304) million yen	(285) million yen
Total deferred tax assets	1,900 million yen	2,049 million yen
Deferred tax liabilities		
Valuation of shares of subsidiaries and associates	464 million yen	454 million yen
Valuation difference on available-for-sale securities	489 million yen	480 million yen
Other	31 million yen	17 million yen
Total deferred tax liabilities	985 million yen	951 million yen
Net deferred tax assets	914 million yen	1,097 million yen

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

	Previous FY (As of March 31, 2022)	Current FY (As of March 31, 2023)
Non-current assets - Deferred tax assets	1,027 million yen	1,202 million yen
Non-current liabilities - Deferred tax liabilities	113 million yen	105 million yen

(Notes) 1. Valuation allowance decreased by 18 million yen. This was mainly due to a decrease in valuation allowance of 19 million yen for loss carryforwards.

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

Previous FY (As of March 31, 2022)

	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)	–	19	–	–	–	3	23 million yen
Valuation allowance	–	(19)	–	–	–	(3)	(23) million yen

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

Current 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.

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, 2021 to March 31, 2022)

Not applicable.

Current FY (From April 1, 2022 to March 31, 2023)

Not applicable.

(Real estate for lease, etc.)

Previous FY (from April 1, 2021 to March 31, 2022)

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, 2022 is 70 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)	
1,704	(285)	1,419	1,030

(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.: 99 million yen

Major decrease due to transfer for own use: 391 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, 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.

(Revenue recognition)

1. Breakdown of revenue from contracts with customers

Previous FY (from April 1, 2021 to March 31, 2022)

(Unit: Million yen)

	Engineering work			Other (Note)	Total
	Maintenance	Engineering	Total		
Goods transferred at a point in time	38,218	4,059	42,278	–	42,278
Goods transferred over time	48,813	38,619	87,433	–	87,433
Revenue from contracts with customers	87,032	42,679	129,711	–	129,711
Revenue from other sources	–	–	–	121	121
Net sales to external customers	87,032	42,679	129,711	121	129,832

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

Current 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.

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, 2021 to March 31, 2022)

(1) Balances of contract assets and contract liabilities

(Unit: Million yen)

	Previous FY
Receivables from contracts with customers (balance at beginning of period)	53,079
Receivables from contracts with customers (balance at end of period)	46,468
Contract assets (balance at beginning of period)	14,752
Contract assets (balance at end of period)	16,903
Contract liabilities (balance at beginning of period)	742
Contract liabilities (balance at end of period)	649

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 1,921 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 56,239 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.

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

(1) Balances of contract assets and contract liabilities

(Unit: Million yen)

	Current 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 current 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 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, 2021 to March 31, 2022)

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	44,730	Engineering work

Current 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

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

Not applicable.

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

Previous FY (from April 1, 2021 to March 31, 2022)

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

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

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, 2021 to March 31, 2022)

Not applicable.

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

Not applicable.

[Related parties]

Previous FY (from April 1, 2021 to March 31, 2022)

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	43,984	Accounts receivable from completed construction contracts Contract assets Advances received on construction contracts in progress	13,546 7,183 -

(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, 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.

(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, 2022)		Current FY (As of March 31, 2023)	
Net assets per share	1,450.39 yen	Net assets per share	1,524.55 yen
(Basis for calculation)		(Basis for calculation)	
Total net assets on consolidated balance sheet	79,342 million yen	Total net assets on consolidated balance sheet	83,283 million yen
Net assets for common shares	78,563 million yen	Net assets for common shares	82,476 million yen
Breakdown of difference		Breakdown of difference	
Non-controlling interests	778 million yen	Non-controlling interests	806 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	666 shares	Number of common shares held in treasury shares	68,927 shares
Number of common shares used for calculating the amounts of net assets	54,167,387 shares	Number of common shares used for calculating the amounts of net assets	54,099,126 shares

