Q2 FY2021 Consolidated Results (Quarter ended September 30, 2021)

RAIZNEXT Corporation

RAIZNEXT

Security code: 6379

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1. Q2 FY2021 Financial Results

1) Business Environment

Japanese economy

- Continuing from the previous fiscal year, conditions remained tough in the Japanese economy due to the impact of the ongoing COVID-19 pandemic.
- Consumer spending was sluggish, and although there are signs of a recovery in some areas such as production, investment, and corporate profits, the outlook for the future remains uncertain.

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 will be a lower volume of turnaround maintenance, and it will be concentrated in the first half of the year. As such, new contracts and net sales are expected to decrease for the full 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.

2) Earnings Summary

➢ **New contracts were lower than expected, while net sales were generally in line with the forecast, and each measure of profit exceeded the forecast.**

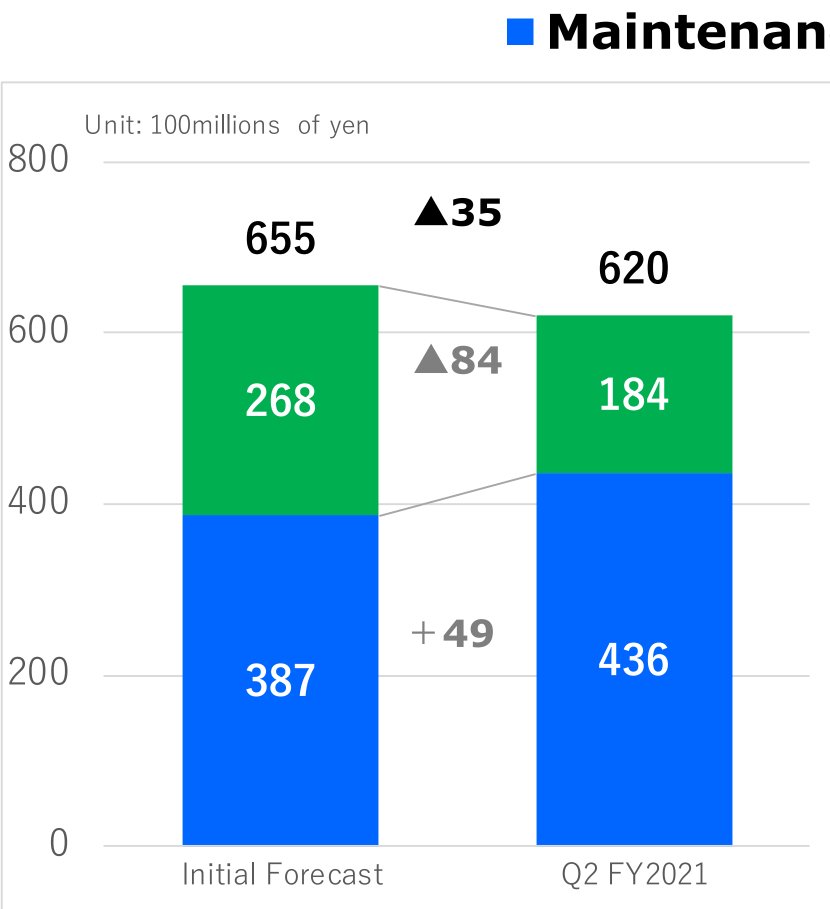
(Reference)

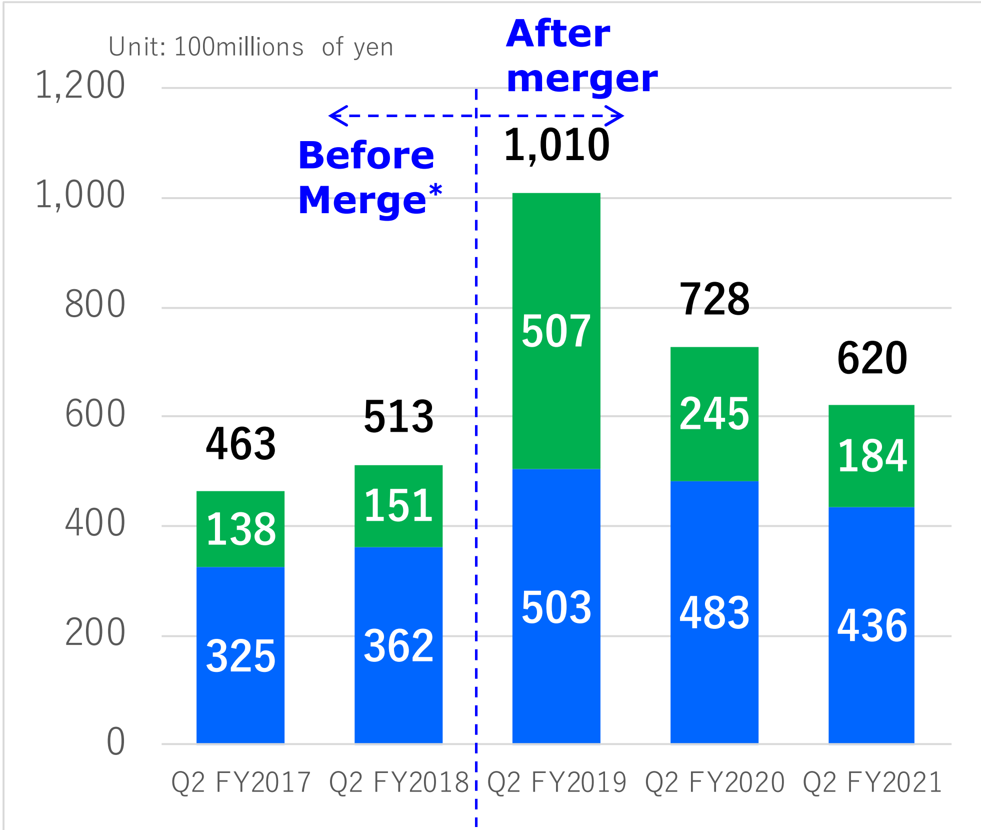
(Unit: 100 millions yen)

