Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP]

May 12, 2023

Company name: RAIZNEXT Corporation
Stock exchange listing: Tokyo Stock Exchange
Stock exchange code: 6379
URL: https://www.raiznext.co.jp/
Representative: Teruhiko Mouri, Representative Director, President
Contact: Takatsugu Kamata, Executive Officer, General Manager, Corporate Planning Department
Phone: +81-45-415-1111
Scheduled date of annual general meeting of shareholders: June 27, 2023
Scheduled date of commencing dividend payments: June 28, 2023
Scheduled date of filing annual securities report: June 27, 2023
Availability of supplementary briefing material on annual financial results: Available
Schedule of annual financial results briefing session: Scheduled (for securities analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	140,061	7.9	10,918	(0.6)	11,243	(0.2)	7,741	(0.1)
March 31, 2022	129,832	(11.0)	10,982	5.7	11,270	5.8	7,748	5.5

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥7,207 million [(17.7)%]
Fiscal year ended March 31, 2022: ¥8,755 million [(2.5)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	142.93	–	9.6	10.5	7.8
March 31, 2022	143.04	–	10.2	11.4	8.5

(Reference) Share of profit (loss) of entities accounted for using equity method:
Fiscal year ended March 31, 2023: ¥- million
Fiscal year ended March 31, 2022: ¥- million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	114,168	83,283	72.2	1,524.55
As of March 31, 2022	100,781	79,342	78.0	1,450.39

(Reference) Equity: As of March 31, 2023: ¥82,476 million
As of March 31, 2022: ¥78,563 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2023	10,069	(1,880)	(3,281)	17,758
March 31, 2022	11,157	(2,225)	(2,849)	12,835

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2022	–	0.00	–	58.00	58.00	3,141	40.5	4.1
March 31, 2023	–	0.00	–	72.00	72.00	3,895	50.4	4.8
Fiscal year ending March 31, 2024 (Forecast)	–	30.00	–	35.00	65.00		49.6	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	76,500	11.3	6,300	14.6	6,400	11.9	4,300	8.4	79.39
Full year	141,000	0.7	10,300	(5.7)	10,600	(5.7)	7,100	(8.3)	131.09

*** Notes:**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
Newly included: companies (Company name:)
Excluded: one company (Company name: Wuxi Xinggao Engineering Technology Limited Company)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(3) Number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
March 31, 2023: 54,168,053 shares
March 31, 2022: 54,168,053 shares

2) Number of treasury shares at the end of the period:
March 31, 2023: 68,927 shares
March 31, 2022: 666 shares

3) Average number of shares outstanding during the period:
Fiscal year ended March 31, 2023: 54,161,418 shares
Fiscal year ended March 31, 2022: 54,167,504 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	132,322	9.2	9,956	(1.3)	10,458	(1.3)	7,365	(14.5)
March 31, 2022	121,204	(11.5)	10,083	7.1	10,592	6.5	8,619	30.0

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2023	136.00	–
March 31, 2022	159.13	–

Notes on non-consolidated operating results

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	109,369	77,573	70.9	1,433.91
As of March 31, 2022	96,375	73,457	76.2	1,356.12

(Reference) Equity: As of March 31, 2023: ¥77,573 million
As of March 31, 2022: ¥73,457 million

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

Table of Contents - Attachments

1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year Ended March 31, 2023

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 the novel coronavirus (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.

For the Company group's consolidated performance, new contracts were 138,849 million yen (down 1.7% YoY), net sales were 140,061 million yen (up 7.9% YoY), operating income 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 were 132,322 million yen (up 9.2% YoY), operating income 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 business" refers to real estate leasing, insurance agency business, etc.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2023

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

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

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

(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2023

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 decreased 1,087 million yen YoY to an inflow of 10,069 million yen. The major outflows were an increase in trade receivables of 6,656 million yen and income taxes paid of 4,447 million yen. The major inflow was profit before income taxes of 11,408 million yen.

(Cash flows from investing activities)

Cash flows from investing activities decreased 1,880 million yen YoY to an outflow of 344 million yen. This was mainly due 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 decreased 432 million yen YoY to an outflow of 3,281 million yen. The major outflow was dividends paid of 3,140 million yen.

(Reference) Trends in cash flows-related indicators

	FY ended Mar. 31, 2021	FY ended Mar. 31, 2022	FY ended Mar. 31, 2023
Equity-to-asset ratio (%)	75.0	78.0	72.2
Equity-to-asset ratio based on fair value (%)	66.7	57.6	68.9
Years of debt redemption (years)	0.0	0.0	0.0
Interest coverage ratio (times)	109.7	466.7	1,824.5

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

* The indicators were calculated using consolidated financial figures.
* The total market value of shares was calculated by multiplying the closing price at the end of the fiscal year by the number of issued shares (excluding treasury shares) on that day.
* Operating cash flow is used for cash flow.
Operating cash flow is the figure of net cash provided by (used in) operating activities recorded in the consolidated statement of cash flows. Interest-bearing liabilities include all liabilities recorded on the consolidated balance sheet for which interest is paid. Interest paid is the interest expenses shown in the consolidated statement of cash flows.

(4) Forecast for the Next Fiscal Year

For the next fiscal year (ending March 31, 2024), although the economy is expected to pick up as socioeconomic activities move toward normalization driven by the downgrading of COVID-19 to Class 5, etc., there are concerns about the trend of consumer price increases and the effects of the prolonged situation in Ukraine and other factors on raw material prices and supply-side constraints, and the situation is expected to remain uncertain.

