FY2021 Consolidated Results (Year Ended March 31, 2022)

RAIZNEXT Corporation

Security code: 6379

Contents

1. FY2021 Financial Results

1） Business Environment for FY2021

Domestic Economy

- Continued to face difficult conditions due to the impact of the COVID-19 from the previous fiscal year
- Although the economy showed some signs of recovery due to thorough infection control measures and vaccination promotion, the outlook remains uncertain due to the re-spread of infectious diseases, the situation in Ukraine, and other factors

Business Environment

- In the previous fiscal year, in the maintenance field we had a large volume of turnaround maintenance in the petroleum and petrochemical industries.
- In the current fiscal year, there is a lower volume of turnaround maintenance, and new contracts and net sales are expected to decrease as compared to the previous fiscal year

Our Response

- In the maintenance field, focus on expanding daily maintenance and tank-related work
- In the engineering field, focus on expanding work related to plants manufacturing high performance products such as general chemicals and electronic materials, and in fields related to renewable energy
- In terms of revenue, efforts were made to improve profitability by reducing direct construction costs and improving operating efficiency

2） Earnings Summary for FY2021

➢ **New contracts and net sales are almost in line with forecasts, and the profit exceeded forecasts**

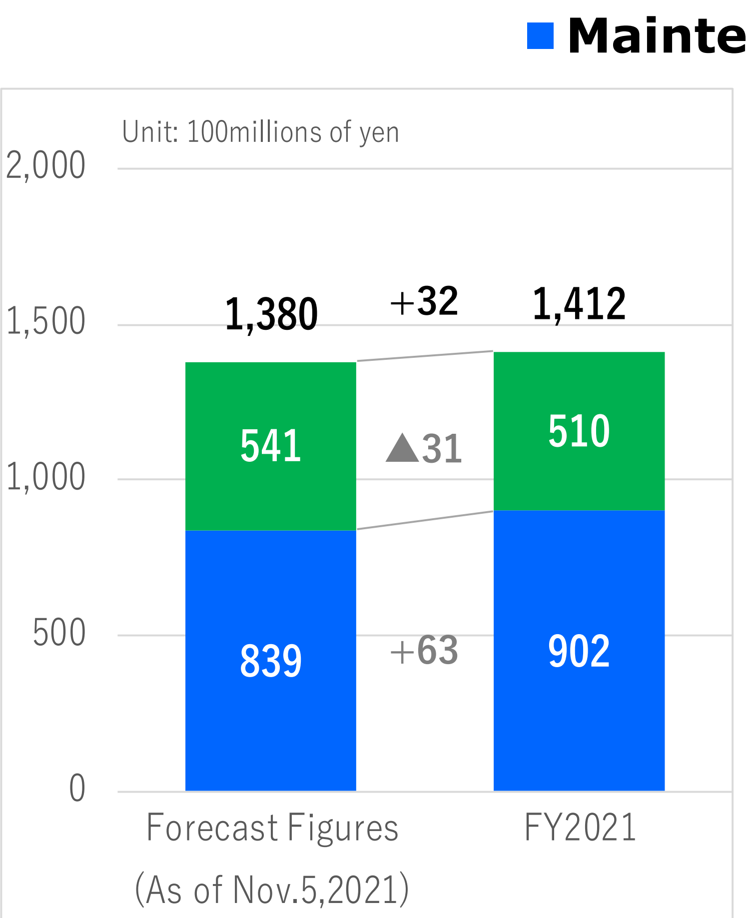
(Reference)

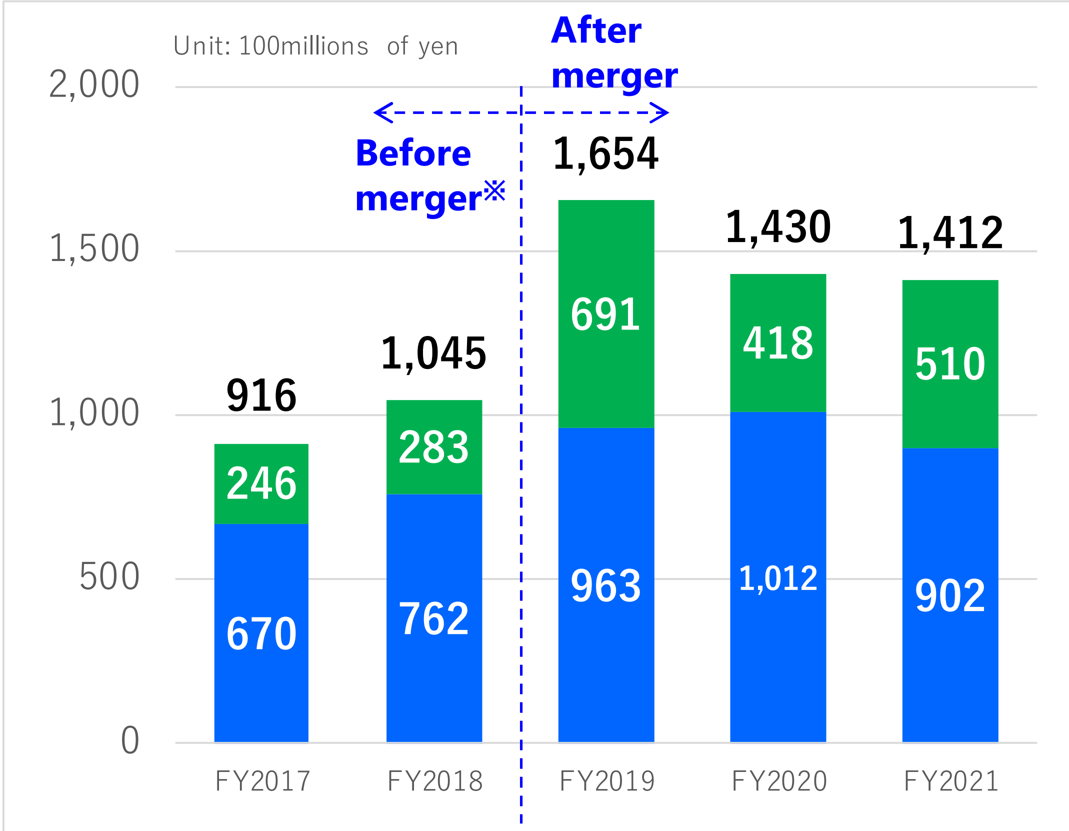
(Unit: 100 millions yen)