	Initial Forecast	**Q2 FY2021 Results**	Difference	Percent Change	Q2 FY2020 Results		
						Difference	Percent Change
New Contracts	655	**620**	-35	-5.3%	728	-108	-14.8%
Net Sales	685	**673**	-12	-1.8%	633	+40	+6.3%
Gross Profit on Net Sales	77.0	89.3	+12.3	+16.0%	77.5	+11.8	+15.2%
Percentage (%)	11.2%	13.3%	2.1%	—	12.2%	+1.1%	—
Operating Income	44.5	**56.2**	+11.7	+26.3%	48.3	+7.9	+16.4%
Percentage (%)	6.5%	8.3%	1.8%	—	7.6%	+0.7%	—
Ordinary Profit	45.5	57.6	+12.1	+26.6%	49.6	+8.0	+16.1%
Percentage (%)	6.6%	8.6%	2.0%	—	7.8%	+0.8%	—
Profit attributable to owners of parent	29.5	**34.7**	+5.2	+17.6%	32.2	+2.5	+7.8%
Percentage (%)	4.3%	5.2%	0.9%	—	5.1%	+0.1%	—

3) New Contracts

- Maintenance: Exceeded forecast due to an increase in additional work and postponements for turnaround maintenance
- Engineering: Lower than forecast due to the postponement of projects, lost orders, and cancellations/delays



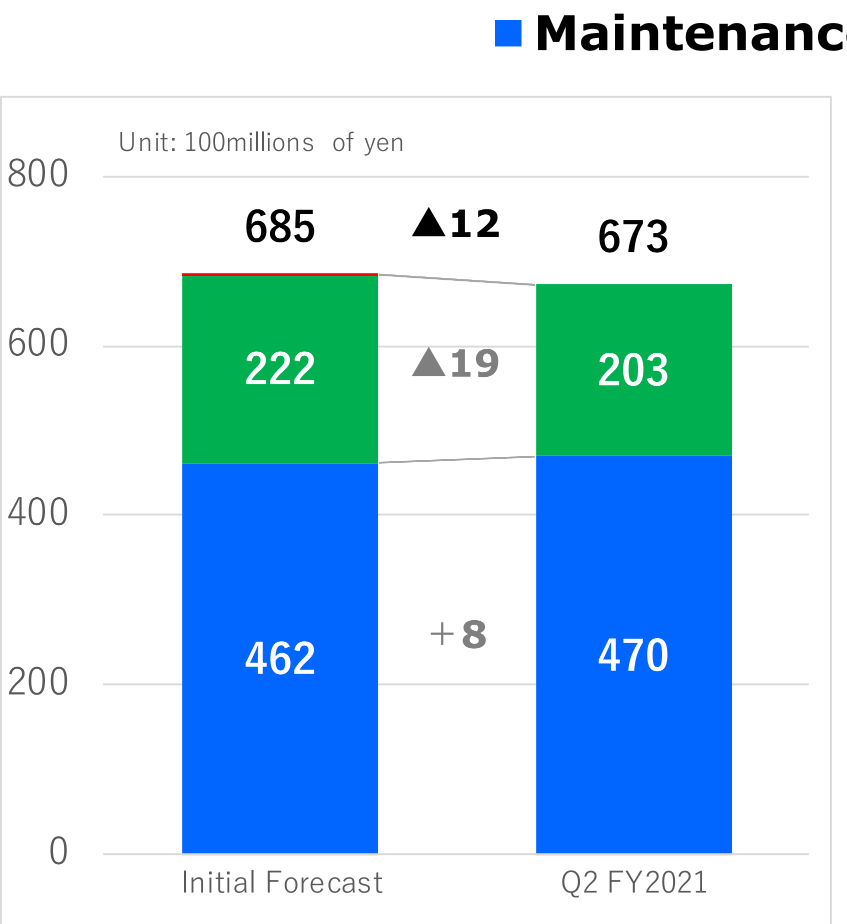


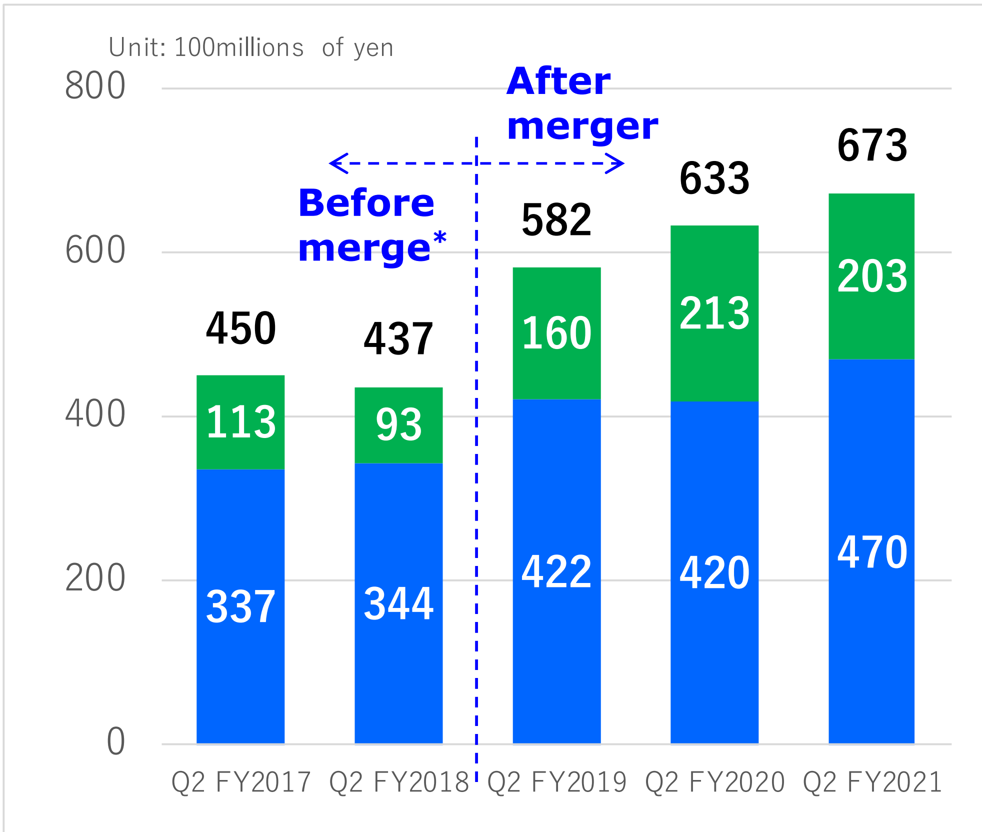
*Prior to the merger, the figures are for the former SHINKO PLANTECH (consolidated) only.

