Report for the 118th Fiscal Year

From April 1, 2021 to March 31, 2022

RAIZNEXT Corporation

Stock exchange code: 6379

We contribute to the growth of business through maintenance and engineering for plants in various fields

Corporate 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

We aggressively take on challenges with unconven-tional ideas.

Sincerely and Devotedly

We sincerely work on every single business, meeting our customers' needs.

Coexistence and Coprosperity

We respect all of the peo-ple concerned, and evolve together with stakeholders.

Maintenance business — Plant maintenance

To keep plants operating stably, regular and effective maintenance is crucial. We support maintenance in a broad range of fields, such as various devices, tanks, plumbing, instrumentation and electricity, rotating machinery, and civil engineering and construction, and contribute to ensuring that plants operate safely and stably for 24 hours, 7 days a week.

Based on close communication with customers and a deep understanding of their specific situations, we can propose optimal maintenance plans and provide consistent services from daily maintenance to regular repair works to meet needs for higher-quality and cost-optimized plants.

[Business field]

Device / Tank / Plumbing / Instrumentation/ Electricity / Rotating machinery / Civil engineering/ Construction

Engineering business — Optimize plants

With our strengths in not only constructing new plants but also remodeling or renovating existing plants for longer operating life, improved quake resistance, and enhanced capabilities, we support plant engineering in various industries, such as petroleum, petrochemicals, general chemicals, medical products, and food.

We have established a system to provide consistent support from initial commercialization planning, EPC* business, trial operation after construction, to follow-up activities. As a good consultant for our customers, we help them implement valuable plants optimized for various needs.

* Stands for Engineering, Procurement, and Construction.

[Business field]

Petroleum refining plant / Petrochemical plant / Chemical plant / Renewable energy / Tank / Buildings and structures

Greetings

I would like to express my deepest gratitude to our shareholders for your valued patronage.

This report provides an overview of our business for the 118th fiscal year (from April 1, 2021 to March 31, 2022).

I would greatly appreciate it if you could take the time to read this report.

Representative Director
President
Teruhiko Mouri

Overview of Business Results for the Fiscal Year Ended March 31, 2022

In a continuation from last fiscal year the economy of Japan for the fiscal year ended March 31, 2022, remained in a difficult situation due to the impact of COVID-19, but there were signs of economic improvement as thorough infection prevention measures and vaccinations were promoted and socioeconomic activities began to normalize. However, the outlook remains uncertain due to the re-spread of COVID-19 infections caused by the emergence of variants, the situation in Ukraine, and other factors.

Regarding the Company's business environment, in the petroleum industry refining capacity has been reduced and operations have been adjusted due to a structural decline in demand, primarily caused by the shift to more fuel-efficient vehicles, and in addition product demand has been sluggish due to the impact of COVID-19.

Also, in the petrochemical and general chemical industries, while some signs of a recovery in demand have been seen, overall the situation of sluggish product demand has continued due to the prolonged impact of COVID-19.

Although prices of certain materials used in construction work, such as stainless steel, soared due to the situation in Ukraine, inventories in Japan were secured and there were no problems with securing materials in the fiscal year ended March 31, 2022. However, going forward there are concerns about longer delivery times and other matters if the situation in Ukraine is prolonged.

Under these circumstances, the previous fiscal year was a strong year for the maintenance field with many regular repairs related to petroleum and petrochemicals, but since there were few such regular repairs in the fiscal year ended March 31, 2022, there was a decrease in new contracts and net sales for the full year.

In terms of revenue, in addition to a larger amount of construction work than initially expected for remodeling and renovation, etc., revenue increased as a result of our efforts to enhance the profitability of individual construction projects by reducing direct construction costs and expenses, improving operating efficiency, and other measures.

For the Company group's consolidated performance, new contracts were 141,229 million yen (down 1.3% YoY), net sales were 129,832 million yen (down 11.0% YoY), operating income was 10,982 million yen (up 5.7% YoY), ordinary profit was 11,270 million yen (up 5.8% YoY), and profit attributable to owners of parent was 7,748 million yen (up 5.5% YoY).