	Forecast Figures (As of Nov.5,2021)	FY2021 Results	Comparison with Forecast Figures	Percent Change	FY2020 Results		
						Difference	Percent Change
New Contracts	1,380	1,412	+32	+2.3%	1,430	-18	-1.2%
Net Sales	1,330	1,298	-32	-2.4%	1,459	-161	-11.0%
Gross Profit	154.5	177.4	+22.9	+14.8%	164.1	+13.3	+8.1%
Percentage (%)	11.6%	13.7%	+2.1%	—	11.3%	+2.4%	—
SG&A	68.0	67.6	-0.3	-0.5%	60.2	+7.3	+12.2%
Operating Income	86.5	109.8	+23.3	+26.9%	103.8	+6.0	+5.8%
Percentage (%)	6.5%	8.5%	+2.0%	—	7.1%	+1.4%	—
Ordinary Profit	88.5	112.7	+24.2	+27.3%	106.5	+6.2	+5.8%
Percentage (%)	6.7%	8.7%	+2.0%	—	7.3%	+1.4%	—
Profit attributable to owners of parent	58.5	77.4	+18.9	+32.3%	73.4	+4.0	+5.4%
Percentage (%)	4.4%	6.0%	+1.6%	—	5.0%	+1.0%	—

3） New Contracts

- **Maintenance: Exceeded forecast due to increase in the amount of construction work**
- **Engineering: Lower than expected due to postponement of orders to the next fiscal year, lost orders, and other factors**



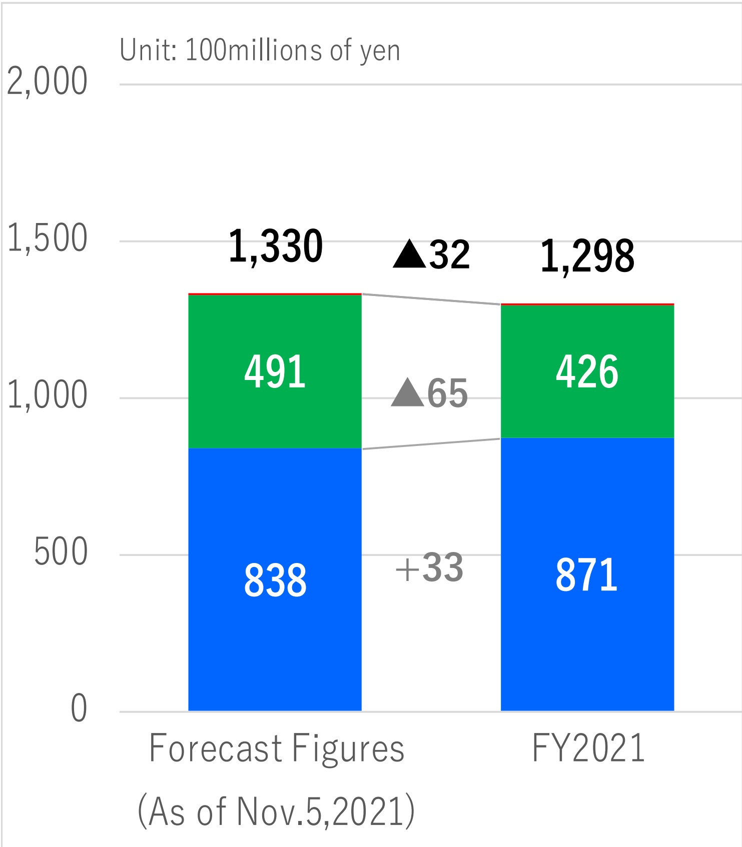


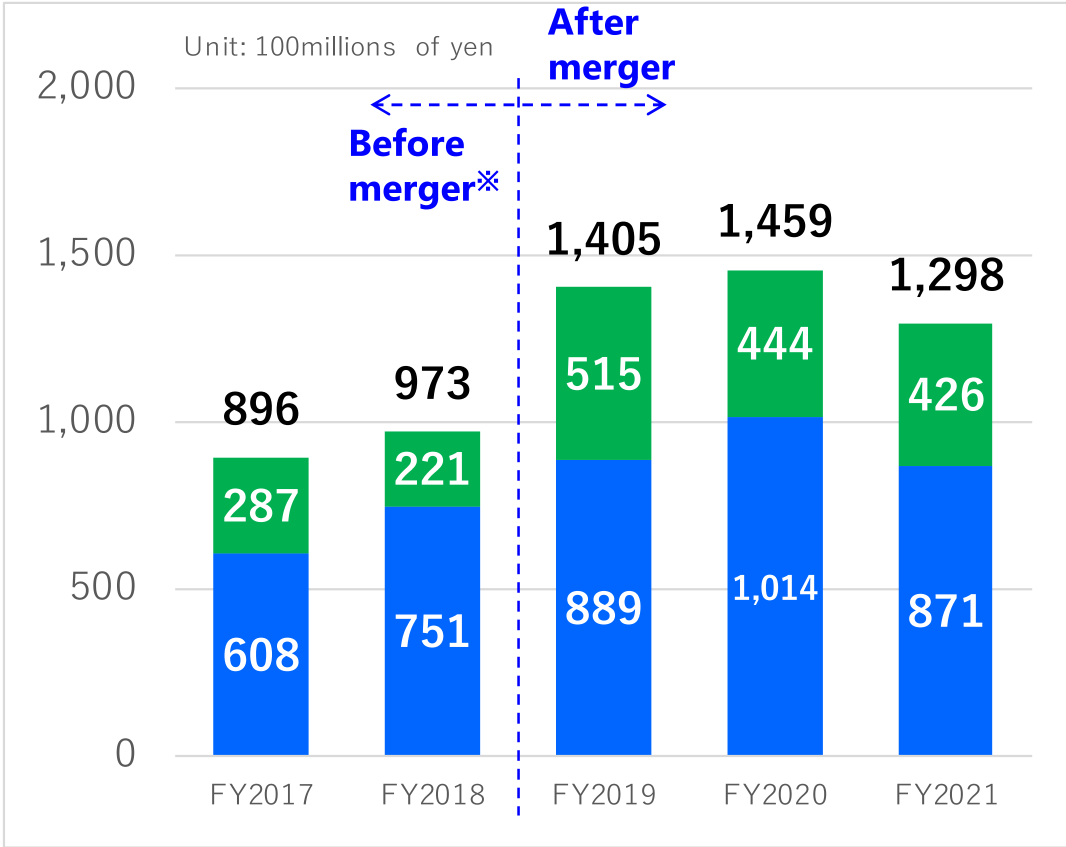
*Prior to the merger, the figures are for the former SHINKO PLANTECH (consolidated) only.