Previous FY (From April 1, 2021 to March 31, 2022)		Current FY (From April 1, 2022 to March 31, 2023)	
Basic earnings per share	143.04 yen	Basic earnings per share	142.93 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	7,748 million yen	Profit attributable to owners of parent on consolidated statement of income	7,741 million yen
Profit attributable to owners of parent for common shares	7,748 million yen	Profit attributable to owners of parent for common shares	7,741 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	54,167,504 shares	Average number of common shares outstanding during the period	54,161,418 shares

(Significant subsequent event)

(Introduction of a restricted stock compensation plan)

The Company reviewed its executive compensation system at the Board of Directors meeting held on March 3, 2023 and resolved to introduce a compensation plan (hereinafter referred to as the “Plan”) for shares of common stock with restrictions on transfer. The introduction of the Plan was approved by resolution of the 119th Annual General Meeting of Shareholders held on June 27, 2023.

1. Purpose of introduction of the Plan

The Plan aims to provide incentives to Directors of the Company (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors, hereinafter referred to as “Eligible Directors”) to contribute to the sustainable enhancement of the Company’s corporate value and promote their sharing of value with the Company’s shareholders.

2. Overview of the Plan

(1) Monetary compensation receivables and a contribution in kind

The Company shall, each business year in principle, award Eligible Directors monetary compensation receivables to allot shares with restrictions on transfer based on a resolution of the Company’s Board of Directors. Eligible Directors shall tender all the monetary compensation receivables awarded as a contribution in kind, and in return, receive shares of the Company’s common stock to be issued or disposed of. The annual amount of compensation, etc. for the Company’s Directors (excluding Directors

Serving as Audit and Supervisory Committee Members) was approved to be 400 million yen or less (excluding the employee salary portion for a Director who concurrently serves as an employee) at the 112th Annual General Meeting of Shareholders held on June 24, 2016. The Plan grants new monetary compensation receivables for granting its shares of common stock with restrictions on transfer to Eligible Directors of the Company, within the aforementioned compensation limit. The total amount of the monetary compensation receivables to be awarded to Eligible Directors under the Plan is up to 100 million yen a year. The specific timing to award the monetary compensation receivables and allocation thereof shall be ultimately determined by the Board of Directors after discussion involving the Outside Officer Advisory Committee.

(2) Type and number of shares with restrictions on transfer issued or disposed of for Eligible Directors

Under the Plan, shares of the Company's common stock are issued or disposed of for Eligible Directors. The total number of shares issued or disposed of within one year from the date of the Annual General Meeting of Stockholders for each fiscal year shall be up to 100,000 shares a year. Provided, however, that in the case that a stock split (including an allotment of the shares of Company's common stock without contribution) or a reverse stock split of the shares of the Company's common stock is conducted on or after the day of resolution of the 119th Annual General Meeting of Stockholders as the effective date, said total number may be adjusted on or after said effective date as necessary within a reasonable range.

(3) Amount to be paid for shares with restrictions on transfer

The amount to be paid in per share of the Company's common stock issued or disposed of for Eligible Directors according to the Plan shall be determined by the Board of Directors within a range not especially favorable to Eligible Directors, based on the closing price of the Company's common stock at the Tokyo Stock Exchange on its business day preceding the day when the resolution to determine the conditions of the offer of said shares of common stocks is made by the Company's Board of Directors (or, if the Company's common stock was not traded on said day, the closing price on the immediately preceding business day on which the Company's stock was traded).

(4) Conclusion of the contract on the allotment of shares with restrictions on transfer

When issuing or disposing of shares of the Company's common stock under the Plan, a contract on the allotment of shares with restrictions on transfer that includes the following provisions shall be concluded between the Company and an Eligible Director.

(i) Transfer restriction period

An Eligible Director may not transfer, create a security interest, gift inter vivos or otherwise dispose of the Allotted Shares during a period from the date of payment of the Allotted Shares till the date of retirement or other outgoing from the positions as a Director of the Company or other stipulated by the Board of Directors (hereinafter the "Transfer Restriction Period").