For the Company's non-consolidated performance, new contracts were 132,209 million yen (down 1.3% YoY), net sales were 121,204 million yen (down 11.5% YoY), operating income was 10,083 million yen (up 7.1% YoY), ordinary profit was 10,592 million yen (up 6.5% YoY), and profit was 8,619 million yen (up 30.0% YoY).

Overview of Financial Position for the Fiscal Year Ended March 31, 2022

Total assets at the end of the fiscal year ended March 31, 2022 amounted to 100,781 million yen, increased by 3,659 million yen from the end of the previous fiscal year. This is mainly attributable to an increase in cash and deposits of 6,152 million yen and an increase in notes receivable, accounts receivable from completed construction contracts, and contract assets of 3,078 million yen, despite a decrease in costs on construction contracts in progress of 6,156 million yen.

Total liabilities at the end of the fiscal year ended March 31, 2022 amounted to 21,438 million yen, decreased by 1,793 million yen from the end of the previous fiscal year. This is mainly attributable to a decrease in retirement benefit liability of 1,689 million yen.

Total net assets at the end of the fiscal year ended March 31, 2022 amounted to 79,342 million yen, increased by 5,452 million yen from the end of the previous fiscal year. This is mainly attributable to an increase in retained earnings of 4,769 million yen and an increase in remeasurements of defined benefit plans of 1,230 million yen, despite a decrease in valuation difference on available-for-sale securities of 313 million yen.

Breakdown of New Contracts by Construction Type

(Unit: Million yen)

New Contracts		Current FY (FY ended March 31, 2022)	Previous FY (FY ended March 31, 2021)	YoY	Rate of change
	Maintenance	90,167	101,210	–11,043	–10.9%
	Engineering	51,062	41,885	9,176	21.9%
Engineering work		141,229	143,095	–1,866	–1.3%

Breakdown of Net Sales by Construction Type

(Unit: Million yen)

Net Sales		Current FY (FY ended March 31, 2022)	Previous FY (FY ended March 31, 2021)	YoY	Rate of change
	Maintenance	87,032	101,364	–14,332	–14.1%
	Engineering	42,679	44,438	–1,759	–4.0%
Engineering work		129,711	145,803	–16,091	–11.0%
Other business		121	111	9	8.6%
Total		129,832	145,914	–16,081	–11.0%

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

Return to Shareholders

Dividends are paid with due consideration for continuity and stability.

	Dividend per share	Consolidated dividend payout ratio
118th FY (FY ended March 31, 2022)	58 yen	40.5%

Overview of Cash Flows for the Fiscal Year Ended March 31, 2022

For the fiscal year ended March 31, 2022, consolidated cash and cash equivalents amounted to 12,835 million yen, increased by 6,148 million yen from the end of the previous fiscal year (92.0% YoY).

Cash flows from operating activities increased by 11,157 million yen, resulting in an increase of 2,565 million yen from the previous fiscal year. The main expenses include a decrease in accrued consumption taxes of 1,259 million yen and income taxes paid of 1,051 million yen, and the main incomes include profit before income taxes of 11,316 million yen.

Cash flows from investing activities decreased by 2,225 million yen, resulting in a decrease of 1,123 million yen from the previous fiscal year. This is mainly attributable to purchase of property, plant and equipment and intangible assets of 2,949 million yen.

Cash flows from financing activities decreased by 2,849 million yen, resulting in an increase of 4,320 million yen from the previous fiscal year. The main expenses include dividends paid of 2,978 million yen.

Forecast for the Next Fiscal Year

For the next fiscal year (ending March 31, 2023), although the economy is expected to pick up as socioeconomic activities move toward normalization, there are concerns about rising raw material prices and supply-side constraints due to the situation in Ukraine and other factors, and the situation is expected to remain uncertain.

Net sales are expected to recover in the next fiscal year and increase from the fiscal year ended March 31, 2022, which saw a decrease in net sales due to a lower number of regular repairs. However, new contracts in the next fiscal year are expected to decrease from the fiscal year ended March 31, 2022, which saw a higher number of new contracts due to several large construction orders.