Remarks: New contracts for the fiscal year ended September 30th, 2019 include those that RAIZNEXT added to the outstanding contracts for the former JX Engineering as of June 30th, 2019 to its new contracts figures on July 1st.

4） Net Sales

- Maintenance: Exceeded forecast due to increase in the amount of construction work
- Engineering: Lower than expected mainly due to postponement of the construction period caused by the change in the construction schedule





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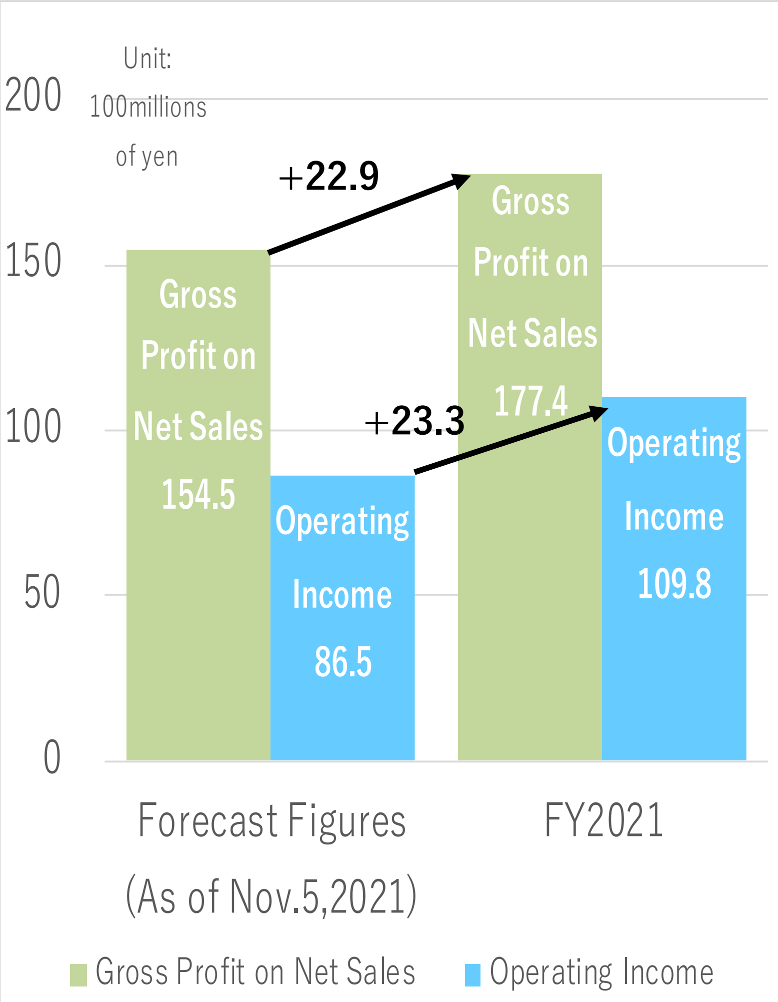
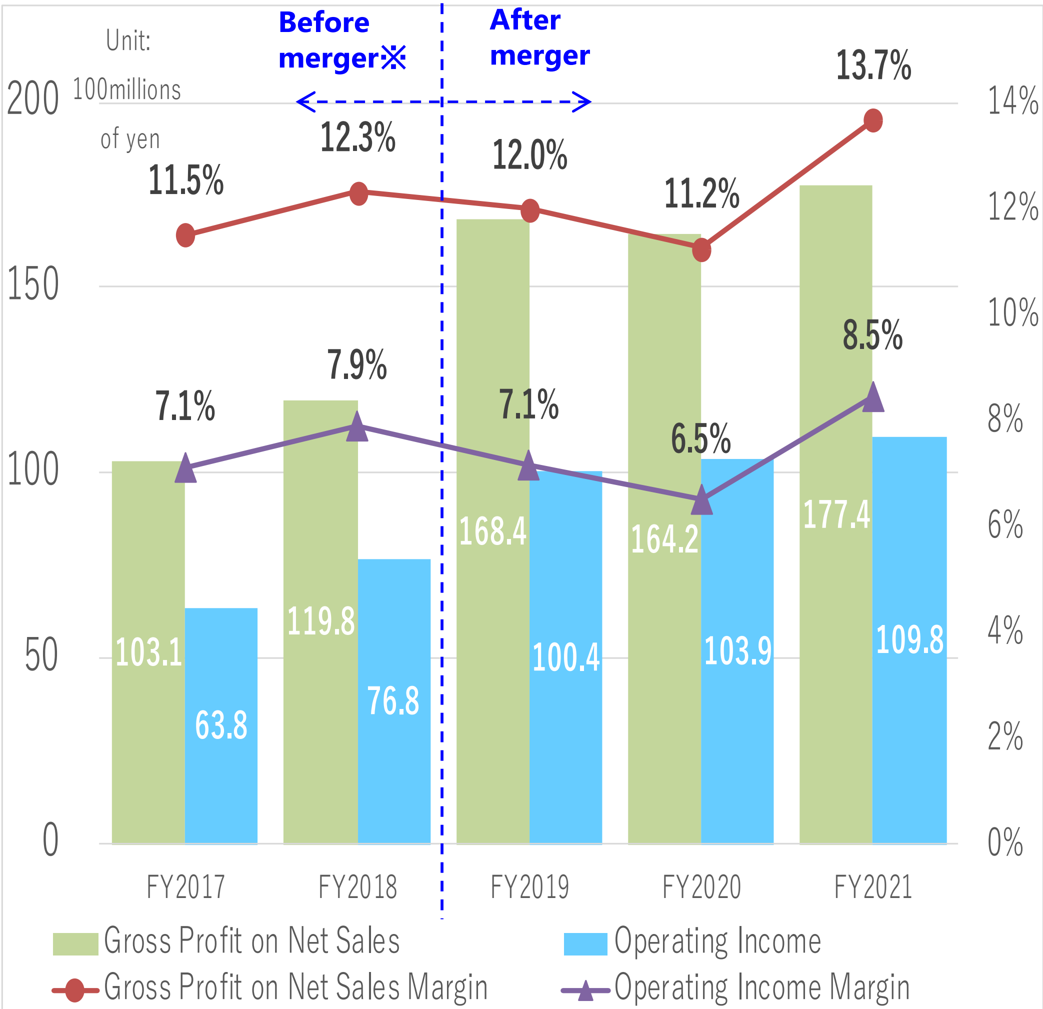
5） Gross Profit on Net Sales and Operating Income

