# Q2 FY2020 Consolidated Results (Quarter ended September 30, 2020)

RAIZNEXT Corporation



Security code: 6379

Contents

## 1. Business Environment for Q2 FY2020

- **Due to the effects of the widespread COVID-19 pandemic on the domestic and overseas economy, economic activities were drastically reduced.**

- **As a result of the global COVID-19 pandemic, corporate income is drastically decreased, consumer spending has stagnated, and capital investment has also weakened.**

- **An approach that combines COVID-19 countermeasures with economic activities is needed.**

- **In the plant maintenance field, FY2020 (term ending March 31, 2021) is the peak of the 4-year cycle for turnaround maintenance, and we are carrying out this construction with thorough countermeasures in place for COVID-19 infection prevention.**

- **In the plant construction field, we are working to ensure smooth progression of construction works while securing orders for investment projects such as those involving high-performance products, especially in the general chemistry field.**

- **Due to the effects of the COVID-19 pandemic in FY2020, a portion of our construction works were canceled or postponed, and the completion date of large-scale turnaround maintenance was shifted to the 3rd quarter.**

# 2. Earnings Summary for Q2 FY2020 (Consolidated)

(Unit: Millions of Yen)

| | Initial release | Q2 FY2020 Results | Release comparison | Percent Change |
|---|---|---|---|---|
| **New Contracts** | 75,000 | 72,839 | -2,160 | -2.9% |
| **Net Sales** | 75,000 | 63,355 | -11,644 | -15.5% |
| **Gross Profit** | 7,500 | 7,754 | +254 | +3.4% |
| Percentage (%) | 10.0% | 12.2% | +2.2pt | - |
| **SG&A** | 3,300 | 2,917 | -382 | -11.6% |
| Percentage (%) | 4.4% | 4.6% | +0.2pt | - |
| **Operating Income** | 4,200 | 4,836 | +636 | +15.2% |
| Percentage (%) | 5.6% | 7.6% | +2.0pt | - |
| **Ordinary Profit** | 4,300 | 4,967 | +667 | +15.5% |
| Percentage (%) | 5.7% | 7.8% | +2.1pt | - |
| **Profit attributable to owners of parent** | 2,800 | 3,227 | +427 | +15.3% |
| Percentage (%) | 3.7% | 5.1% | +1.4pt | - |
| **EPS** | 51.69Yen | 59.59Yen | +7.90Yen | +15.3% |
| **Outstanding Contracts** | 55,046 | 64,493 | +9,446 | +17.2% |

(Reference)

(Unit: Millions of Yen)

| | Q2 FY2019 Results | Difference | Percent Change |
|---|---|---|---|
| New Contracts | 101,090 | -28,251 | -27.9% |
| Net Sales | 58,216 | +5,138 | +8.8% |
| Gross Profit | 7,569 | +184 | +2.4% |
| Percentage (%) | 13.0% | -0.8pt | - |
| SG&A | 3,367 | -449 | -13.3% |
| Percentage (%) | 5.8% | -1.2pt | - |
| Operating Income | 4,202 | +634 | +15.1% |
| Percentage (%) | 7.2% | +0.4pt | - |
| Ordinary Profit | 4,332 | +634 | +14.6% |
| Percentage (%) | 7.4% | +0.4pt | - |
| Profit attributable to owners of parent | 2,796 | +431 | +15.4% |
| Percentage (%) | 4.8% | +0.3pt | - |

Note: Gain on bargain purchases (5,531 million yen) is excluded from the profit attributable to owners of parent above.

Note: The above differences and percentage changes are values compared with the actual Q2 FY2019 results.

Remarks

1) The financial results for Q2 FY2019 include the first half of the fiscal year for the former Shinko Plantech company and the three-month period from July to September for former JX Engineering.

2) The drastic decrease in new contracts compared to Q2 FY2019 is a result of RAIZNEXT adding the outstanding contracts for the former JX Engineering as of the end of June to its new contracts figures on July 1st.

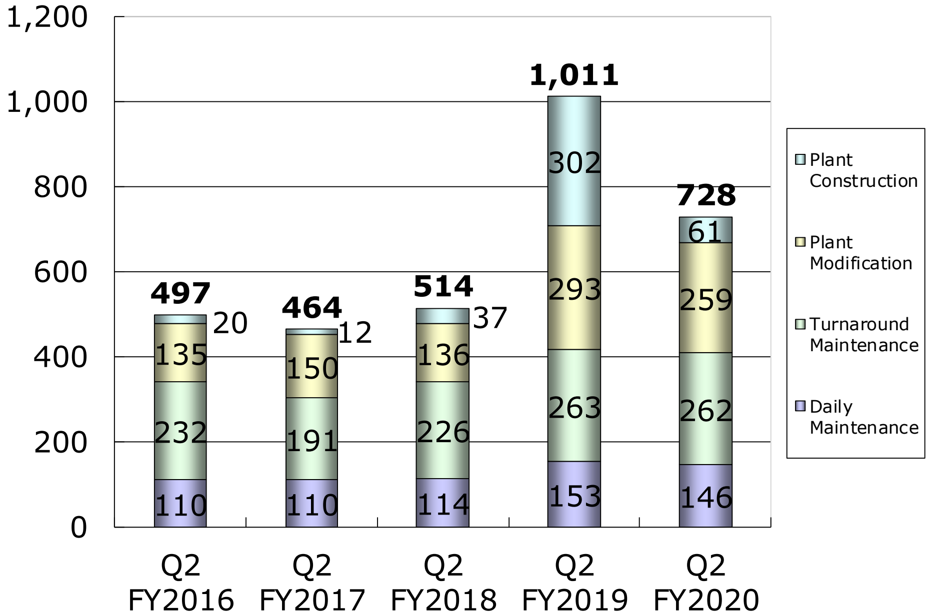
# 3. Breakdown of New Contracts by Segment (Consolidated)

