Q2 FY2019 Consolidated Results
(Quarter ended September 30,2019)

RAIZNEXT Corporation

RAIZNEXT

Security code : 6379

Contents

1. Business Environment for Q2 FY2019

- **The Japanese economy continued to experience protracted weakness, especially in exports. This also included weakness in production.**
- **Companies continued to remain cautious in their economic assessments, especially in the manufacturing industry.**
- **Corporate earnings remained stable, and capital investment also demonstrated a gradual upward trend. Overall, the economy showed signs of a gradual recovery.**
- **In the petroleum industry, the demand for petroleum in Japan is expected to continue its downward trend as a result of factors including changes to the energy structure, a decreasing birthrate, and energy-saving measures.**
- **Refining capacity decreased due to compliance with the Act on Sophisticated Methods of Energy Supply Structures. The rate of operation of refineries remained high.**
- **In the petrochemical industry, the high rate of operation of ethylene plants was maintained, but this was amid a correction phase to make adjustments for a slump in domestic shipments of synthetic resins, etc.**
- **In the non-ferrous metal industry as a whole, growth was slowed due to factors such as a drop in the price of copper and changes in the demand for materials used in electronic components.**
- **In the current term (term ending March, 2020), turnaround maintenance is forecast to continue remaining strong.**
- **We worked on securing orders for plant fortification works, modification and improvement works, new plant construction works for the production of highly functional products, etc.**
- **Amid rising subcontract processing costs due to a labor shortage, we endeavored to secure profits by reducing direct construction costs, cutting expenditure, etc.**

2. Earnings Summary for Q2 FY2019 (Consolidated)

(Reference)

(Unit: Millions of Yen) (Unit: Millions of Yen)

	Announced figures (As of Sept. 26, 2019)	Q2 FY2019 Results	Comparison of announced figures	Percent Change (%)	Q2 FY2018 Results	Difference	Percent Change (%)
New Contracts	102,500	101,090	-1,409	-1.4%	51,399	+49,691	+96.7%
Net Sales	65,000	58,216	-6,783	-10.4%	43,789	+14,426	+32.9%
Gross Profit	6,000	7,569	+1,569	+26.2%	5,561	+2,008	+36.1%
Percentage (%)	9.2%	13.0%	+3.8%	-	12.7%	+0.3%	-
SG&A	3,300	3,367	+67	+2.0%	1,972	+1,394	+70.7%
Percentage (%)	5.1%	5.8%	+0.7%	-	4.5%	+1.3%	-
Operating Income	2,700	4,202	+1,502	+55.6%	3,588	+613	+17.1%
Percentage (%)	4.2%	7.2%	+3.0%	-	8.2%	-1.0%	-
Ordinary Profit	2,900	4,332	+1,432	+49.4%	3,706	+625	+16.9%
Percentage (%)	4.5%	7.4%	+2.9%	-	8.5%	-1.1%	-
Profit attributable to owners of parent	1,850	8,327	+6,477	+350.2%	2,449	+5,878	+240.0%
Percentage (%)	2.8%	14.3%	+11.5%	-	5.6%	+8.7%	-
EPS	34.15Yen	165.83Yen	+131.68Yen	+385.6%			
Outstanding Contracts	67,593	72,942	+5,349	+7.9%			

Note: The above differences and percentage changes are values compared with the actual Q2 FY2018 results.

Remarks

(1) As a result of a merger which took place on July 1, 2019, the results for the first half of the year include those of the former SHINKO PLANTECH for this entire period as well as those of the former JX Engineering for the 3-month period from July to September. The financial results for the full fiscal year include those of the former SHINKO PLANTECH for this entire period and those of the former JX Engineering for 9 months.