➢ **Gross profit on net sales and operating income exceeded forecasts due to higher-than-expected construction volume of plant modification, etc., as well as efforts to reduce direct construction costs and expenses and improve operating efficiency in each construction project**





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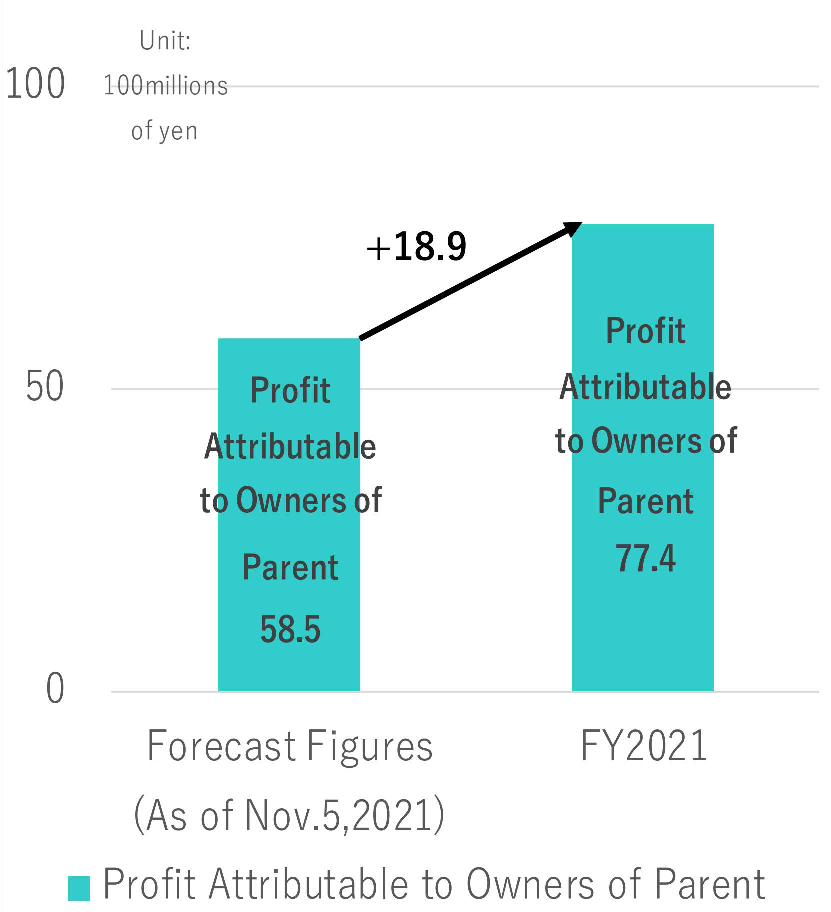
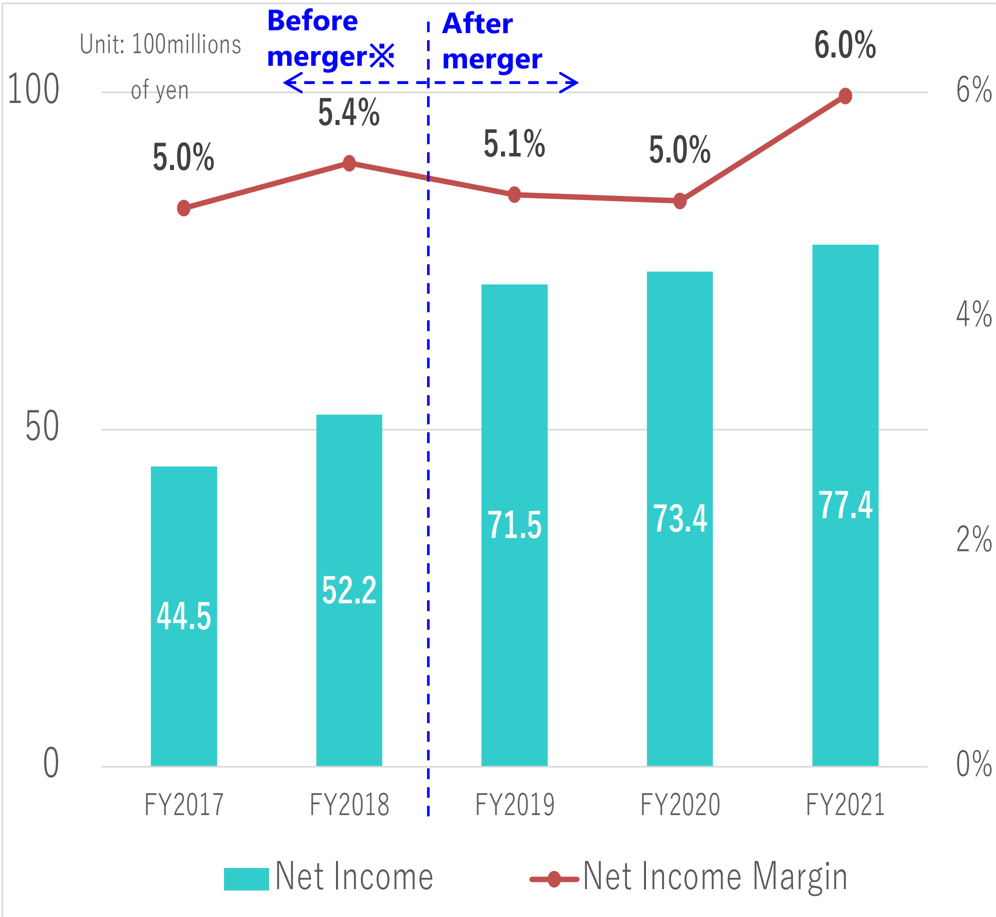
6） Profit Attributable to Owners of Parent