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 additional works of turnaround maintenance**
- **Engineering: Fell short of the forecast due to a postponement caused by a change in the construction schedule, etc.**





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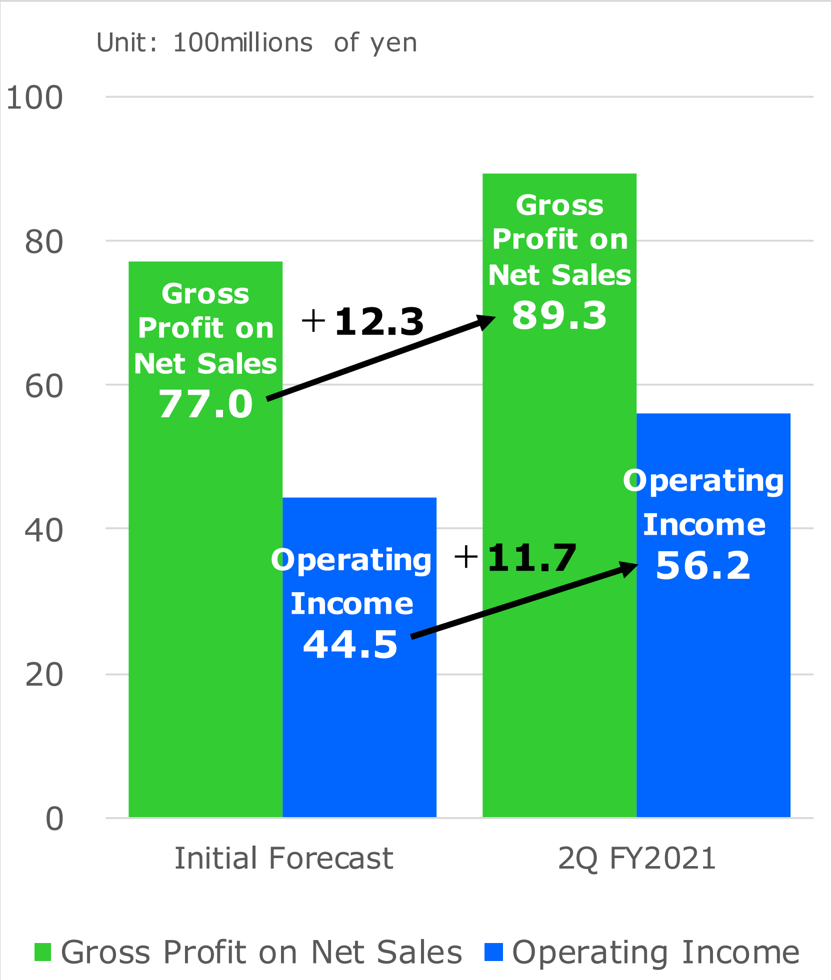
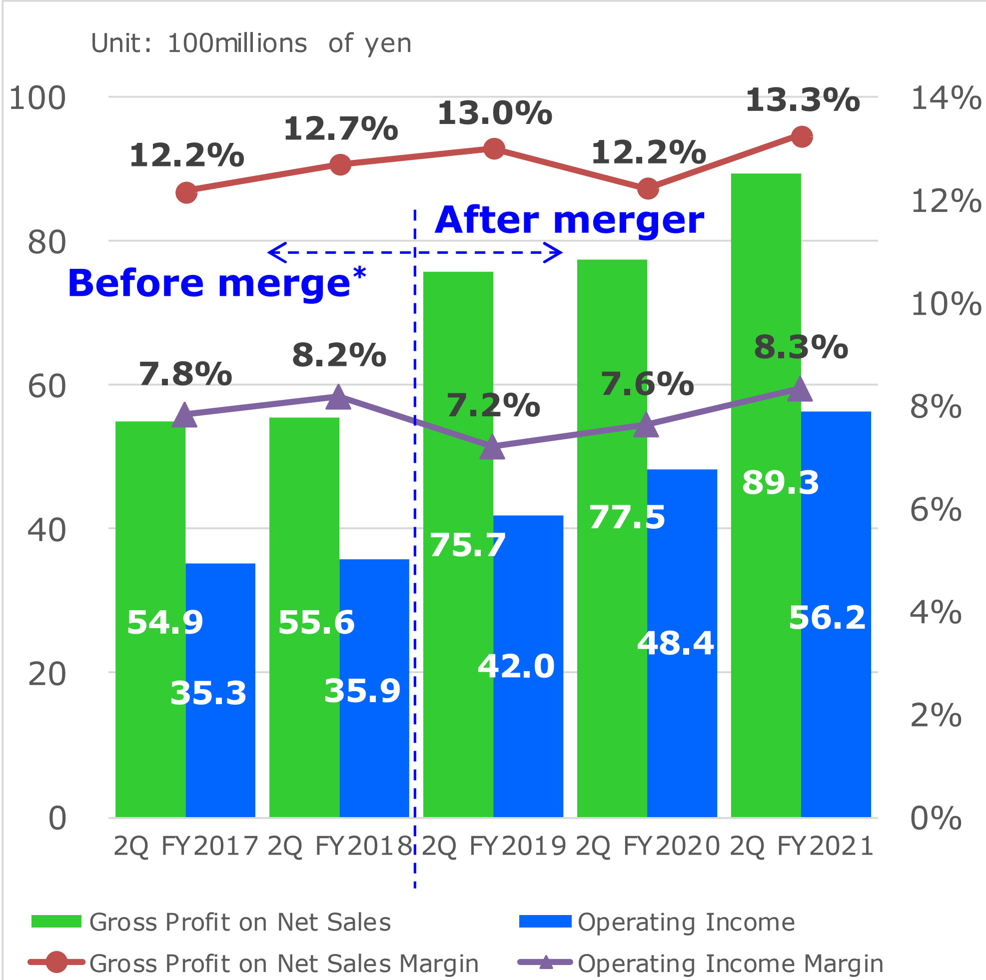
5) Gross Profit on Net Sales and Operating Income