(Unit: Millions of Yen)

| New Contracts | Initial release | Q2 FY2020 Results | Release comparison | Change (%) | Q2 FY2019 | YOY | Change (%) |
|---|---|---|---|---|---|---|---|
| Daily Maintenance | 13,900 | 14,604 | +704 | +5.1% | 15,281 | -676 | -4.4% |
| Turnaround Maintenance | 21,500 | 26,220 | +4,720 | +22.0% | 26,328 | -108 | -0.4% |
| Plant Modification | 26,900 | 25,946 | -953 | -3.5% | 29,270 | -3,323 | -11.4% |
| Plant Construction | 12,700 | 6,067 | -6,632 | -52.2% | 30,211 | -24,143 | -79.9% |
| Engineering | 75,000 | 72,839 | -2,160 | -2.9% | 101,090 | -28,251 | -27.9% |

5-Year Summary of New Contracts

(Unit: 100 millions of Yen)




Note: Refers to the former Shinko Plantech until Q2 FY2018 and RAIZNEXT from Q2 FY2019 onward (also applies to following pages).

- Decreased 2.1 billion yen from initial release
- The previous year includes the outstanding contracts for the former JX Engineering as of June 2019.

【Daily Maintenance】
(1) Overall increase in work volumes

【Turnaround Maintenance】
(1) Construction work volume increased beyond initial expectations.

【Plant Modification】
(1) Although there were some orders for which the total amount increased beyond initial expectations, there were numerous cases of scheduled construction works being shifted to the second half of the year and beyond as well as construction works being extended and cancelled, causing a decrease in new contracts.

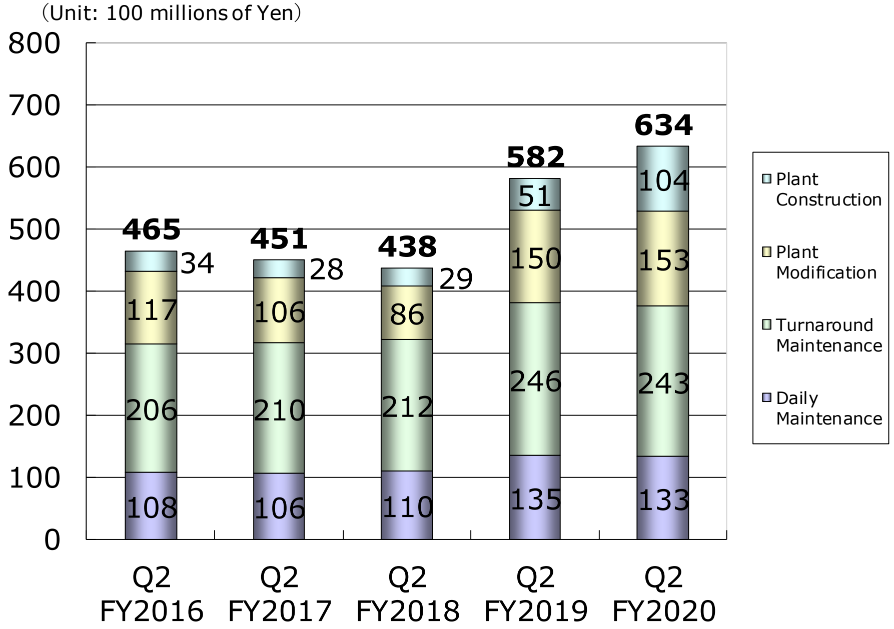
【Plant Construction】
(1) Decreased due to postponement of expected construction works to the second half of the fiscal year and beyond.

# 4. Breakdown of Net Sales by Segment (Consolidated)

(Unit: Millions of Yen)

| Net Sales | Initial release | Q2 FY2020 Results | Release comparison | Change (%) | Q2 FY2019 | YOY | Change (%) |
|---|---|---|---|---|---|---|---|
| Daily Maintenance | 13,500 | 13,265 | -234 | -1.7% | 13,490 | -224 | -1.7% |
| Turnaround Maintenance | 29,300 | 24,310 | -4,989 | -17.0% | 24,573 | -263 | -1.1% |
| Plant Modification | 19,500 | 15,308 | -4,191 | -21.5% | 15,017 | +291 | +1.9% |
| Plant Construction | 12,600 | 10,407 | -2,192 | -17.4% | 5,063 | +5,343 | +105.5% |
| Engineering | 74,900 | 63,292 | -11,607 | -15.5% | 58,144 | +5,147 | +8.9% |
| Other Business | 100 | 63 | -36 | -36.6% | 71 | -8 | -11.6% |
| **Total** | 75,000 | 63,355 | -11,644 | -15.5% | 58,216 | +5,138 | +8.8% |

5-Year Summary of Net Sales




- 11.6 billion yen decrease from initial release

【Daily Maintenance】
(1) Roughly identical to figures from the release

【Turnaround Maintenance】
(1) Net sales decreased due to sales from large-scale turnaround maintenance planned for allocation in the first half of the fiscal year being shifted to the second half.

【Plant Modification】
(1) Net sales decreased due to sales from construction works planned for allocation which were shifted to the second half of the fiscal year, and due to postponements and cancellations of construction works.