- The profit attributable to owners of parent exceeded the expected amount due to an increase in gross profit on net sales





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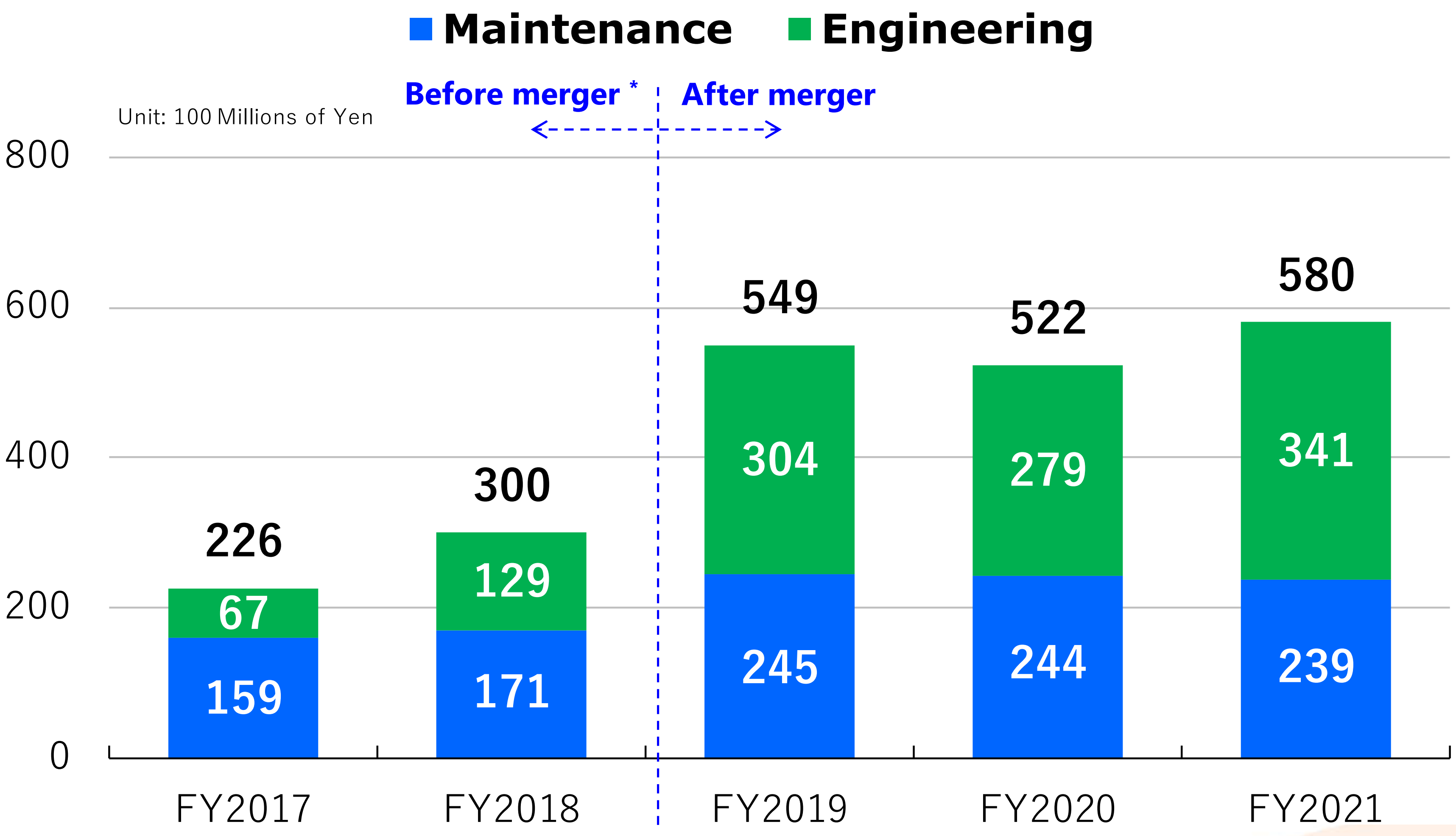
Note: The FY2019 figures on the graph above exclude gain on bargain purchases (5,100 million yen) from the profit attributable to owners of parent.

7) Outstanding Contracts

- Maintenance did not change significantly as compared to the previous fiscal year
- Engineering increased as compared to the previous fiscal year due to delays owing to the changes in the net sales period