(ii) Conditions on lifting of transfer restrictions

The Company will lift the transfer restrictions on all of the Allotted Shares at the expiration of the Transfer Restriction Period on the condition that an Eligible Director has continuously served as either Director or other position stipulated by the Board of Directors of the Company throughout the period prescribed by the Company's Board of Directors (hereinafter the "Service Provision Period") provided, however, that, if an Eligible Director retires from or leaves the position due to justifiable reasons or his/her death during the Service Provision Period, the total number of the Allotted Shares subject to the lifting of the transfer restrictions and the timing of lifting the transfer restrictions may be adjusted as necessary within a reasonable range.

(iii) Grounds for acquisition of shares without compensation

The Company shall, as a matter of course, acquire the Allotted Shares without compensation if an Eligible Director retires from or leaves the position without justifiable reasons during the Transfer Restriction Period. In case that any Allotted Shares for which the transfer restriction has not been lifted exist at the timing of the lifting of the transfer restriction set out in (ii) above, the Company shall, as a matter of course, acquire such shares without compensation.

(iv) Return of shares without compensation, etc.

In the event of a severe deterioration in the Company's business performance, or the Officer has violated laws and regulations or internal rules of the Company, the Company may request the return without compensation of all or part of the Allotted Shares already awarded, or may make the amount equivalent to the Allotted Shares or the Company's shares for which the restrictions on transfer have been lifted paid for, upon resolution of the Board of Directors or other internal procedures.

(v) Handling in case of reorganization, etc.

Notwithstanding the provision of (i) above, in the case that a proposal for a merger agreement under which the Company will be absorbed, a share exchange agreement or a stock transfer plan under which the Company will become a wholly owned subsidiary or other forms of reorganization, etc. of the Company was approved by the Company's General Meeting of Shareholders (or the Company's Board of Directors when such reorganization, etc. does not require approval of the Company's General Meeting of Shareholders) during the Transfer Restriction Period, the Company will, by a resolution of its Board of Directors, adjust the total number of the Allotted Shares subject to the lifting of the transfer restrictions and the timing of lifting the transfer restrictions, as necessary, within a reasonable range. In such case, if any Allotted Shares for which the transfer restriction has not been lifted exist at the timing immediately after the transfer restriction is lifted, the Company shall, as a matter of course, acquire such shares without compensation.

(vi) Other matters

Other matters regarding the Allotment Contract shall be determined by the Company's Board of Directors.

3. Allotment of shares with restrictions on transfer to the Company's Executive Officers

The same shares with restrictions on transfer as above will be allocated to Executive Officers who do not concurrently serve as Directors of the Company.

4. Disposal of treasury shares for restricted stock compensation

The Company resolved at the Board of Directors meeting held on June 27, 2023 to dispose of treasury shares for the restricted stock compensation as follows, and then completed the payment procedures for the disposal accordingly on July 26, 2023.

(1) Outline of the disposal

(i) Disposal date:	July 26, 2023
(ii) Type and number of shares:	40,422 shares of common stock of the Company
(iii) Disposal price	1,440 yen per share
(iv) Total value of disposal	58,207,680 yen
(v) Scheduled allotment	Five Directors of the Company (excluding Directors Serving as Audit and Supervisory Committee Members and Outside Directors), 17,462 shares and 22 Executive Officers of the Company, 22,960 shares

(2) Purpose and reason for the disposal

The Company resolved at the Board of Directors meeting held on March 3, 2023 to introduce the Plan for the purpose of providing Eligible Directors and Executive Officers with incentives to continuously enhance the Company's corporate value and for encouraging further shared value with shareholders. The introduction of the Plan was then approved by resolution of the 119th Annual General Meeting of Shareholders held on June 27, 2023.

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	9	2.0	–
Current portion of lease obligations	5	10	–	–
Long-term borrowings (excluding current portion)	10	0	2.0	April 20, 2024
Lease obligations (excluding current portion)	5	1	–	February 10, 2025
Total	31	23	–	–

(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	0	–	–	–
Lease obligations	1	–	–	–

[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, 2023

	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	119th fiscal year (From April 1, 2022 to March 31, 2023)
Net sales (million yen)	29,417	68,747	102,509	140,061
Profit before income taxes (million yen)	2,008	5,885	8,104	11,408
Profit attributable to owners of parent (million yen)	1,301	3,968	5,487	7,741
Basic earnings per share (yen)	24.02	73.26	101.30	142.93