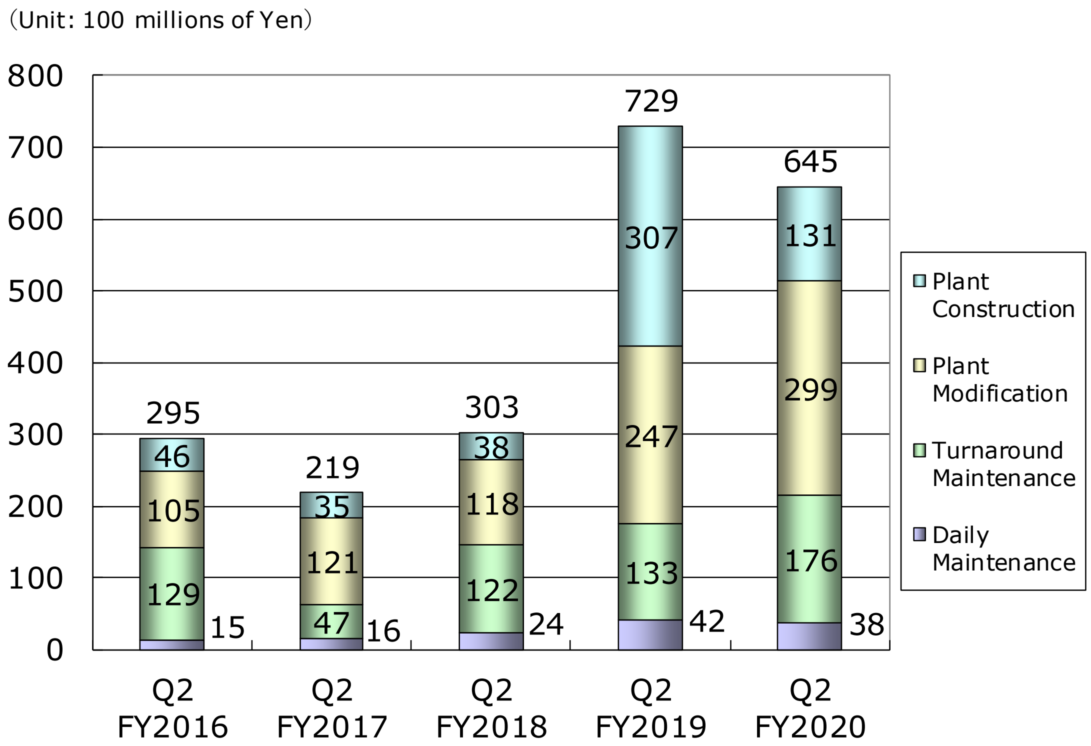
【Plant Construction】
(1) Net sales decreased due to factors such as sales from construction works planned for allocation being shifted to the second half and postponement of construction works.

# 5. Outstanding Contracts (Consolidated)

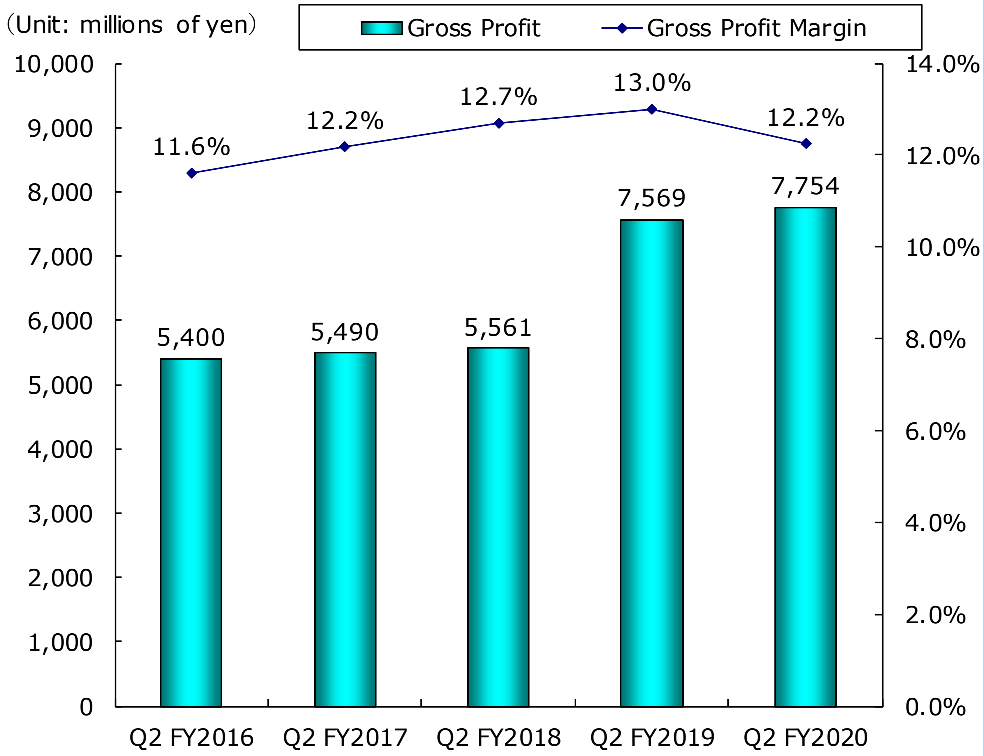
【5-Year Summary of Outstanding Contracts】

(Unit: Millions of Yen)

| | Q2 FY2016 | Q2 FY2017 | Q2 FY2018 | Q2 FY2019 | Q2 FY2020 |
|---|---|---|---|---|---|
| Daily Maintenance | 1,460 | 1,585 | 2,373 | 4,231 | 3,833 |
| Turnaround Maintenance | 12,861 | 4,730 | 12,218 | 13,306 | 17,625 |
| Plant Modification | 10,545 | 12,087 | 11,837 | 24,742 | 29,926 |
| Plant Construction | 4,594 | 3,453 | 3,842 | 30,660 | 13,108 |
| Total | 29,462 | 21,857 | 30,272 | 72,940 | 64,493 |



# 6. Gross Profit (Consolidated)




**<Gross Profit>**

- Gross profit was 7.75 billion yen, an increase of 2.4% YOY.
- 3.4% increase from the initial release figure of 7.5 billion yen.