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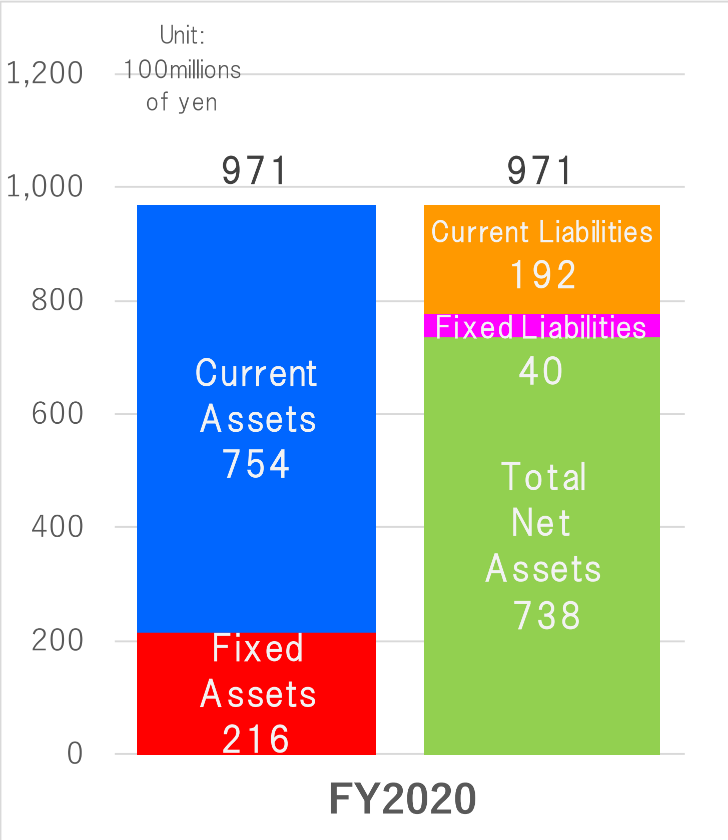
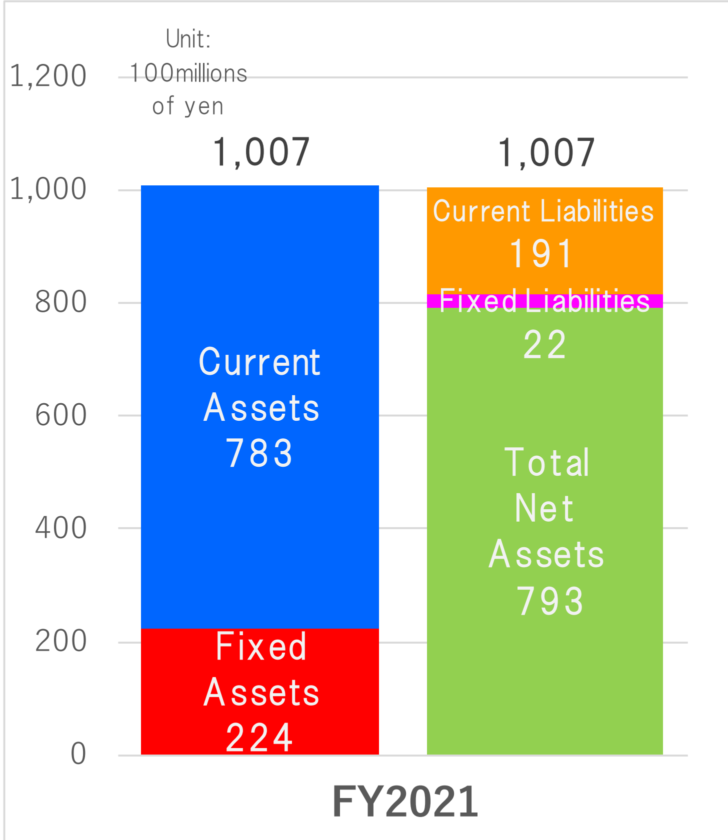
8） Balance Sheet

- Assets: No significant changes in current assets and fixed assets
- Liabilities: No significant changes in current liabilities
  Retirement benefit liability decreased in the fixed liabilities
- Net assets: Profit attributable to owners of parent and remeasurements of defined benefit plans have increased
- Shareholder's equity ratio:78.0%; return on equity (ROE): 10.2%



Shareholder's equity ratio：75.0%
Return on Equity：10.5%



Shareholder's equity ratio：78.0%
Return on Equity：10.2%

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2. Earnings Forecast for FY2022

1） Outlook for the Business Environment in FY2022

Domestic Economy

● 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

Business Environment

● New contracts reached a high level in FY 2021due to several large construction orders, but are expected to decrease in FY2022 as compared to the previous year

● Net sales are expected to recover in FY2022, although there were few cases of turnaround maintenance in FY 2021

Our Response

● In the maintenance field, we strive to expand maintenance work for routine maintenance and plant modification

● In the engineering field, focus on expanding work related to plants manufacturing high performance products such as general chemicals and electronic materials, and in fields related to renewable energy.

2） Earnings Forecast for FY2022

- **New contracts and net sales are expected to be at the same level as the initial forecast for FY2021**
- **Profits are expected to increase compared to the initial forecast for FY2021**

(Unit: 100 millions yen)

	Interim				Full-Year				【Reference】 Full-Year
	H1 FY2021 Ressults	H1 FY2022 Forecast	Change	Percent Change(%)	FY2021 Ressults	FY2022 Forecast	Change	Percent Change(%)	FY2021 Initial release
New Contracts	620	670	+50	+8.1%	1,412	**1,380**	-32	-2.3%	1,380
Net Sales	673	700	+27	+4.0%	1,298	**1,360**	+62	+4.8%	1,330
Gross Profit	89.3	88.0	-1.3	-1.5%	177.4	164.0	-13.4	-7.6%	143.0
Percentage (%)	13.3%	12.6%	-0.7%	-	13.7%	12.1%	-1.6%	-	10.8%
SG&A	33.0	35.0	+1.9	+5.8%	67.6	70.0	+2.3	+3.5%	65.0
Percentage (%)	4.9%	5.0%	+0.1%	-	5.2%	5.1%	-0.1%	-	4.9%
Operating Income	56.2	53.0	-3.2	-5.7%	109.8	**94.0**	-15.8	-14.4%	78.0
Percentage (%)	8.3%	7.6%	-0.7%	-	8.5%	6.9%	-1.6%	-	5.9%
Ordinary Profit	57.6	54.0	-3.6	-6.3%	112.7	96.0	-16.7	-14.8%	80.0
Percentage (%)	8.6%	7.7%	-0.9%	-	8.7%	7.1%	-1.6%	-	6.0%
Profit attributable to owners of parent	34.7	35.5	+0.8	+2.3%	77.4	**63.0**	-14.4	-18.6%	51.5
Percentage (%)	5.2%	5.1%	-0.1%	-	6.0%	4.6%	-1.4%	-	3.9%
EPS	64.14 yen	65.54 yen	1.39 yen	+2.2%	143.04 yen	116.31 yen	-26.74 yen	-18.7%	95.08 yen
Outstanding Contracts	412	550	+138	+33.5%	579	600	+21	+3.6%	574