	First quarter of the fiscal year (From April 1, 2022 to June 30, 2022)	Second quarter of the fiscal year (From July 1, 2022 to September 30, 2022)	Third quarter of the fiscal year (From October 1, 2022 to December 31, 2022)	Fourth quarter of the fiscal year (From January 1, 2023 to March 31, 2023)
Basic earnings per share (yen)	24.02	49.24	28.04	41.64

2. Financial Statements

(1) Financial Statements

i. Balance Sheet

(Unit: Million yen)

	Previous FY (As of March 31, 2022)	Current FY (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	9,065	14,187
Notes receivable - trade	178	184
Electronically recorded monetary claims - operating	1,691	986
Accounts receivable from completed construction contracts	40,367	42,680
Contract assets	18,818	23,829
Costs on construction contracts in progress	1,345	1,216
Other	994	1,485
Allowance for doubtful accounts	(8)	(2)
Total current assets	72,452	84,568
Non-current assets		
Property, plant and equipment		
Buildings	7,922	8,107
Accumulated depreciation	(4,802)	(4,963)
Buildings, net	3,119	3,144
Structures	898	900
Accumulated depreciation	(516)	(530)
Structures, net	382	369
Machinery and equipment	3,915	4,046
Accumulated depreciation	(3,404)	(3,497)
Machinery and equipment, net	511	549
Vehicles	328	305
Accumulated depreciation	(307)	(291)
Vehicles, net	21	14
Tools, furniture and fixtures	1,660	1,732
Accumulated depreciation	(1,397)	(1,448)
Tools, furniture and fixtures, net	262	283
Land	7,833	9,063
Leased assets	6	6
Accumulated depreciation	(2)	(4)
Leased assets, net	4	2
Construction in progress	1,341	535
Total property, plant and equipment	13,476	13,962
Intangible assets		
Other	733	1,413
Total intangible assets	733	1,413
Investments and other assets		
Investment securities	4,307	4,244
Shares of subsidiaries and associates	3,200	3,098
Long-term loans receivable from subsidiaries and associates	118	–
Long-term prepaid expenses	7	5
Deferred tax assets	1,664	1,592
Other	579	651
Allowance for doubtful accounts	(163)	(167)
Total investments and other assets	9,713	9,424
Total non-current assets	23,923	24,800
Total assets	96,375	109,369

(Unit: Million yen)

	Previous FY (As of March 31, 2022)	Current FY (As of March 31, 2023)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	9,921	14,574
Short-term borrowings	Note 1 850	Note 1 1,300
Income taxes payable	2,662	1,740
Advances received on construction contracts in progress	578	103
Provision for loss on construction contracts	233	356
Provision for warranties for completed construction	106	172
Provision for bonuses	1,918	1,987
Accounts payable	1,217	1,708
Other	1,107	5,554
Total current liabilities	18,595	27,499
Non-current liabilities		
Provision for retirement benefits	4,158	4,142
Other	165	154
Total non-current liabilities	4,323	4,296
Total liabilities	22,918	31,795
Net assets		
Shareholders' equity		
Share capital	2,754	2,754
Capital surplus		
Legal capital surplus	11,460	11,460
Other capital surplus	384	384
Total capital surplus	11,845	11,845
Retained earnings		
Legal retained earnings	408	408
Other retained earnings		
General reserve	500	500
Retained earnings brought forward	56,783	61,007
Total retained earnings	57,691	61,915
Treasury shares	(0)	(101)
Total shareholders' equity	72,290	76,413
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,167	1,160
Total valuation and translation adjustments	1,167	1,160
Total net assets	73,457	77,573
Total liabilities and net assets	96,375	109,369

ii. Statement of Income

(Unit: Million yen)