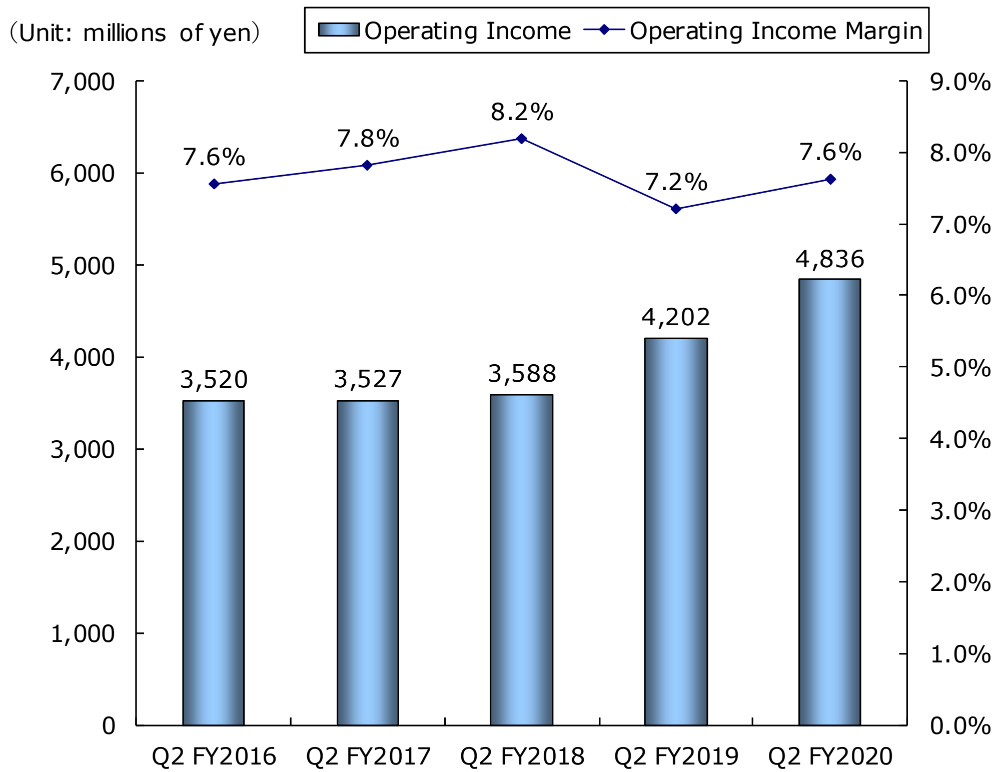
**<Gross Profit Margin>**

- Gross profit margin dropped 0.8 points to 12.2% from 13.0% YOY.
- Gross profit margin increased 2.2 points from the 10.0% of the initial release figures.

**Factors contributing to increase from initial release:**

- Received insurance reparations for damages to construction works completed by the former JX Engineering prior to the merger caused by natural disasters.
- Because construction works were able to be carried out efficiently, profitability improved.

# 7. Operating Income (Consolidated)




**<SG&A>**

- Due to the effects of the COVID-19 pandemic, various outgoing expenses were reduced, and SG&A recorded 2.91 billion yen, an 11.6% decrease from the 3.3 billion yen of the initial release.

**<Operating Income>**

- Operating income was 4.83 billion yen, an increase of 15.1% YOY.
- 4.2 billion yen, an increase of 15.2% from the initial release.

**<Operating Income Margin>**

- Operating income margin rose by 0.4 points to 7.6% from 7.2% YOY.
- Operating income margin rose by 2.0 points from the 5.6% of the initial release.

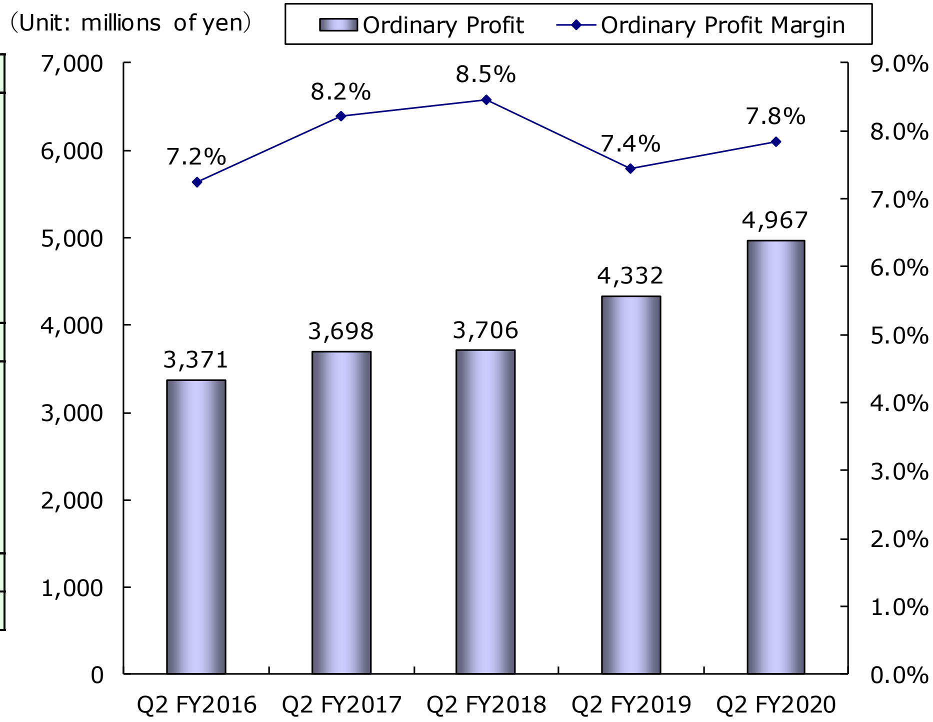
# 8. Non-Operating Income and Expenses / Ordinary Profit (Consolidated)

## 【Non-Operating Income and Expenses】

(Unit: Millions of yen)

| | Q2 FY2019 | Q2 FY2020 | YOY |
|---|---|---|---|
| 【Non-Operating Income】 | | | |
| Interest Income | 2 | 1 | +0 |
| Dividends Received | 69 | 82 | +12 |
| Rents Received | 46 | 46 | +0 |
| Foreign Exchange Gains | | 24 | +24 |
| Other | 61 | 40 | -20 |
| Total | 179 | 195 | +15 |
| 【Non-Operating Expenses】 | | | |
| Interest Expenses | 5 | 50 | +44 |
| Rents Expenses | 5 | 6 | +1 |
| Foreign Exchange Losses | 25 | | -25 |
| Other | 12 | 7 | -4 |
| Total | 49 | 65 | +15 |
| 【Non-Operating Income and Expenses | +130 | +130 | +0 |

## 【Ordinary Profit】




**<Ordinary Profit>**

- Ordinary profit was 4.96 billion yen, an increase of 14.6% YOY.
- Increased 15.5% from the 4.3 billion yen of the initial release.