We continuously strive to increase new contracts of maintenance-related works for routine maintenance and remodeling and renovation. We also make efforts to secure new contracts for plants manufacturing high-performance products, such as general chemicals and electronic materials, and for fields related to renewable energy.

Based on such a business environment, our group formulated the Second Mid-Term Business Plan “RAIZNEXT SYNERGY POWER” (FY2021–FY2024) last year.

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

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.

Based on the above, comprehensively taking into account consolidated business performance for the full-year, the year-end dividend for the fiscal year ended March 31, 2022 was determined as 58 yen per share.

For the next fiscal year, the dividend is planned to be 58 yen per share.

Sustainability in the RAIZNEXT group

Under the corporate philosophy “Support Industrial Infrastructures, Create a Prosperous Future,” the RAIZNEXT group makes proactive efforts for sustainability to gain more trust from stakeholders, contribute to the sustained development of society, and increase corporate value in the medium to long term through sound and transparent management and business activities harmonized with society and environment.

Environment	Society	Governance
Carbon-neutral Environment-friendly services	Safe and high-quality services Growth with partners Satisfying work environment Creation of a safe, secure society	Enhanced corporate governance

Realize a sustainable society

We work on the following seven materiality items (priority issues).

	Materiality	Initiative	SDGs contribution areas
Environment	1. Contribute to the realization of a carbon-neutral society	● Work on renewable and new energy (such as hydrogen energy) ● Reduce CO_2 emissions through corporate activities	11, 13
Environment	2. Deliver environment-friendly plant services	● Process industrial waste properly ● Promote the use of recycled paper ● Promote green purchasing ● Implement more paperless practices	11, 12
Society	3. Deliver safe and high-quality services	● Ensure the safety of workers ● Assess customer satisfaction ● Improve service quality	9
Society	4. Grow with business partners	● Ensure compliance with laws and regulations in transactions with partners ● Keep healthy relationships with partners ● Provide partners with education, training, and support ● Timely grasp the state of partners	10, 12
Society	5. Realize satisfying and attractive work environment for everyone	● Secure and develop human resources ● Promote stress checks ● Drive women’s participation ● Provide training on harassment	3, 5, 8, 10, 16
Society	6. Contribute to the creation of a safe and secure society for people to live a good life	● Contribute to local communities	11
Governance	7. Enhance corporate governance	● Ensure thorough compliance ● Strengthen information security ● Enhance governance	16

Strengthening Management Foundation and Various Business Strategies (Progress and Results)

Strengthening our maintenance business

- Effective operation of company-wide production planning systems
- Expanding new contracts and profits
- Strengthening the network of our business partners and maintaining mobilization capacity
- Strengthening technical capabilities

Progress

- Conducted revision of company-wide production planning systems
- Implemented adjustments to strengthen coordination with our business partners
- Actively bidding for entry into a new market area of regular repair works for oil wholesalers and chemical manufacturers

Results

- Received orders for new plant construction followed by regular repair works in the same area

Strengthening our engineering business

- Further strengthening business execution systems and technical capabilities
- Expanding new contracts and profits
- Expanding new contracts in new fields such as renewable energy
- Strengthening technical capabilities

Progress

- Actively developing and executing an in-house JV system
- Conducted a survey for the customer relations department as part of activities in the renewable energy sector

Results

- New contracts for construction of various types of factory buildings using the in-house JV system
- Participated in a CO_2 capture demonstration test and completed installation of CO_2 capture equipment
- Expansion of new contracts for new construction and modification works by participating from the planning/budgeting stages for clients

Strengthening our tank business

- Further strengthening company-wide operating structures and strengthening the systems of our business partners
- Expanding new contracts and profits
- Investigating and examining the design and construction technology of hydrogen storage tanks
- Strengthening technical capabilities

Progress

- Improving the tank production management system and strengthening the business execution system
- Conducting research and collecting information about the technology, demand and environment involved in hydrogen storage tanks through client visits and attendance in relevant seminars, etc.