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Net sales of completed construction contracts	121,204	132,322
Cost of sales of completed construction contracts	Note 1 105,389	Note 1 116,026
Gross profit on completed construction contracts	15,815	16,296
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	230	187
Employees' salaries and allowances	1,306	1,286
Employees' bonuses	437	425
Provision for bonuses	341	356
Directors' bonuses	115	126
Retirement benefit expenses	79	39
Legal welfare expenses	407	419
Welfare expenses	265	259
Repair and maintenance expenses	268	250
Stationery expenses	68	65
Communication and transportation expenses	232	270
Power utilities expenses	21	26
Advertising expenses	83	107
Provision of allowance for doubtful accounts	0	–
Entertainment expenses	25	81
Donations	–	0
Rent expenses on land and buildings	92	154
Depreciation	306	388
Taxes and dues	411	428
Insurance expenses	90	83
Fee expenses	349	420
Research and development expenses	Note 2 85	Note 2 60
Miscellaneous expenses	513	901
Total selling, general and administrative expenses	5,732	6,339
Operating profit	10,083	9,956
Non-operating income		
Interest income	3	5
Dividend income	348	354
Rental income	99	96
Reversal of allowance for doubtful accounts	38	3
Foreign exchange gains	36	16
Other	70	55
Total non-operating income	597	532
Non-operating expenses		
Interest expenses	25	9
Rental expenses	12	10
Compensation expenses	13	–
Other	37	10
Total non-operating expenses	88	30
Ordinary profit	10,592	10,458

(Unit: Million yen)

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Extraordinary income		
Gain on sale of non-current assets	Note 3 0	Note 3 3
Gain on sale of investment securities	–	64
Settlement income	–	100
Gain on sale of shares of subsidiaries and associates	1,198	–
Gain on sale of businesses	200	–
Total extraordinary income	1,398	167
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	125	–
Loss on sale of non-current assets	Note 4 0	Note 4 0
Loss on retirement of non-current assets	Note 5 6	Note 5 6
Loss on sale of investment securities	32	–
Loss on valuation of shares of subsidiaries and associates	44	–
Total extraordinary losses	208	6
Profit before income taxes	11,781	10,619
Income taxes - current	3,363	3,172
Income taxes - deferred	(200)	81
Total income taxes	3,162	3,253
Profit	8,619	7,365

Cost of Sales of Completed Construction Contracts Report

		Previous FY (From April 1, 2021 to March 31, 2022)		Current FY (From April 1, 2022 to March 31, 2023)	
Category	Note number	Amount (million yen)	Composition ratio (%)	Amount (million yen)	Composition ratio (%)
I Material costs		9,198	8.7	11,117	9.5
II Labor costs		9,942	9.4	9,586	8.3
III Outsourcing costs		74,476	70.7	80,747	69.6
IV Expenses		11,771	11.2	14,573	12.6
[Personnel expenses]		[3,693]		[3,720]	
Total		105,389	100.0	116,026	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, 2021 to March 31, 2022)

(Unit: Million yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
	Share capital	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	51,142	52,051
Changes during period								
Dividends of surplus				–			(2,979)	(2,979)
Profit				–			8,619	8,619
Purchase of treasury shares				–				–
Net changes in items other than shareholders' equity				–				–
Total changes during period	–	–	–	–	–	–	5,640	5,640
Balance at end of period	2,754	11,460	384	11,845	408	500	56,783	57,691

	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)	66,650	1,478	0	1,478	68,128
Changes during period						
Dividends of surplus		(2,979)				(2,979)
Profit		8,619				8,619
Purchase of treasury shares	(0)	(0)				(0)
Net changes in items other than shareholders' equity		–	(310)	(0)	(310)	(310)
Total changes during period	(0)	5,639	(310)	(0)	(310)	5,328
Balance at end of period	(0)	72,290	1,167	–	1,167	73,457

Current 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				–				–
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	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)
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

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 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, 2023

(million yen)

	Previous FY	Current FY
Net sales of completed construction contracts	121,204	132,322
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	27,346	33,902
As of the end of the fiscal year, net sales of completed construction contracts related to ongoing projects	12,665	16,002

   (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).’”

(Changes in accounting policies)

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the fiscal year ended March 31, 2023, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This has no impact on the financial statements for the end of the fiscal year ended March 31, 2023.