**<Ordinary Profit Margin>**

- Ordinary profit margin rose by 0.4 points to 7.8% from 7.4% YOY.
- Ordinary profit margin increased 2.1 points from the 5.7% of the initial release.

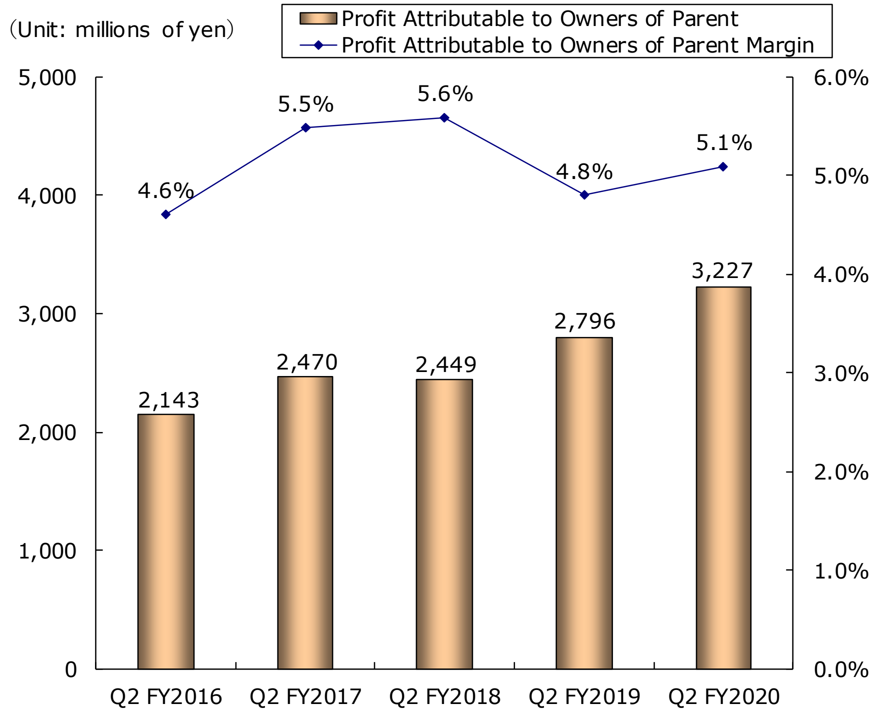
# 9. Extraordinary Profit and Loss / Profit Attributable to Owners of Parent (Consolidated)

## 【Extraordinary Profit and Loss】

(Unit: Millions of yen)

| | Q2 FY2019 | Q2 FY2020 | YOY |
|---|---|---|---|
| 【Extraordinary Profit】 | | | |
| Gain from Sale of Fixed Assets | 0 | 1 | +1 |
| Gain on Bargain Purchase | 5,531 | | -5,531 |
| Reversal of provision for retirement benefits for directors | | 9 | +9 |
| Total | 5,531 | 10 | -5,520 |
| 【Extraordinary Loss】 | | | |
| Loss from Sale of Fixed Assets | 4 | 1 | -2 |
| Loss on Retirement of Fixed Assets | 9 | 0 | -9 |
| Loss on Valuation of Investment Securities | | 5 | +5 |
| Total | 13 | 7 | -6 |
| 【Extraordinary Profit and Loss】 | +5,517 | +3 | -5,514 |

## 【Profit Attributable to Owners of Parent】




Note: The Q2 FY2019 figures on the graph above exclude gain on bargain purchases (5,531 million yen) from the profit attributable to owners of parent.

**＜Profit＞**

- Profit attributable to owners of parent, excluding gain on bargain purchase, was 3.22 billion yen, an increase of 15.4% YOY.
- Increased 15.3% from the 2.8 billion yen of the initial release.

**＜Net Profit Margin＞**

- Net profit margin rose by 0.3 points to 5.1% from 4.8% YOY.
- Net profit margin rose by 1.4 points from the 3.7% of the initial release.

# 10. Consolidated Balance Sheet (Consolidated)

(Unit: Millions of Yen)