➢ **Gross profit on net sales and operating income exceeded forecasts due to improved profitability as the volume of additional work for large-scale turnaround maintenance exceeded initial expectations.**





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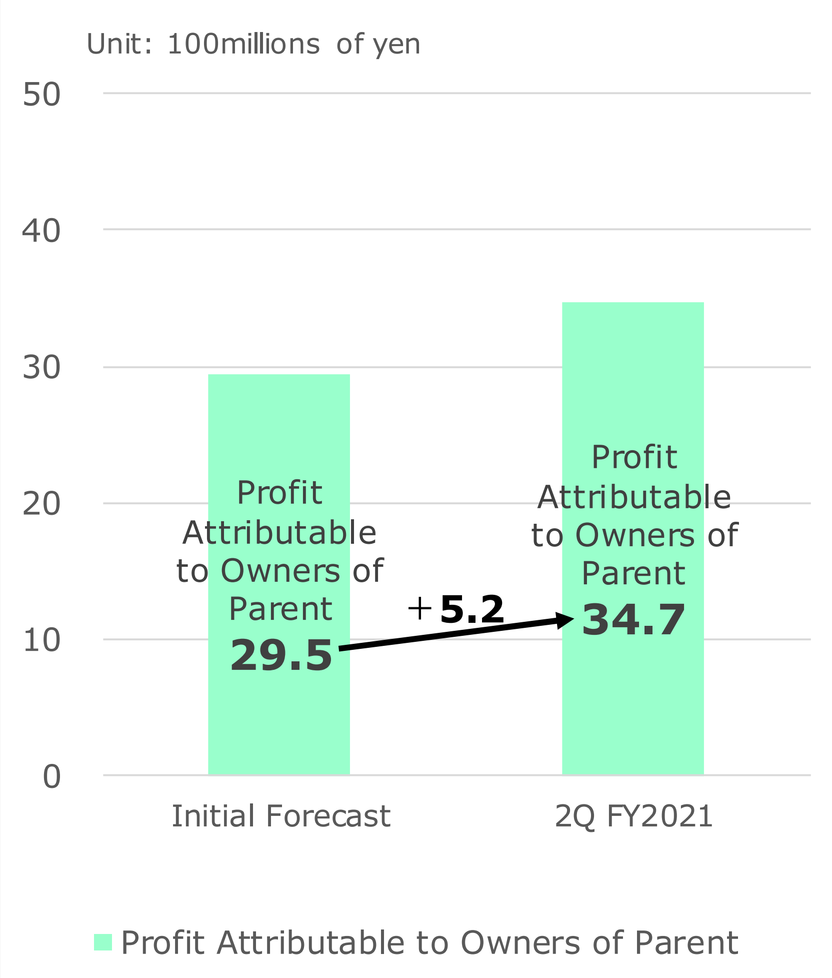
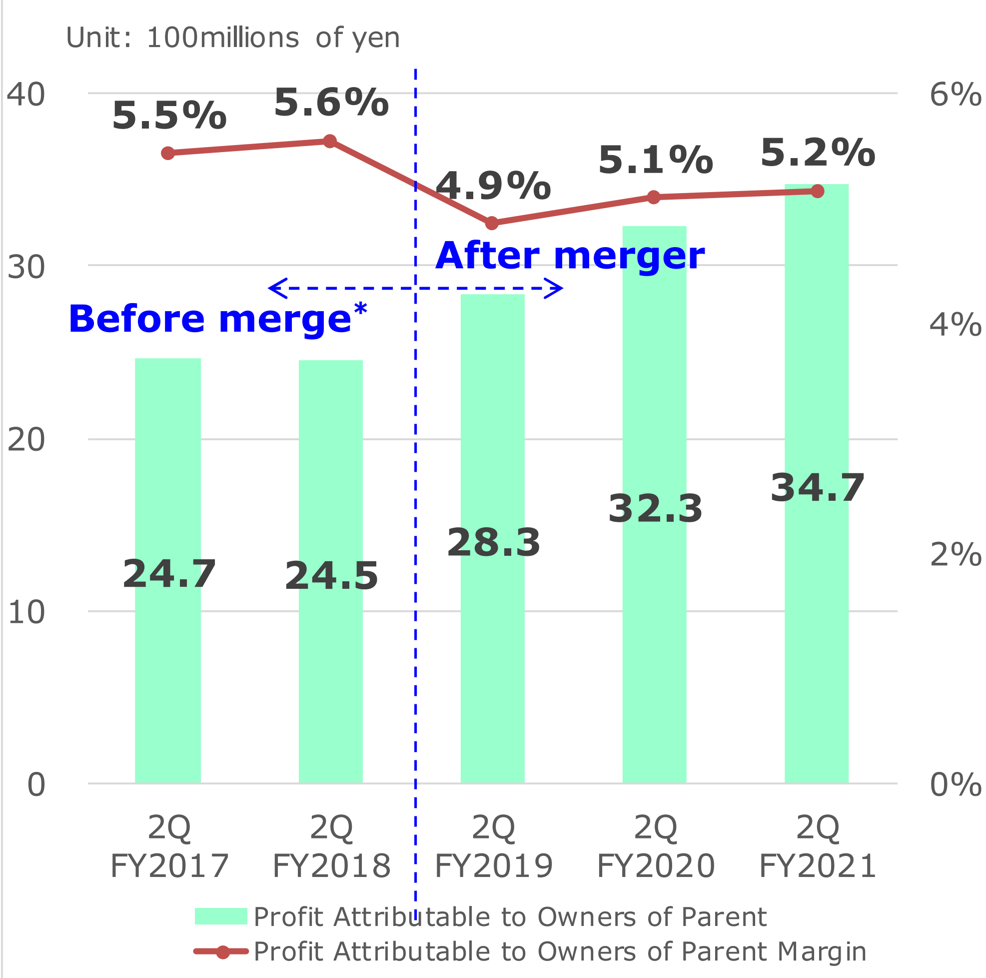
6) Profit Attributable to Owners of Parent