Results

- Renewed contracts for inspection work of underground tank openings for oil storage company
- New contracts for tank construction work for chemical manufacturers that have not yet entered the market

Strengthening our management foundation

- Strengthening the governance system across the entire group
- Regulating overtime work limits / responding to new work styles
- Personnel recruitment and training
- ESG management including CSR activities and SDGs
- Promoting DX
- Generation of synergistic effects

Progress

- Establishing DX Promotion Office and clarifying basic policies, strategies, and tactics
- Creation and development of "Overtime Work Management Guidelines" (FY2021 and FY2022 editions)

Results

- Support for transition to the Prime Market
- Introduced CSA (Control Self Assessment) system, and strengthened the governance system
- Established a sustainability management system

Management Targets in Numbers

The following table describes the final annual targets and actual annual results for the second medium-term management plan.

(Consolidated)	Item	FY2021 (FY ended March 31, 2022)	FY2024 (FY ending March 31, 2025)
Performance targets	Net Sales	129.8 billion yen	145.0 billion yen
	Operating income (margin)	10.9 billion yen (8.5%)	10.5 billion yen (7.2%)
	Profit attributable to owners of parent (margin)	7.7 billion yen (6.0%)	7.0 billion yen (4.8%)
Target values of management index	Return on equity (ROE)	10.2%	At least 8%
	Consolidated dividend payout ratio	40.5%	At least 40%

Consolidated Balance Sheet

(Unit: Million yen)

Account	Current FY (As of March 31, 2022)	Previous FY (As of March 31, 2021)
Assets		
Current assets	78,379	75,481
Non-current assets	22,401	21,640
Property, plant and equipment	14,713	13,264
Intangible assets	1,251	1,078
Investments and other assets	6,435	7,297
Total assets	100,781	97,121
Liabilities		
Current liabilities	19,180	19,225
Non-current liabilities	2,258	4,006
Total liabilities	21,438	23,231
Net assets		
Shareholders' equity	75,659	70,890
Share capital	2,754	2,754
Capital surplus	11,845	11,845
Retained earnings	61,060	56,291
Treasury shares	–0	–0
Total accumulated other comprehensive income	2,904	1,962
Valuation difference on available-for-sale securities	1,169	1,483
Deferred gains or losses on hedges	—	0
Foreign currency translation adjustment	30	5
Remeasurements of defined benefit plans	1,703	473
Non-controlling interests	778	1,036
Total net assets	79,342	73,890
Total liabilities and net assets	100,781	97,121

Consolidated Profit and Loss Statement

(Unit: Million yen)

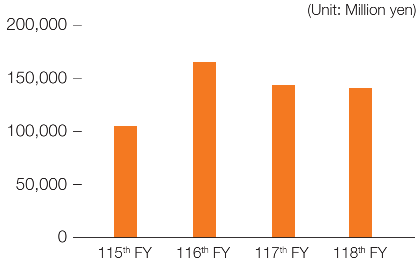
Account	Current FY (April 1, 2021 – March 31, 2022)	Previous FY (April 1, 2020 – March 31, 2021)
Net sales of completed construction contracts	129,832	145,914
Cost of sales of completed construction contracts	112,084	129,499
Gross profit on completed construction contracts	17,748	16,415
Selling, general and administrative expenses	6,765	6,029
Operating income	10,982	10,386
Non-operating income	399	389
Non-operating expenses	112	118
Ordinary profit	11,270	10,657
Extraordinary income	200	11
Extraordinary losses	153	18
Profit before income taxes	11,316	10,649
Income taxes - current	3,716	1,474
Income taxes - deferred	–212	1,759
Profit attributable to non-controlling interests	64	71
Profit attributable to owners of parent	7,748	7,344

Consolidated Cash Flow Statement

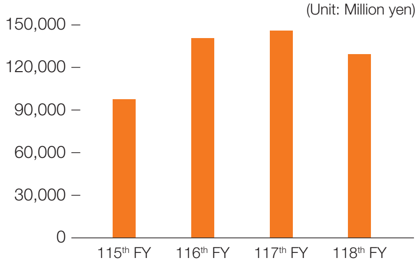
(Unit: Million yen)