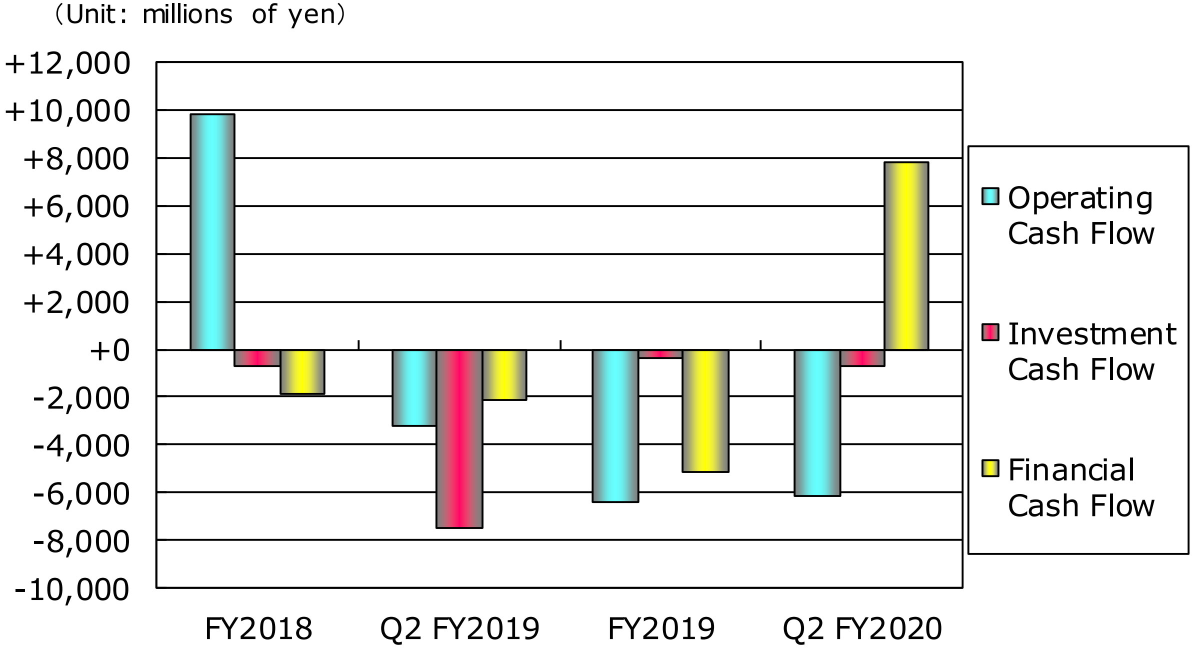
| | Q2 FY2019 | | FY2019 | | Q2 FY2020 | | Change | | Q2 FY2018 | | FY2019 | | Q2 FY2020 | | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Results | Percentage | Results | Percentage | Results | Percentage | | | Results | Percentage | Results | Percentage | Results | Percentage | |
| 【 Current Assets 】 | 79,284 | 77.8% | 76,951 | 77.5% | 84,114 | 78.5% | +7,162 | 【 Current Liabilities 】 | 33,528 | 32.9% | 26,661 | 26.8% | 33,785 | 31.5% | +7,123 |
| Cash Deposit | 5,605 | 5.5% | 6,456 | 6.5% | 7,399 | 6.9% | +942 | Trade Payables | 24,751 | 24.3% | 12,876 | 13.0% | 11,095 | 10.4% | -1,782 |
| Trade Receivable | 52,798 | 51.8% | 55,293 | 55.7% | 51,293 | 47.8% | -4,001 | Short-Term Debt | 243 | 0.2% | 4,251 | 4.3% | 15,009 | 14.0% | +10,758 |
| Disbursement of Uncompleted Works | 17,893 | 17.6% | 12,120 | 12.2% | 21,606 | 20.2% | +9,486 | Advances Received on Uncompleted Contracts | 1,043 | 1.0% | 179 | 0.2% | 466 | 0.4% | +287 |
| Other | 2,987 | 2.9% | 3,081 | 3.1% | 3,814 | 3.6% | +733 | Other | 7,489 | 7.3% | 9,354 | 9.4% | 7,213 | 6.7% | -2,142 |
| 【 Fixed Assets 】 | 22,660 | 22.2% | 22,397 | 22.5% | 23,083 | 21.5% | +686 | 【 Fixed Liabilities 】 | 3,984 | 3.9% | 4,867 | 4.9% | 4,957 | 4.6% | +89 |
| Tangible Fixed Assets | 12,844 | 12.6% | 12,888 | 13.0% | 13,260 | 12.4% | +372 | Long-Term Debt | 35 | 0.0% | 30 | 0.0% | 25 | 0.0% | -5 |
| Intangible Fixed Assets | 1,094 | 1.1% | 1,186 | 1.2% | 1,119 | 1.0% | -67 | Net Defined Benefit Liability | 3,638 | 3.6% | 4,390 | 4.4% | 4,529 | 4.2% | +138 |
| Other Assets | 8,720 | 8.6% | 8,322 | 8.4% | 8,702 | 8.1% | +380 | Other | 309 | 0.3% | 446 | 0.4% | 402 | 0.4% | -45 |
| | | | | | | | | 【Total Liabilities】 | 37,512 | 36.8% | 31,529 | 31.7% | 38,742 | 36.1% | +7,213 |
| | | | | | | | | 【Total Net Assets】 | 64,433 | 63.2% | 67,819 | 68.3% | 68,455 | 63.9% | +635 |
| | | | | | | | | "Non-controlling interests" | 933 | 0.9% | (1,004) | (1.0%) | (1,000) | (0.9%) | -4 |
| 【 Total Assets 】 | 101,945 | 100.0% | 99,348 | 100.0% | 107,197 | 100.0% | +7,849 | 【Total liabilities and Assets】 | 101,945 | 100.0% | 99,348 | 100.0% | 107,197 | 100.0% | +7,849 |

※ **Shareholder's Equity Ratio(Consolidates) 62.9%**

# 11. Cash Flow (Consolidated)

(Unit: Millions of Yen)

| | FY2018 | Q2 FY2019 | FY2019 | Q2 FY2020 |
|---|---|---|---|---|
| Operating Cash Flow | +9,842 | -3,202 | -6,384 | -6,141 |
| Investment Cash Flow | -681 | -7,463 | -360 | -692 |
| Financial Cash Flow | -1,893 | -2,121 | -5,142 | +7,839 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | -23 | -3 | -6 | -8 |
| Change in Cash and Cash Equivalents | +7,243 | -12,790 | -11,893 | +996 |