(Changes in presentation)

(Balance sheet)

“Accounts payable” included in “Other” under “Current liabilities” for the previous fiscal year has been presented separately for the current fiscal year because the amount has become significant. The financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 2,325 million yen presented as “Other” under “Current liabilities” in the balance sheet for the previous fiscal year has been reclassified as 1,217 million yen of “Accounts payable” and 1,107 million yen of “Other.”

(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, 2022)	Current FY (As of March 31, 2023)
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, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
233 million yen	528 million yen

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

Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
85 million yen	60 million yen

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

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Buildings	– million yen	0 million yen
Machinery and equipment	0 million yen	0 million yen
Vehicles	0 million yen	3 million yen
Tools, furniture and fixtures	0 million yen	0 million yen
Total	0 million yen	3 million yen

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

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Machinery and equipment	0 million yen	0 million yen
Total	0 million yen	0 million yen

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

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Buildings	5 million yen	1 million yen
Machinery and equipment	0 million yen	4 million yen
Vehicles	0 million yen	0 million yen
Tools, furniture and fixtures	0 million yen	0 million yen
Telephone subscription right	– million yen	0 million yen
Total	6 million yen	6 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 consolidated balance sheet amount of shares, etc. without a market price of subsidiaries and associates is as follows:

Category	Previous FY (As of March 31, 2022)
Shares of subsidiaries	2,464 million yen
Shares of associates	736 million yen
Total	3,200 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 consolidated balance sheet amount of shares, etc. without a market price of subsidiaries and associates is as follows:

Category	Current FY (As of March 31, 2023)
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, 2022)		Current FY (As of March 31, 2023)	
(Deferred tax assets)				
Allowance for doubtful accounts	52	million yen	51	million yen
Accumulated impairment losses	154	million yen	154	million yen
Loss on valuation of investment securities	21	million yen	21	million yen
Loss on valuation of shares of subsidiaries and associates	147	million yen	35	million yen
Loss on valuation of golf club membership	54	million yen	54	million yen
Provision for loss on construction contracts	71	million yen	108	million yen
Provision for warranties for completed construction	32	million yen	52	million yen
Provision for bonuses	586	million yen	608	million yen
Long-term accounts payable - other	2	million yen	–	million yen
Provision for retirement benefits	1,272	million yen	1,267	million yen
Accrued enterprise taxes	160	million yen	109	million yen
Accrued social insurance expenses	93	million yen	89	million yen
Auxiliary materials	55	million yen	58	million yen
Other	135	million yen	134	million yen
Deferred tax assets subtotal	2,841	million yen	2,746	million yen
Valuation allowance	(316)	million yen	(317)	million yen
Total deferred tax assets	2,525	million yen	2,428	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	486	million yen	477	million yen
Other	31	million yen	17	million yen
Total deferred tax liabilities	860	million yen	836	million yen
Net deferred tax assets	1,664	million yen	1,592	million yen

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

	Previous FY (As of March 31, 2022)	Current FY (As of March 31, 2023)
Statutory tax rate for company submitting financial statements	30.6 %	– %
(Adjustments)		
Non-deductible items such as entertainment expenses	0.5 %	– %
Inhabitants taxes per capita	0.6 %	– %
Dividend income	(3.8) %	– %
Valuation allowance	(0.9) %	– %
Other	(0.2) %	– %
Effective tax rate after adoption of tax effect accounting	26.8 %	– %

(Note) Notes are omitted for the current fiscal year 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, 2021 to March 31, 2022)

Not applicable.

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

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)