Account	Current FY (April 1, 2021 – March 31, 2022)	Previous FY (April 1, 2020 – March 31, 2021)
Cash flows from operating activities	11,157	8,591
Cash flows from investing activities	–2,225	–1,101
Cash flows from financing activities	–2,849	–7,170
Effect of exchange rate change on cash and cash equivalents	66	–1
Net increase (decrease) in cash and cash equivalents	6,148	317
Cash and cash equivalents at beginning of period	6,686	6,368
Cash and cash equivalents at end of period	12,835	6,686

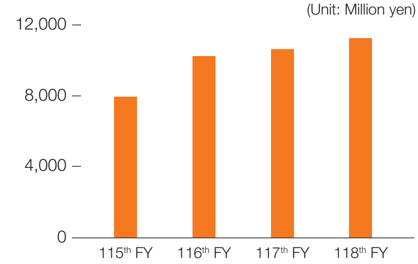
New Contracts



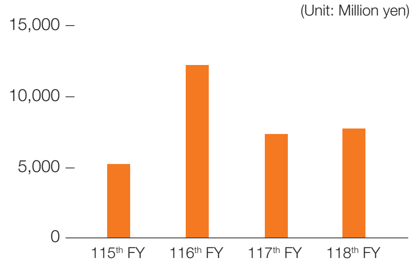
Net Sales



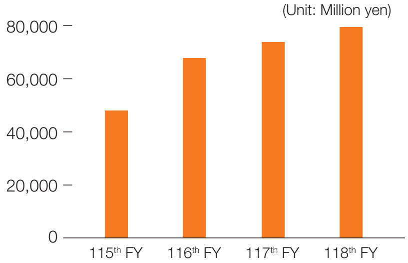
Ordinary Profit



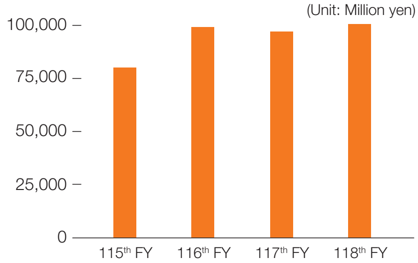
Profit attributable to owners of parent



Net Assets



Total Assets



(Unit: Million yen)

	115th FY FY ended March 31, 2019	116th FY FY ended March 31, 2020	117th FY FY ended March 31, 2021	118th FY FY ended March 31, 2022
New Contracts	104,588	165,404	143,095	141,229
Net Sales	97,331	140,578	145,914	129,832
Ordinary Profit	7,939	10,239	10,657	11,270
Profit attributable to owners of parent	5,225	12,258	7,344	7,748
Net Assets	47,988	67,819	73,890	79,342
Total Assets	80,155	99,348	97,121	100,781

Overview

Trade name	RAIZNEXT Corporation RAIZNEXT Corporation
Location of head office	1-1-8, Sakuragicho, Naka-ku, Yokohama-shi, Kanagawa, 231-0062, Japan
Contact	Main telephone number: +81-45-415-1111
Established on	July 20, 1938
Capital	2,754,473,003 yen
Listed stock exchange	First Section of the Tokyo Stock Exchange*
No. of employees	Consolidated: 2,011 Non-consolidated: 1,615

* Moved to the Prime Market on April 4, 2022.

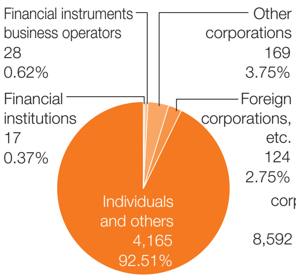
Board of Directors (as of June 23, 2022)

Representative Director Chairman of The Board	Takashi Noro
Representative Director President	Teruhiko Mouri
Director Executive Vice President	Masaki Fukuhisa
Director Managing Executive Officer	Hiroto Yamanouchi
Director Managing Executive Officer	Hideki Ueda
Outside Director	Noriaki Isa
Director (Audit and Supervisory Committee Member)	Kenji Kurosawa
Outside Director (Audit and Supervisory Committee Member)	Toshio Saburi
Outside Director (Audit and Supervisory Committee Member)	Keiko Suichi
Outside Director (Audit and Supervisory Committee Member)	Mayumi Nishida