- **Profit attributable to owners of parent exceeded forecast due to an increase in gross profit on net sales**



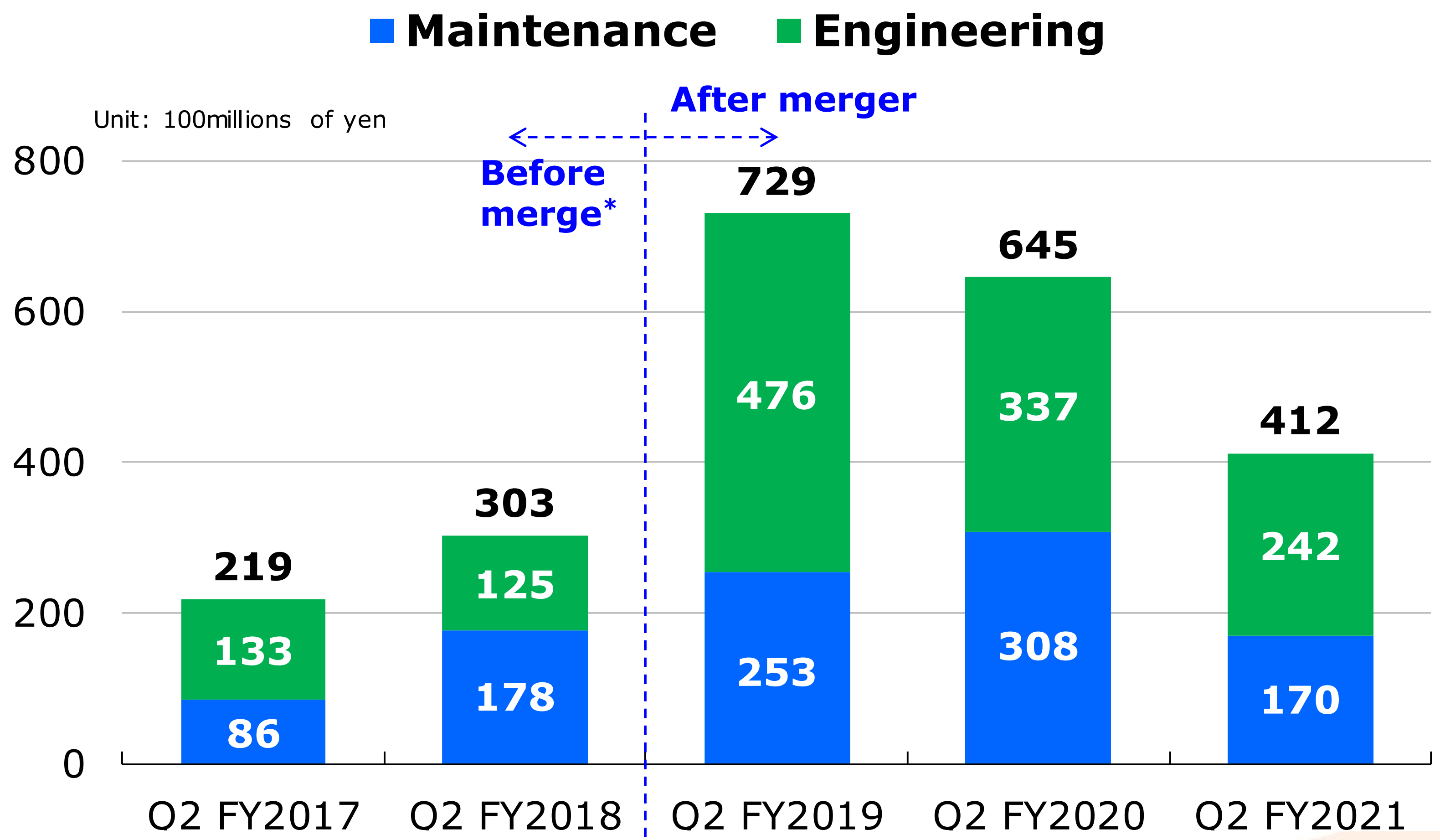


*Prior to the merger, the figures are for the former SHINKO PLANTECH (consolidated) only.

Note: The Q2 FY2019 figures on the graph above exclude gain on bargain purchases (5.5 billion yen) from the profit attributable to owners of parent.