# 12. Earnings Forecast for FY2020 (Consolidated)

（Reference）

(Unit: Millions of yen)

| | Full-Year | | | | | FY2019 Results (Full-Year) | | | Targets for Final FY of 1st Medium-Term Business Plan |
|---|---|---|---|---|---|---|---|---|---|
| | Initial release | Full-Year FY2020 Forecast | | Release comparison | Percent Change | | | | |
| | | 1st Half Results | Full-Year forecast | | | | Difference | Percent Change | |
| **New Contracts** | 145,000 | 72,839 | 145,000 | 0 | 0.0% | 165,404 | -20,404 | -12.3% | 145,000 |
| **Net Sales** | 145,000 | 63,355 | 145,000 | 0 | 0.0% | 140,578 | +4,422 | +3.1% | 145,000 |
| **Gross Profit** | 15,750 | 7,754 | 16,450 | +700 | +4.4% | 16,840 | -390 | -2.3% | 16,840 |
| Percentage (%) | 10.9% | 12.2% | 11.3% | +0.4pt | - | 12.0% | -0.7pt | - | 11.6% |
| **SG&A** | 6,350 | 2,917 | 6,050 | -300 | -4.7% | 6,800 | -750 | -11.0% | 6,800 |
| Percentage (%) | 4.4% | 4.6% | 4.2% | -0.2pt | - | 4.8% | -0.6pt | - | 4.7% |
| **Operating Income** | 9,400 | 4,836 | 10,400 | +1,000 | +10.6% | 10,040 | +360 | +3.6% | 9,400 |
| Percentage (%) | 6.5% | 7.6% | 7.2% | +0.7pt | - | 7.1% | +0.1pt | - | 6.5% |
| **Ordinary Profit** | 9,600 | 4,967 | 10,650 | +1,050 | +10.9% | 10,239 | +411 | +4.0% | 9,600 |
| Percentage (%) | 6.6% | 7.8% | 7.3% | +0.7pt | - | 7.3% | +0.0pt | - | 6.6% |
| **Profit Attributable to Owners of Parent** | 6,300 | 3,227 | 6,950 | +650 | +10.3% | 7,154 | -204 | -2.9% | 6,300 |
| Percentage (%) | 4.3% | 5.1% | 4.8% | +0.5pt | - | 5.1% | -0.3pt | - | 4.3% |
| **EPS** | 116.31Yen | 59.59Yen | 128.30Yen | 11.99Yen | +10.3% | | | | |
| **Outstanding Contracts** | 55,146 | 64,493 | 55,116 | -30 | -0.1% | | | | |

Note:
1. Gain on bargain purchases is excluded from the profit attributable to owners of parent above.
2. The previous year difference and percent change above are compared to the full-year forecast values in the table to the left.

## 13. New Contracts and Net Sales by Segment (Consolidated)

### New Contracts

(Unit: Millions of yen)

| | Announced figures | Full-Year FY2020 Forecast | | Comparison with Announced Figures | FY2019 Results | |
|---|---|---|---|---|---|---|
| | | 1st Half Results | Full-Year forecast | | Full-Year | Difference |
| Daily Maintenance | 27,600 | 14,604 | 27,700 | +100 | 31,281 | -3,581 |
| Turnaround Maintenance | 38,700 | 26,220 | 49,900 | +11,200 | 48,840 | +1,060 |
| Plant Modification | 47,100 | 25,946 | 46,500 | -600 | 50,747 | -4,247 |
| Plant Construction | 31,600 | 6,067 | 20,900 | -10,700 | 34,533 | -13,633 |
| Engineering | 145,000 | 72,839 | 145,000 | 0 | 165,404 | -20,404 |

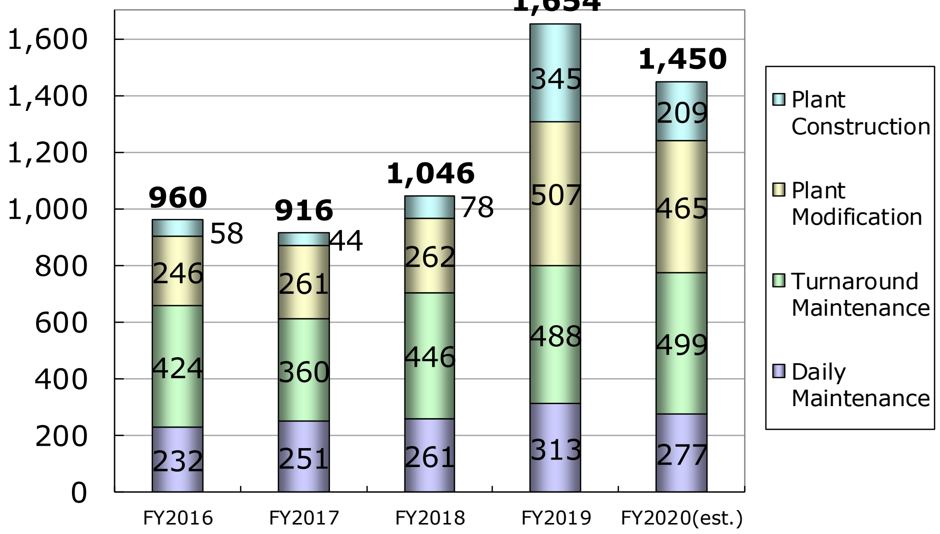
### Net Sales

(Unit: Millions of yen)