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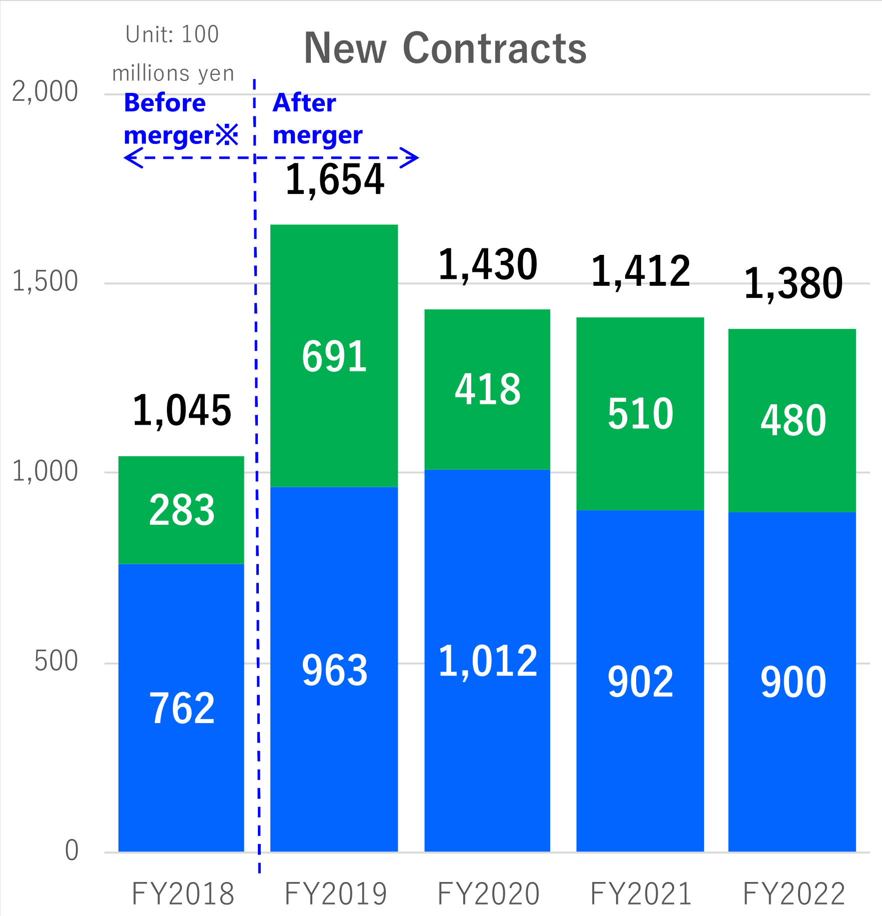
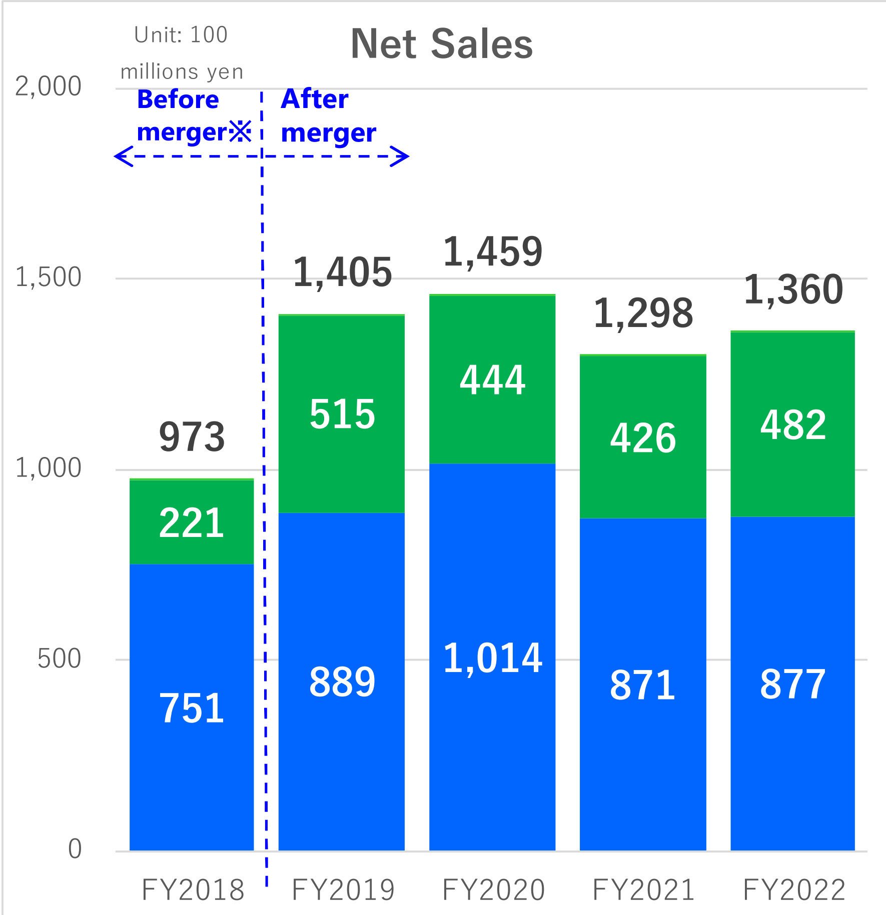
3) New Contracts and Net Sales

- New contracts were largely remain unchanged as compared to the previous fiscal year in both maintenance or engineering
- In terms of net sales, no significant change in maintenance, however engineering is expected to increase from the previous fiscal year

■ Maintenance ■ Engineering





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Note: Figures for FY2022 are forecasts.

3. Dividend

1） Planned Dividend Payout for FY2021 and Dividend Forecast for FY2022

Dividends: Basic Understanding and 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 increase 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.

Based on this understanding, we believe that profit distribution to shareholders should be positioned as a management issue of the highest priority, and 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.