7) Outstanding Contracts

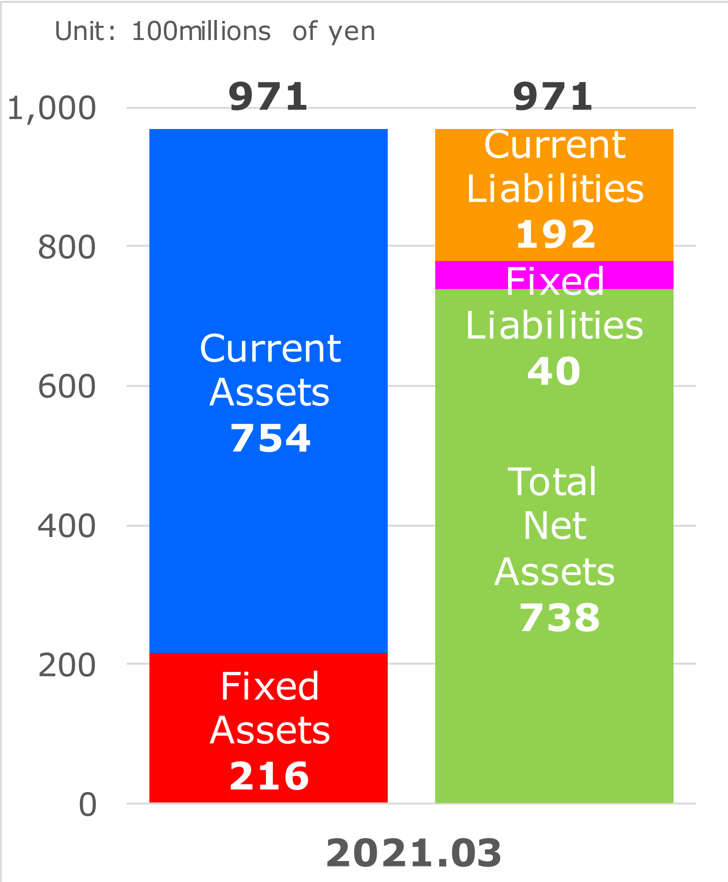
- **Maintenance: Decreased compared to the same period of the previous fiscal year, as the volume of turnaround maintenance was low in the second half.**
- **Engineering: Decreased compared to the same period of the previous fiscal year due to a decrease in new contracts for plant modification, etc.**



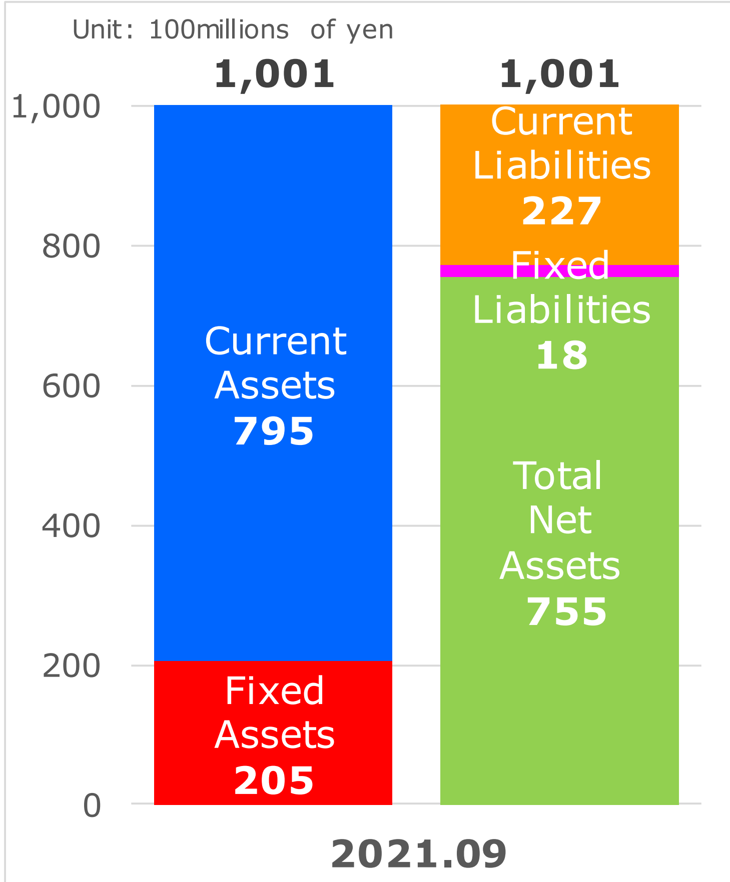
*Prior to the merger, the figures are for the former SHINKO PLANTECH (consolidated) only.

8) Balance Sheet

- Assets: No significant changes in current assets and fixed assets
- Liabilities: Short-term debt increased in the current liabilities
  Retirement benefit liability decreased in the fixed liabilities
- Net assets: Profit attributable to owners of parent and remeasurements of defined benefit plans increased
- Shareholders' equity ratio: 74.7%



Shareholder's Equity Ratio：75.0%



Shareholder's Equity Ratio：74.7%

2. Earnings Forecast for FY2021

1) Earnings Forecast for FY2021

- No changes in forecast figures announced at the beginning of FY2021 for new contracts and net sales
- Each measure of profit has been revised upward from the forecast figures announced at the beginning of FY2021 to reflect the increase in gross profit on net sales in the second quarter.

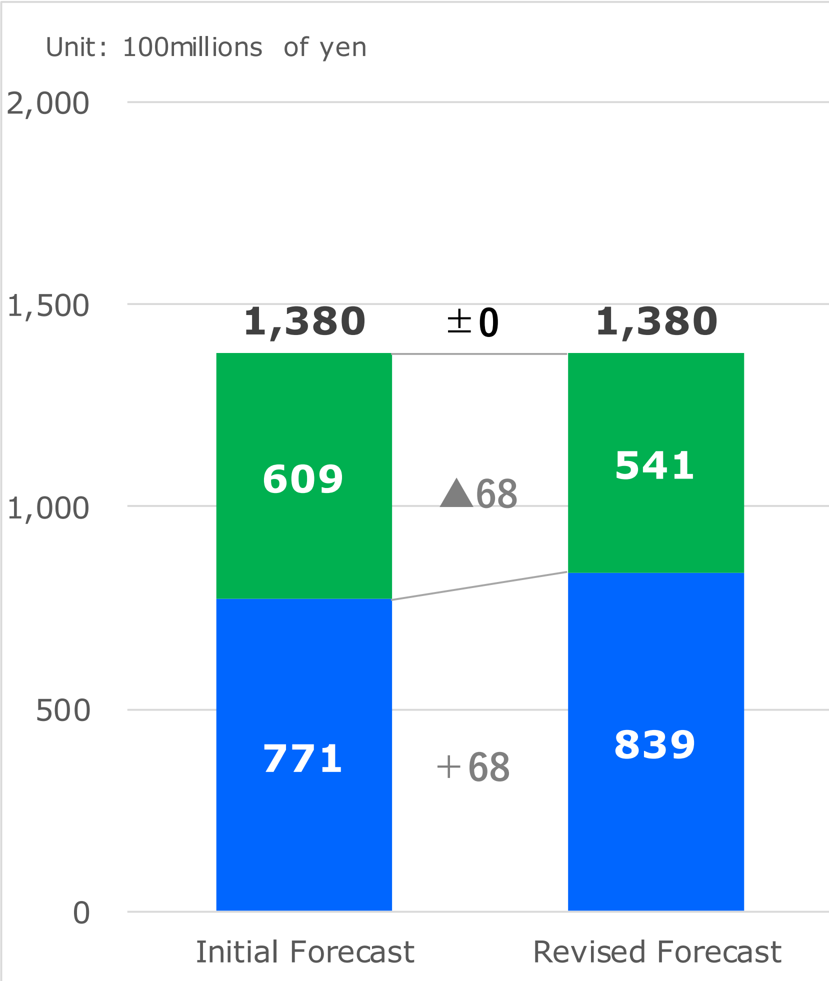
(Unit: Millions of yen)