As the consolidated financial results forecast, the same level as the current fiscal year with the new contracts at 141,000 million yen, net sales at 141,000 million yen, operating profit at 10,300 million yen, ordinary profit at 10,600 million yen, and profit attributable to owners of parent at 7,100 million yen are forecasted. We continuously strive to increase new contracts of conventional maintenance-related works including routine maintenance, regular repair and renovation. We also make efforts to secure new contracts for plants which manufacture high-performance products such as general chemicals and electronic materials, and for fields related to carbon neutrality, aiming to achieve the Second Mid-Term Business Plan “RAIZNEXT SYNERGY POWER” (FY2021−FY2024) under execution.

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

(Basic Policy)

Our group’s business is based on 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 increase our corporate value if we build a stable management foundation by strengthening our corporate structure in anticipation of changes in the business environment and future business developments, which in turn will help secure future benefits for our shareholders, customers, business partners, employees, and other stakeholders.

With this understanding, we position profit distribution to shareholders as the most management issue, and we believe that dividend measures should be implemented in line with earnings. As such, we aim to ensure a consolidated dividend payout ratio of 40% or more, paying full attention to dividend continuity and stability.

(Dividend for the fiscal year ended March 31, 2023)

The year-end dividend for the fiscal year ended March 31, 2023 is scheduled to be 72 yen per share.

(Dividend for the next fiscal year)

Annual dividend of 65 yen per share consisting of 30 yen per share as the interim dividend and 35 yen per share as the year-end dividend is scheduled for the next fiscal year, aiming for the improvement of opportunities for profit returns to shareholders and the continuous holding of shares.

2. Basic Stance Concerning Choice of Accounting Standards

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

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

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Unit: Million yen)

	Previous FY (As of March 31, 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	61,677	69,072
Electronically recorded monetary claims – operating	1,691	986
Costs on construction contracts in progress	1,551	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	10,271	10,530
Accumulated depreciation	(6,272)	(6,471)
Buildings and structures, net	3,999	4,058
Machinery, equipment and vehicles	5,105	5,230
Accumulated depreciation	(4,402)	(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	8,378	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	9	9
Income taxes payable	2,823	1,874
Advances received on construction contract in progress	649	136
Provision for loss on construction contracts	233	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	10	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

(2) 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	129,832	140,061
Cost of sales of completed construction contracts	112,084	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	85	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
Gain on sale of non-current assets	0	9

(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 businesses	200	–
Gain on sale of investment securities	–	64
Total extraordinary losses	200	173
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	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	941	(586)
Comprehensive income	8,755	7,207
(Breakdown)		
Comprehensive income attributable to owners of parent	8,690	7,155
Comprehensive income attributable to non-controlling interest	64	52

(3) Consolidated Statement of Changes in Equity
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	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,169	–	30	1,703	2,904	778	79,342
Changes during period							
Dividends of surplus					–		(3,141)
Profit attributable to owners of parent					–		7,741
Purchase of treasury shares					–		(100)
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

(4) 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	–

(Unit: Million yen)

	Previous FY (From April 1, 2021 to March 31, 2022)	Current FY (From April 1, 2022 to March 31, 2023)
Other, net	11	(85)
Net cash provided by (used in) investing activities	(2,225)	(1,880)
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	12,835	17,758

(5) Notes to the Consolidated Financial Statements

(Notes on premise of a going concern)

Not applicable.

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

1. Scope of consolidation

Number of consolidated subsidiaries: 9

Names of consolidated subsidiaries:

RAIZNEXT Sogo Service Co., Ltd. (formerly Shinko Sogo Service Co., Ltd.)
SMS Co., Ltd. (formerly 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 the 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 the exclusion of each of them in terms of profit (amount corresponding to equity) and retained earnings (amount corresponding to equity), etc. is minimal on the consolidated financial statements, and their overall materiality is insignificant.

3. Fiscal years, etc. of consolidated subsidiaries

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

4. Accounting policies

(1) Valuation standards and methods for significant assets

a) Securities

Bonds held to maturity

Stated at amortized cost (straight-line method)

Other securities

Securities other than shares, etc. without a market price

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

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

Shares, etc. without a market price

Stated at cost using the moving average method

b) Derivative transactions

Stated at market value.

c) Inventory assets

Costs on construction contracts in progress

Stated at cost using the specific identification method

(2) Depreciation and amortization methods for significant assets

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

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

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

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

b) Intangible assets (excluding leased assets)

Straight-line method is applied.

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

c) Leased assets

Leased assets from finance lease transactions where ownership is not transferred

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

(3) Accounting standards for significant allowance and provisions

a) Allowance for doubtful accounts

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

b) Provision for loss on construction contracts

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

c) Provision for warranties for completed construction

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

d) Provision for bonuses

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

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

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

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

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

(4) Accounting treatment for retirement benefits

(i) Method for attributing estimated retirement benefits into periods

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

(ii) Actuarial difference and treatment for past service costs

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

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

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

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

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

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

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

Cost recovery method

(iii) Maintenance work where the construction period is short

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

(6) Hedge accounting

(i) Hedge accounting

Deferred hedge accounting is applied.

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

(ii) Hedging instruments and hedged items

Hedging instruments: Forward exchange transactions

Hedged items: Forward transactions denominated in foreign currencies

(iii) Hedging policies

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

(iv) Assessment of hedge effectiveness

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

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

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

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

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

(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.

(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 events)

Not applicable.