Planned Dividend Payout for FY2021

● Year-end dividend: 58 yen (Consolidated dividend payout ratio: 40.5%)

<u>Dividend Forecast for FY2022</u>

● Year-end dividend: 58 yen (Consolidated dividend payout ratio: 49.9%)

✓ Paying full attention to dividend stability, we will pay out the same amount as the dividend planned for FY2021 (58 yen)

Second Medium-term Management Plan
(Progress in 2021)

Management Targets in Numbers

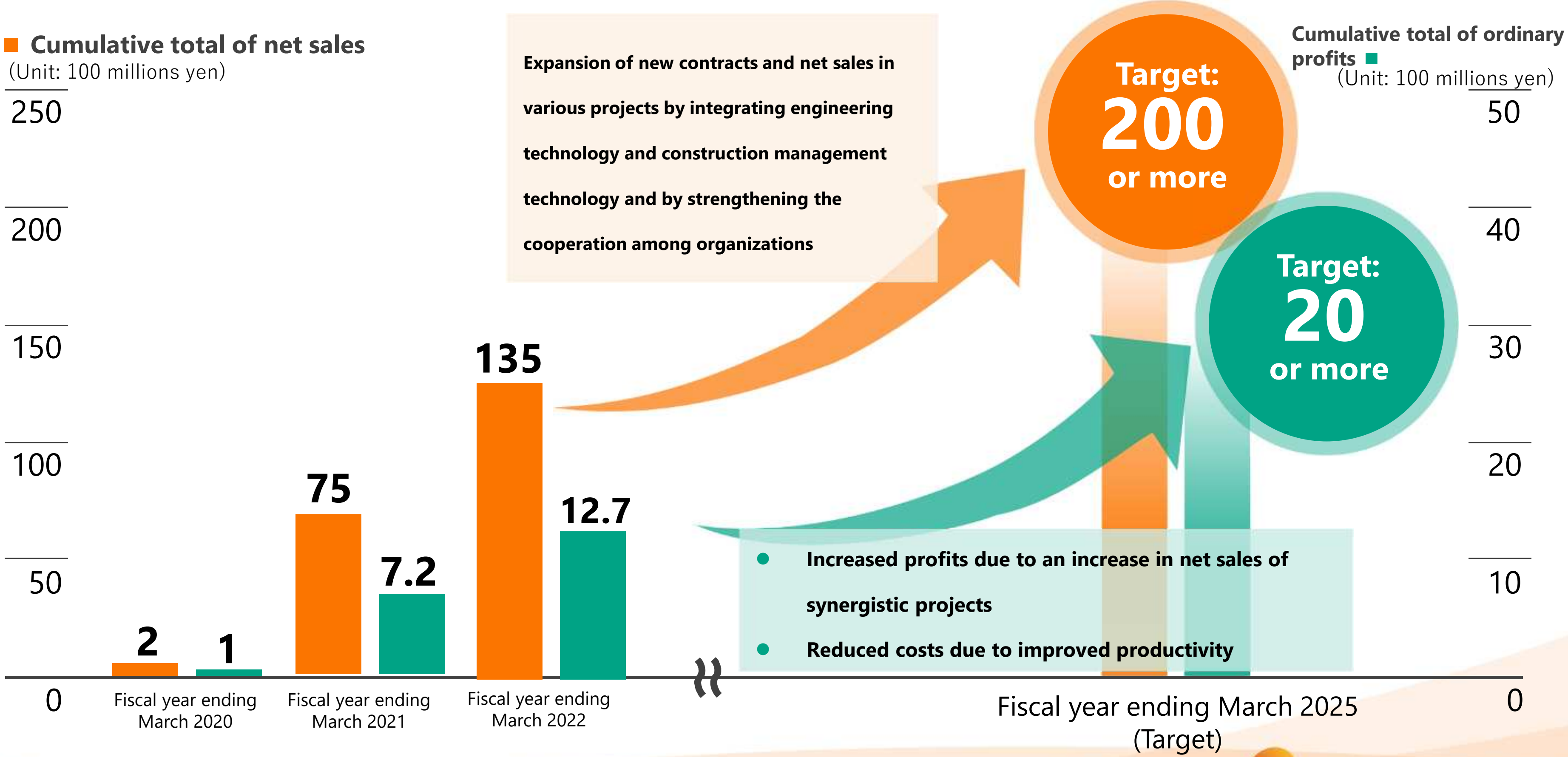
The final annual targets and actual annual results for the second medium-term management plan are as follows

(Unit: 100 millions yen)

(Consolidation)	Item	2021 (Fiscal year ending March 2022)	2024 (Fiscal year ending March 2025)
Performance targets	Net sales	**1,298**	**1,450**
	Operating income (Profit ratio)	**109** (**8.5**%)	**105** (**7.2**%)
	Profit attributable to owners of parent company (Profit ratio)	**7.7** (**6.0**%)	**7** (**4.8**%)
Target values of management index	Return on equity (ROE)	**10.2**%	**8**% or more
	Consolidated dividend payout ratio	**40.5**%	**40**% or more

Synergistic Effect (Targets and Results)

We aim to generate synergistic effect with a cumulative amount of "Net sales of **200** (100 millions yen) or more" and "Ordinary profits of **20** (100 millions yen) or more" in total during the first and second medium-term management plan



Strengthen Our Management Foundation and Various Business Strategies

Strengthen our maintenance business

- Effective operation of production planning systems across the company
- Strengthening the partner company network and maintaining mobilization capacity

Strengthen our engineering business

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

Strengthen our tank business

- Further strengthening management systems across the company and strengthening the systems of our business partners
- Investigating and examining the design and construction technology of hydrogen storage tanks

- Expanding new contracts and profits
- Strengthen technical capabilities

Strengthen our management foundation

- Reinforcement of governance systems in 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

Strengthen Our Management Foundation and Various Business Strategies (Progress and Results)

Strengthen our **maintenance business**

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

Progress

- Conducted revision of production planning systems across the company
- Implemented adjustments to strengthen coordination with our business partners
- Actively bidding for entry into a new market area of turnaround maintenance for oil wholesalers and chemical manufacturers

Results

- Received orders for new plant construction followed by turnaround maintenance in the same area

Strengthen Our Management Foundation and Various Business Strategies (Progress and Results)

Strengthen our engineering business

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

Strengthen Our Management Foundation and Various Business Strategies (Progress and Results)

Strengthen our tank business

- Further strengthening operating structure across the company and strengthening the systems of our business partners
- Investigating and examining the design and construction technology of hydrogen storage tanks
- Expanding new contracts and profits
- 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

Strengthen Our Management Foundation and Various Business Strategies (Progress and Results)

Strengthen our management foundation

- Reinforcement of governance systems in 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" (2021 and 2022 editions)

Results

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

This material includes projections based on future forecast and plans that was available on May 19, 2022.

There is a possibility that these projections may be different from actual results, affected by risks such as fluctuations in economic conditions and other uncertain factors.

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