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		
Zeon Corporation	592,000	828
ENEOS Holdings, Inc.	1,672,011	777
NIPPON SHOKUBAI CO., LTD.	87,200	460
Sato Foods Industries Co., Ltd.	295,500	500
SHIONOGI & CO., LTD.	41,000	245
ADEKA Corporation	92,954	209
RIKEN VITAMIN CO., LTD.	42,000	80
OSAKA ORGANIC CHEMICAL INDUSTRY LTD.	50,000	107
Takeda Pharmaceutical Company Limited	40,500	176
MEISEI INDUSTRIAL CO., LTD.	188,000	145
Hodogaya Chemical Co., Ltd.	20,500	61
HISAKA WORKS, LTD.	104,000	92
Hokuetsu Corporation	100,000	88
NICHIAS Corporation	25,000	66
Cosmo Energy Holdings Co., Ltd.	24,267	103
FUJI OIL HOLDINGS INC.	28,696	55
Tosoh Corporation	27,500	49
Nippon Seiro Co., Ltd.	200,000	25
Daiichi Sankyo Co., Ltd.	9,039	43
JAPAN INSULATION CO., LTD.	21,700	17
Yokohama Tekko Kensetsu Co., Ltd.	35,000	17
Asahi Kasei Corp.	13,308	12
DIC Corporation	5,300	12
Rinkai Nissan Construction Co., Ltd.	400	12
KANEKA CORPORATION	1,937	6
Wakayama Petroleum Refining Co., Ltd.	60,000	6
ASAHI INDUSTRY Co., Ltd.	8,400	6
Shinminami Aichi Country Club Co., Ltd.	1	5
JFE Holdings, Inc.	3,400	5
Hon-Atsugi Country Club Co., Ltd.	30	4
Hamano Golf Club Co., Ltd.	2	3
Hiratsuka Keizai Konwakai Co., Ltd.	3	0
Fuji Country Club Corporation	2	0
Heat Transfer Research, Inc.	1	0
Tapyrus Holdings Corporation	80,000	4
(Bonds held to maturity)		
Kanagawa prefecture public offering public bond (green bond)	100,000	10
Total	3,969,652	4,244

[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	7,922	228	43	8,107	4,963	202	3,144
Structures	898	20	18	900	530	32	369
Machinery and equipment	3,915	164	33	4,046	3,497	122	549
Vehicles	328	4	26	305	291	11	14
Tools, furniture and fixtures	1,660	107	35	1,732	1,448	86	283
Land	8,242	1,229	–	9,471	408	–	9,063
Leased assets	6	–	–	6	4	1	2
Construction in progress	1,341	2,177	2,983	535	–	–	535
Total property, plant and equipment	24,315	3,932	3,142	25,105	11,143	456	13,962
Intangible assets							
Other	1,966	1,357	479	2,845	1,431	202	1,413
Total intangible assets	1,966	1,357	479	2,845	1,431	202	1,413
Long-term prepaid expenses	28	0	3	25	18	3	7 [2]

(Notes) 1. 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.

[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	172	3	–	6	169
Provision for loss on construction contracts	233	528	405	–	356
Provision for warranties for completed construction	106	208	142	–	172
Provision for bonuses	1,918	1,987	1,918	–	1,987

(Note) "Decrease during period (Other)" in allowance for doubtful accounts is a reversal of surplus allowances of 6 million yen.

(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, 2023 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: 118th fiscal year (from April 1, 2021 to March 31, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2022.

(2) Internal control report and its attached documents

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 23, 2022.

(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 24, 2022.

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

1Q 119th fiscal year (from April 1, 2022 to June 30, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2022.

2Q 119th fiscal year (from July 1, 2022 to September 30, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2022.

3Q 119th fiscal year (from October 1, 2022 to December 31, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2023.

(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 July 15, 2022.

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: 116h 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 April 11, May 11, 2023 and June 8, 2023.

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, 2023, 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, 2023, 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, 2023 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, 2023 was 33,902 million yen, of which the amount for construction projects in progress at the end of the current fiscal year was 16,002 million yen. Revenue recognized using the method where revenue is recognized as performance obligations are satisfied over time is measured based on progress in satisfying performance obligations, and progress in satisfying performance obligations is determined based on the proportion of the cumulative amount of	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:

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 the total construction revenue and the total construction cost. In particular, the 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 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 performance obligations are satisfied over	• 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. • For completed construction work, we considered the accuracy of the Company's estimates by comparing the actual total construction cost with the most recent

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. Accordingly, 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.	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.

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.
- 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, related safeguards.

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

November 14, 2023

/s/ Yoshikatsu Nakahara
Designated Engagement Partner
Certified Public Accountant

/s/ Kenji Sato
Designated Engagement Partner
Certified Public Accountant