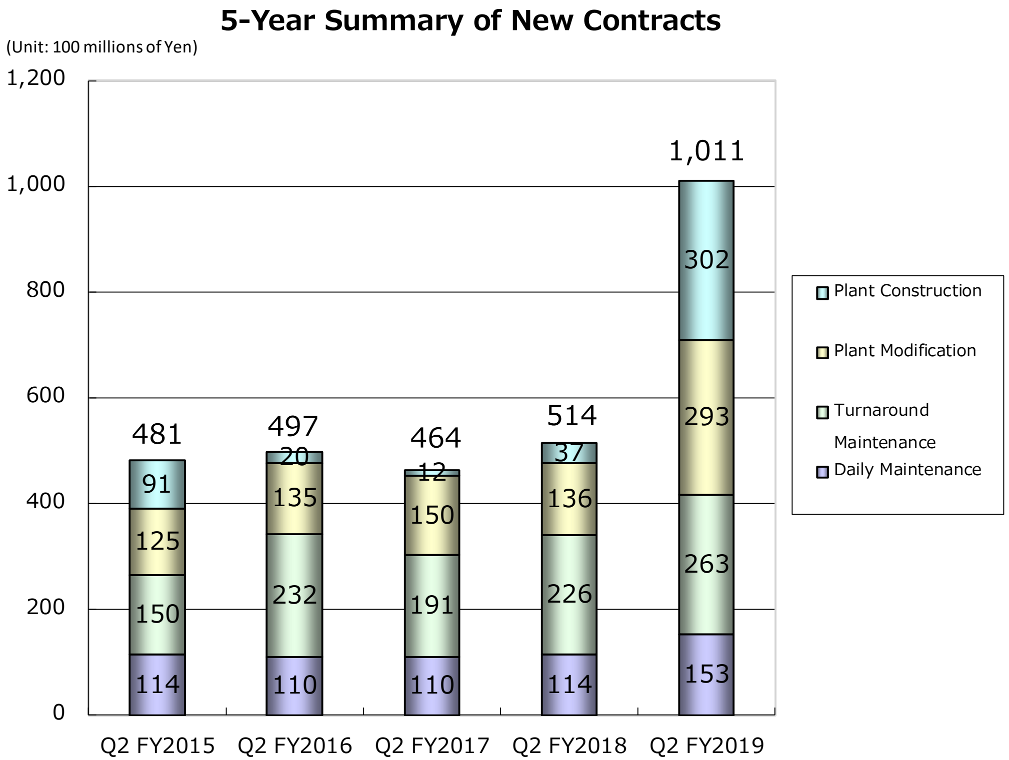
(2) The large increase in new contracts compared with the previous term was due to the receipt of the former JX Engineering's outstanding contracts as of the end of June as RAIZNEXT's new contracts on July 1.

(3) The large increase in profit attributable to owners of parent was due to the calculation of gain on bargain purchase resulting from the merger as extraordinary profit.

3. Breakdown of New Contracts by Work Types (Consolidated)

(Unit: Millions of Yen)

New Contracts	Forecast figures (As of Sept. 26, 2019)	Q2 FY2019 Results	Comparison of forecast figures	Change (%)	Q2 FY2018	Difference	Change (%)
Daily Maintenance	14,500	15,281	+781	+5.4%	11,419	+3,861	+33.8%
Turnaround Maintenance	27,000	26,328	-671	-2.5%	22,610	+3,717	+16.4%
Plant Modification	30,200	29,270	-929	-3.1%	13,644	+15,625	+114.5%
Plant Construction	30,800	30,211	-588	-1.9%	3,724	+26,486	+711.1%
Engineering	102,500	101,090	-1,409	-1.4%	51,399	+49,691	+96.7%



- New contracts increased 49.6 billion yen YoY due to the receipt of the former JX Engineering's outstanding contracts as of the end of June 2019.
- A decrease of 1,400 million yen compared with the forecast figure as of September 26, 2019.

【Daily Maintenance】
(1) Slight increase compared with forecast figure

【Turnaround Maintenance】
(1) Slight decrease from the forecast figure due to the shifting of turnaround maintenance scheduled for the first half to the second half

【Plant Modification】
(1) Acquisition of contracts for medium/small scale modification work centering on the petroleum field

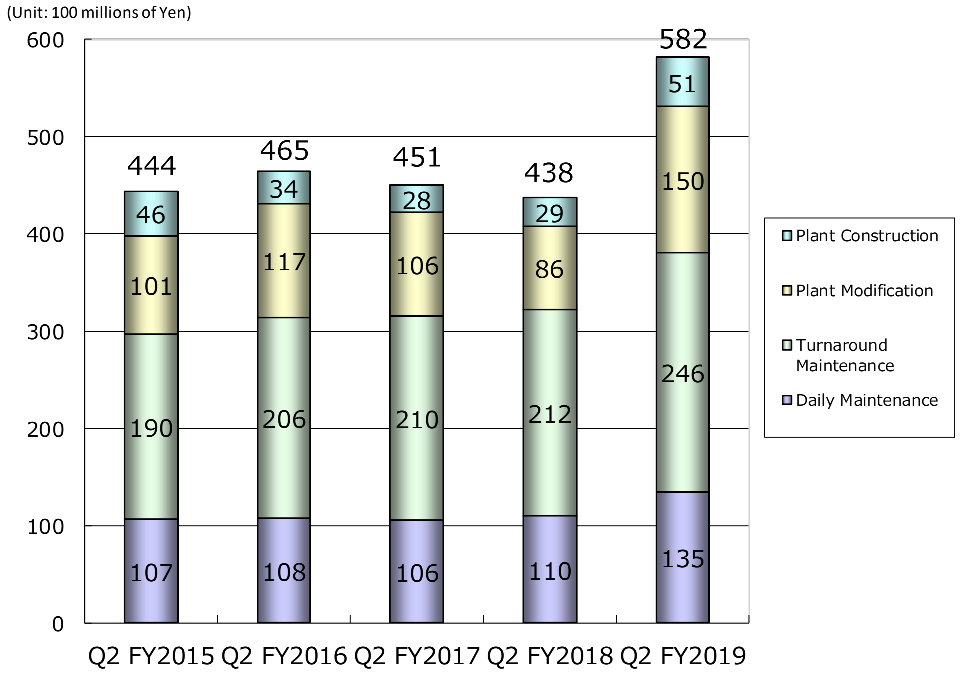
【Plant Construction】
(1) Steady stream of inquiries, especially in general chemistry