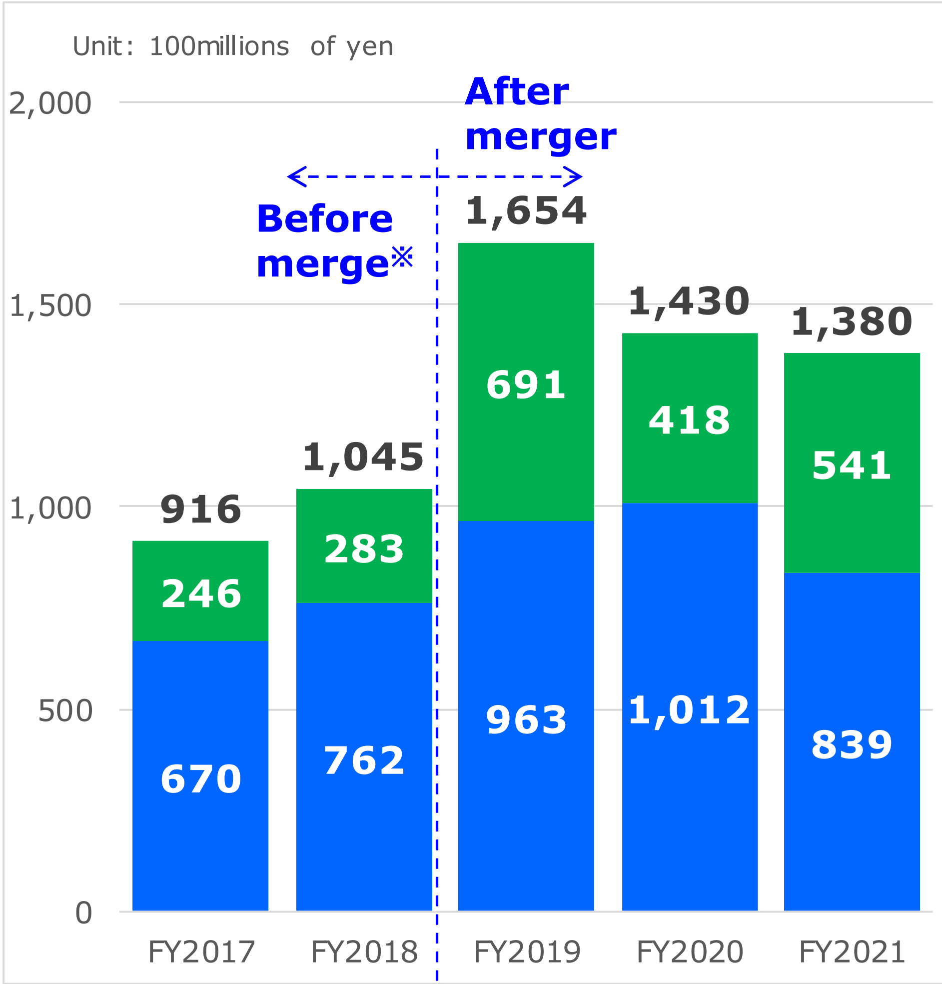
	Full-Year				
	Initial Forecast	Revised Forecast 1st Half Results	Revised Forecast Full-Year Forecast	Difference	Percent Change
New Contracts	1,380	620	**1,380**	0	0.0%
Net Sales	1,330	673	**1,330**	0	0.0%
Gross Profit	143	89.3	**154.5**	+11.5	+8.0%
Percentage (%)	10.8%	13.3%	11.6%	+0.8%	-
SG&A	65	33.0	68.0	+3.0	+4.6%
Operating Income	78	56.2	**86.5**	+8.5	+10.9%
Percentage (%)	5.9%	8.3%	6.5%	+0.6%	-
Ordinary Profit	80	57.6	**88.5**	+8.5	+10.6%
Percentage (%)	6.0%	8.6%	6.7%	+0.7%	-
Profit Attributable to Owners of Parent	52	34.7	**58.5**	+7.0	+13.6%
Percentage (%)	3.9%	5.2%	4.4%	+0.5%	-
EPS	95.07Yen	64.14Yen	**108.00Yen**	+12.93Yen	+13.6%
Outstanding Contracts	516	412	**515**	-1	-0.2%

3) New Contracts

> ➢ **Expected to increase in maintenance and decrease in engineering compared to the forecast figures announced at the beginning of FY2021.**