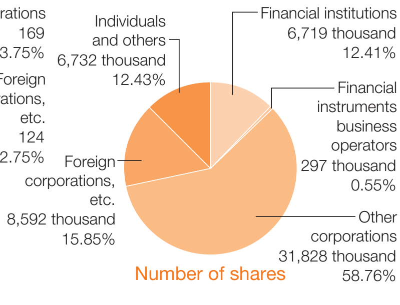
- Total number of shares authorized to be issued: 160,000,000 shares
- Total number of shares outstanding: 54,168,053 shares(including 666 treasury shares)
- Number of shareholders: 4,503(increased by 158 from the end of the previous fiscal year)
- Major shareholders

Shareholder's name	State of investment in the Company	
	Number of shares (in thousand shares)	Shareholding ratio (%)
ENEOS Holdings, Inc.	11,658	21.52
UH Partners 2, Inc.	4,904	9.05
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,505	8.32
HIKARI TSUSHIN, Inc.	4,054	7.49
NIPPO CORPORATION	3,882	7.17
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	1,925	3.55
UH Partners 3, Inc.	1,615	2.98
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	1,568	2.90
System Integrating Laboratory Co., Ltd.	1,354	2.50
Custody Bank of Japan, Ltd. (Trust Account)	1,346	2.49

- Distribution of shares by number of shares held



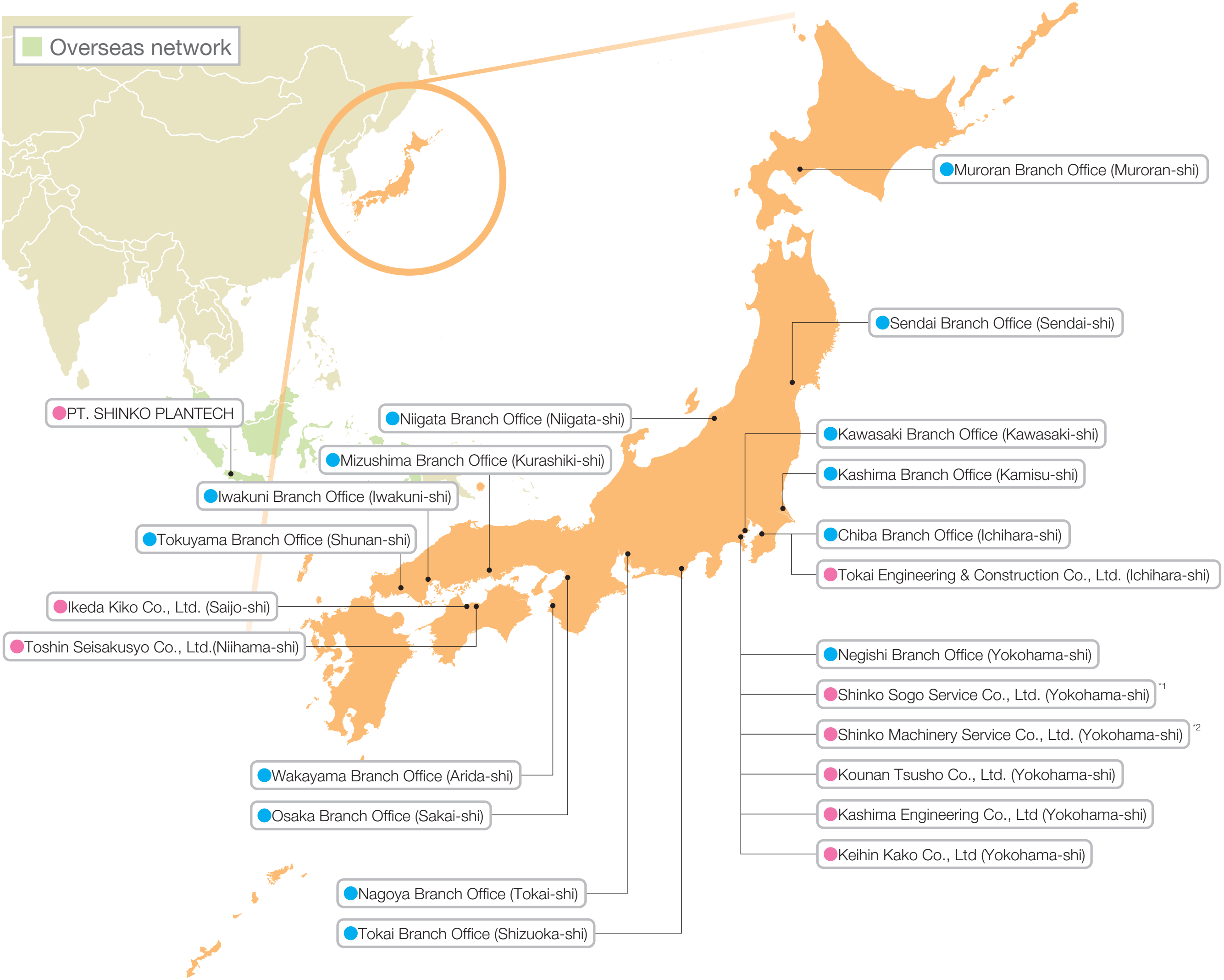
Number of shareholders



Number of shares

Branch Offices and Related Companies

- Fourteen branch offices
- Nine subsidiaries



*1 Renamed RAIZNEXT Sogo Service Co., Ltd. on June 24, 2022
*2 Renamed SMS Co., Ltd. on June 24, 2022

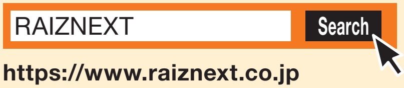
Shareholder Memo

Fiscal Year	Ending March 31
General Shareholders' Meeting	During June
Record Date	March 31 for the General Meeting of Shareholders. Additional announcements will be made as necessary.