4. Breakdown of Net Sales by Work Types (Consolidated)

(Unit: Millions of Yen)

Net Sales	Announced figures (As of Sept. 26, 2019)	Q2 FY2019 Results	Comparison of announced figures	Change (%)	Q2 FY2018	Difference	Change (%)
Daily Maintenance	12,600	13,490	+890	+7.1%	11,029	+2,461	+22.3%
Turnaround Maintenance	23,300	24,573	+1,273	+5.5%	21,190	+3,383	+16.0%
Plant Modification	18,100	15,017	-3,082	-17.0%	8,578	+6,438	+75.1%
Plant Construction	10,900	5,063	-5,836	-53.5%	2,914	+2,148	+73.7%
Engineering	64,900	58,144	-6,755	-10.4%	43,712	+14,432	+33.0%
Other Business	100	71	-28	-28.3%	76	-5	-6.6%
Total	65,000	58,216	-6,783	-10.4%	43,789	+14,426	+32.9%

5-Year Summary of Net Sales



- Net sales increased 14,400 million yen YOY.
- The decrease of 6.7 billion yen from the announced figure as of September 26, 2019 was due to the unification of account processing methods and a planned sales projects shifting from Q2 to Q3 and beyond.

【Daily Maintenance】
(1) Increased from the announced figure

【Turnaround Maintenance】
(1) While net sales for some large turnaround maintenance work was shifted to the second half, turnaround maintenance increased from the announced figure due to factors such as additional work, etc.

【Plant Modification】
(1) Decreased due to such factors as the shifting of net sales to the second half of the fiscal year and sales planned for Q2 being calculated from the second half onward as part of efforts to unify account processing methods based on the percentage of completion method.

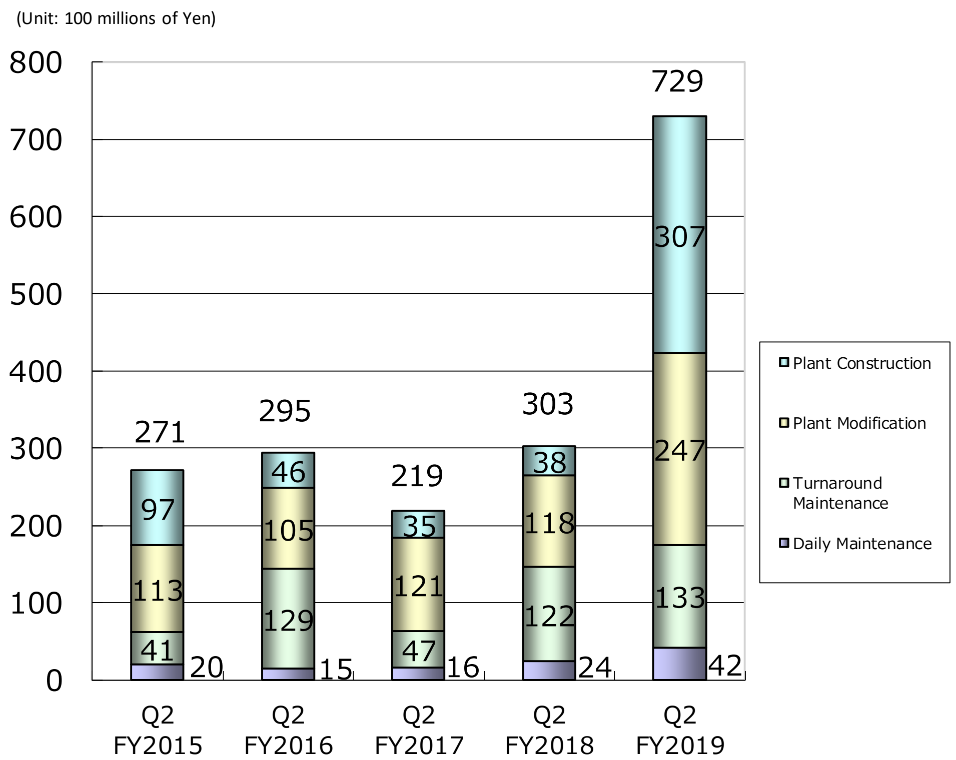
【Plant Construction】
(1) A portion of large construction project sales to be calculated in Q2 were shifted to the second half of the fiscal year.
(2) Decreased due to such factors as the shifting of net sales to the second half of the fiscal year and sales planned for Q2 being calculated from the second half onward as part of efforts to unify account processing methods based on the percentage of completion method.