■ Maintenance ■ Engineering



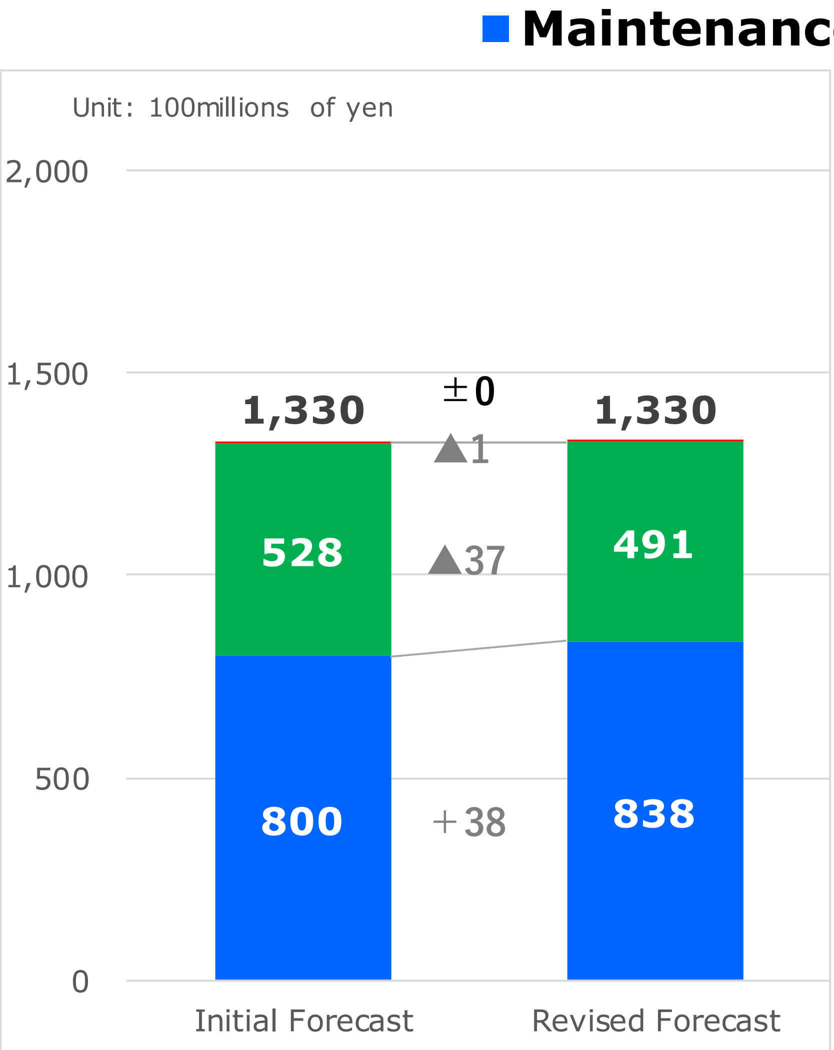


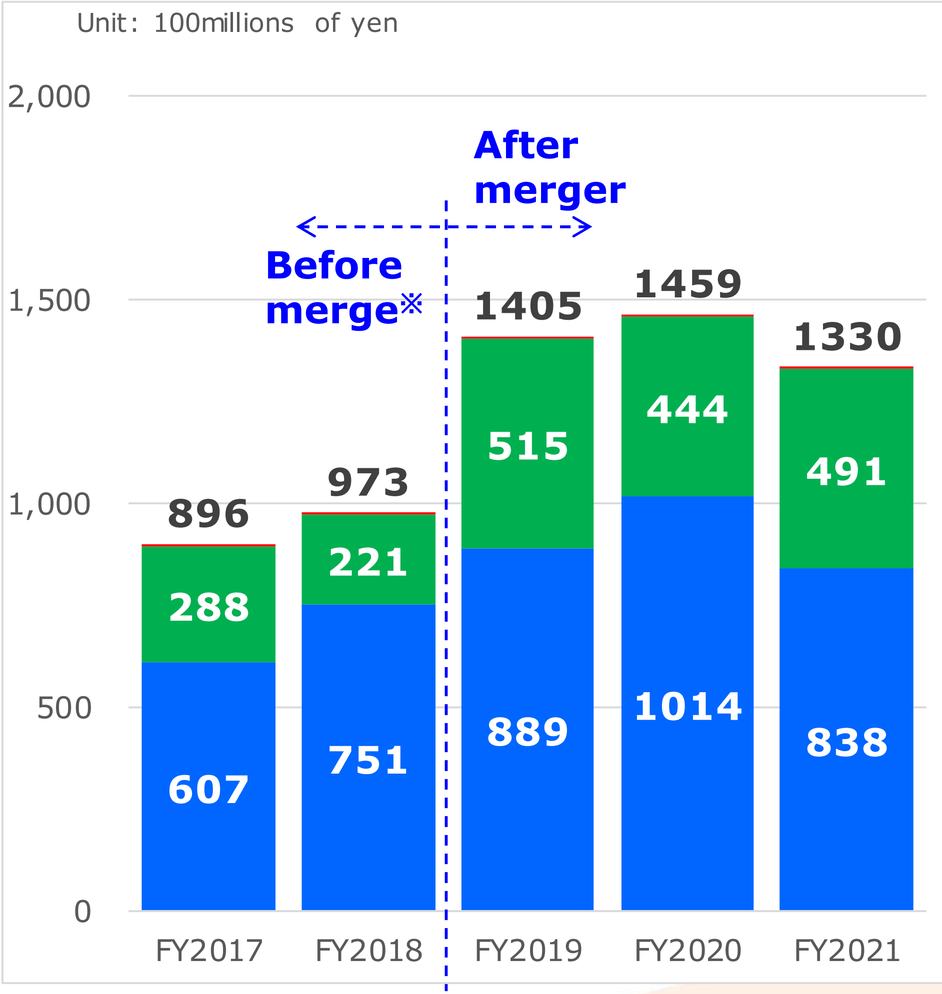
*Prior to the merger, the figures are for the former SHINKO PLANTECH (consolidated) only.

Note：Figures for FY2021 are forecasts.

4) Net Sales

- Expected to increase in maintenance and decrease in engineering compared to the forecast figures announced at the beginning of FY2021.





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Note: Figures for FY2021 are forecasts.

3. Dividend

1) Dividend Forecast for FY2021

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.

Dividend Forecast for FY2021

● Year-end dividend: 47 yen (Consolidated dividend payout ratio: 43.5%)

This material includes projections based on future forecast and plans that was available on November 12, 2021.
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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