Dividend Payout Confirmation Date	March 31; if an interim dividend is to be paid, confirmation of payout will be made on September 30
Administrator of Shareholders' Registry	1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
The location for the handling of its business	1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Department

Mailing Address and Telephone Number	Stock Transfer Agency Department Mitsubishi UFJ Trust and Banking Corporation 1-1 Nikko-cho, Fuchu-shi, Tokyo Phone: 0120–232–711 (toll free) Mailing address: PO Box 29, Shin-Tokyo Post Office, 137-8081 Stock Transfer Agency Department Mitsubishi UFJ Trust and Banking Corporation
Announcement Method	Announcements are delivered electronically. In the event that electronic delivery is not possible, we will publish announcements in the Nihon Keizai Shimbun.
Share Unit	100 shares

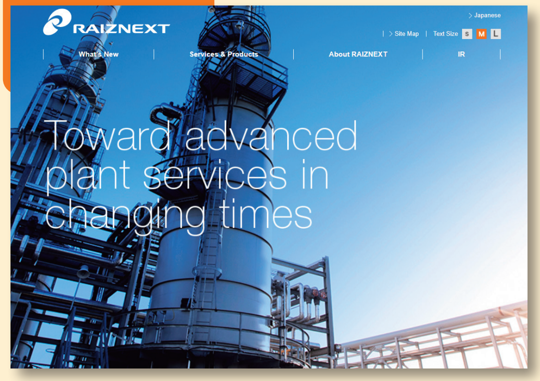
About our web site

Our web site provides information about us through various pages for the company overview, services and products, investor relations, and more. We are looking forward to your visiting us.

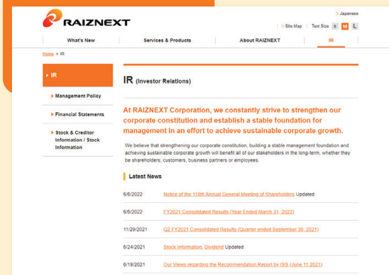


https://www.raiznext.co.jp

● Home page



● Investor Relations



You can find the latest IR materials and more detailed financial information, including financial results digests, financial results explanatory materials, and securities reports.