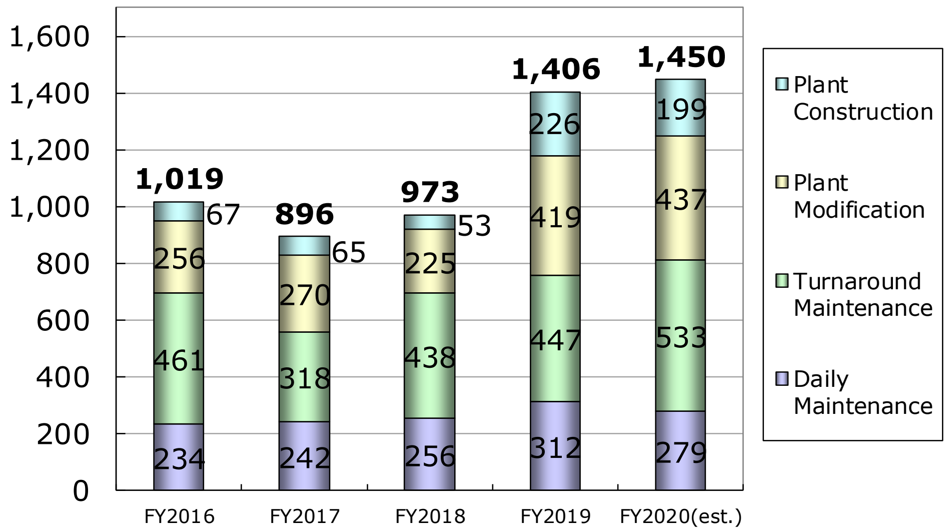
| | Announced figures | Full-Year FY2020 Forecast | | Comparison with Announced Figures | FY2019 Results | |
|---|---|---|---|---|---|---|
| | | 1st Half Results | Full-Year forecast | | Full-Year | Difference |
| Daily Maintenance | 27,800 | 13,265 | 27,900 | +100 | 31,228 | -3,328 |
| Turnaround Maintenance | 48,700 | 24,310 | 53,300 | +4,600 | 44,684 | +8,616 |
| Plant Modification | 45,400 | 15,308 | 43,730 | -1,670 | 41,947 | +1,783 |
| Plant Construction | 22,900 | 10,407 | 19,900 | -3,000 | 22,598 | -2,698 |
| Engineering | 144,800 | 63,292 | 144,830 | +30 | 140,458 | +4,372 |
| Other Business | 200 | 63 | 170 | -30 | 120 | +50 |
| **Total** | 145,000 | 63,355 | 145,000 | 0 | 140,578 | +4,422 |

# 14. Financial Highlights (Consolidated)

【 New Contracts 】 (Unit: 100 millions yen)

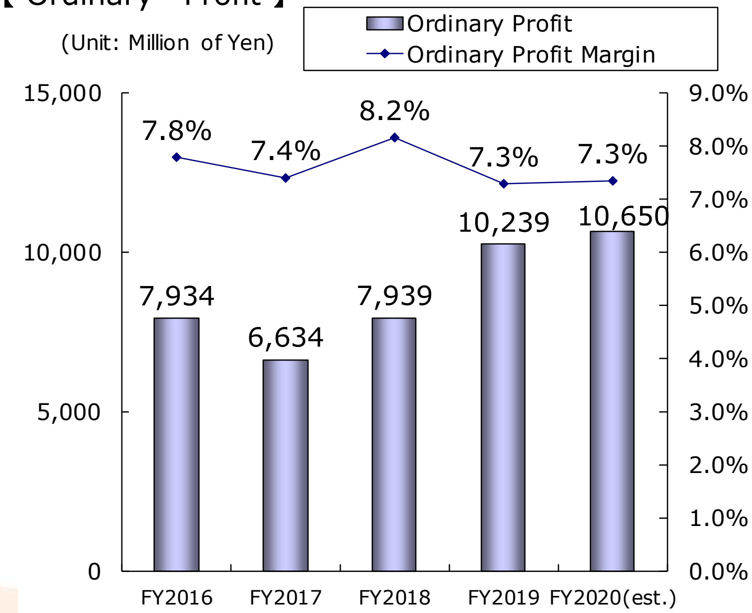



【 Net Sales】 (Unit: 100 millions yen)



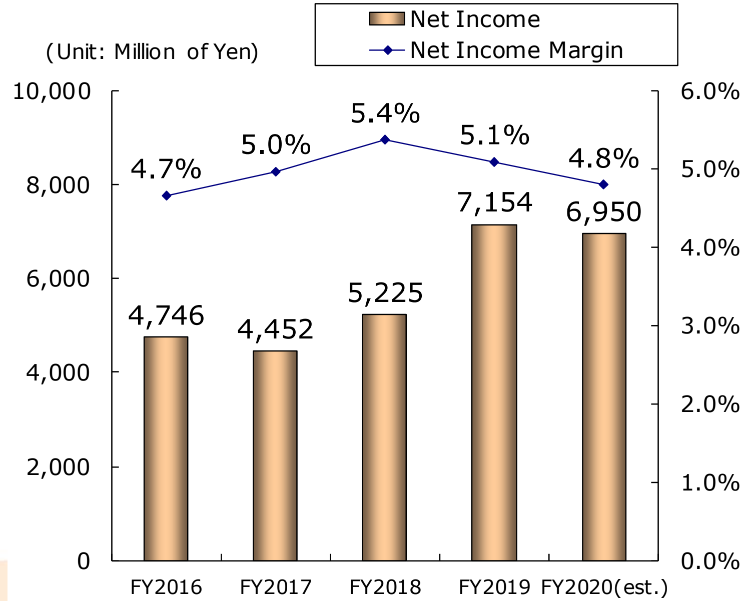

【 Ordinary Profit 】

(Unit: Million of Yen)




【Net Income 】

(Unit: Million of Yen)




Note: The figures for FY2019 in the left graph indicate net income excluding gain on bargain purchase.

# 15. About Dividend

## Basic Understanding Regarding Dividend (no changes)

Our group provides maintenance and engineering services for plants in the petroleum, petrochemical, and non-ferrous metal industries. As such, we belong to a sector that is easily affected by changes in private sector capital expenditure. We believe we can increase our corporate value by strengthening our business structure to adapt to changes in the business environment and future business expansion, and by building a stable business base. This will help ensure future profits for our shareholders, clients, business partners, employees, and other related parties, which shall be our basic policy.

## Dividend Policy (no changes)

Based on our dividend policy, we consider profit sharing with shareholders via dividends to be of the highest priority. We vow to implement a dividend policy that corresponds with our earnings, giving consideration to a constant and stable dividend payout. Therefore, having secured internal reserves required for strong business foundations and future business expansion, we have set a target dividend payout ratio (consolidated) of above 40%.

## Planned Dividend Payout for FY2020

- **Year-end dividend: 47 yen**

Note: If we are able to secure the expected profits at the time of our financial results release in May 2021, we plan to revise the dividend forecast.

This material includes projections based on future forecast and plans that was available on Nov. 13, 2020.

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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