5. Outstanding Contracts (Consolidated)

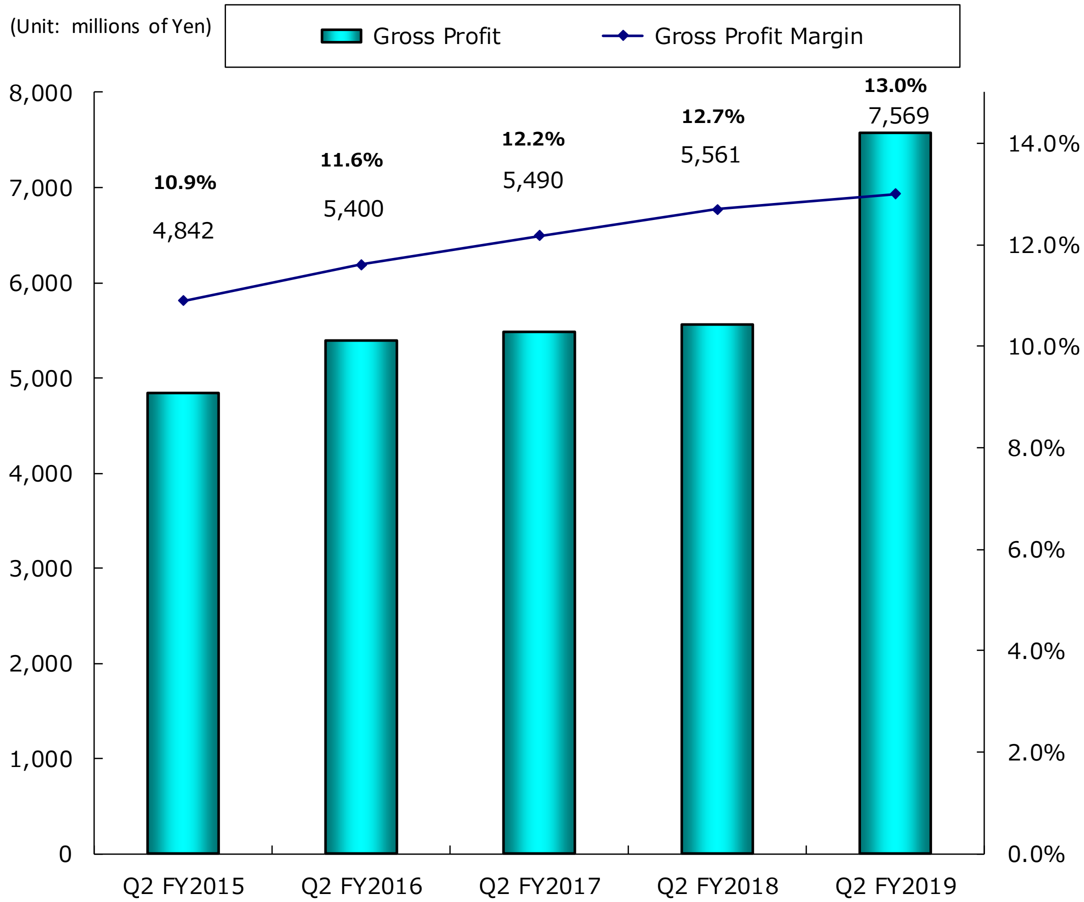
【5-Year Summary of outstanding Contracts】

(Unit: millions of Yen)

	Q2 FY2015	Q2 FY2016	Q2 FY2017	Q2 FY2018	Q2 FY2019
Daily Maintenance	2,007	1,460	1,585	2,373	4,231
Turnaround Maintenance	4,112	12,861	4,730	12,218	13,306
Plant Modification	11,321	10,545	12,087	11,837	24,742
Plant Construction	9,689	4,594	3,453	3,842	30,660
Total	27,130	29,462	21,857	30,273	72,942



6. Gross Profit (Consolidated)

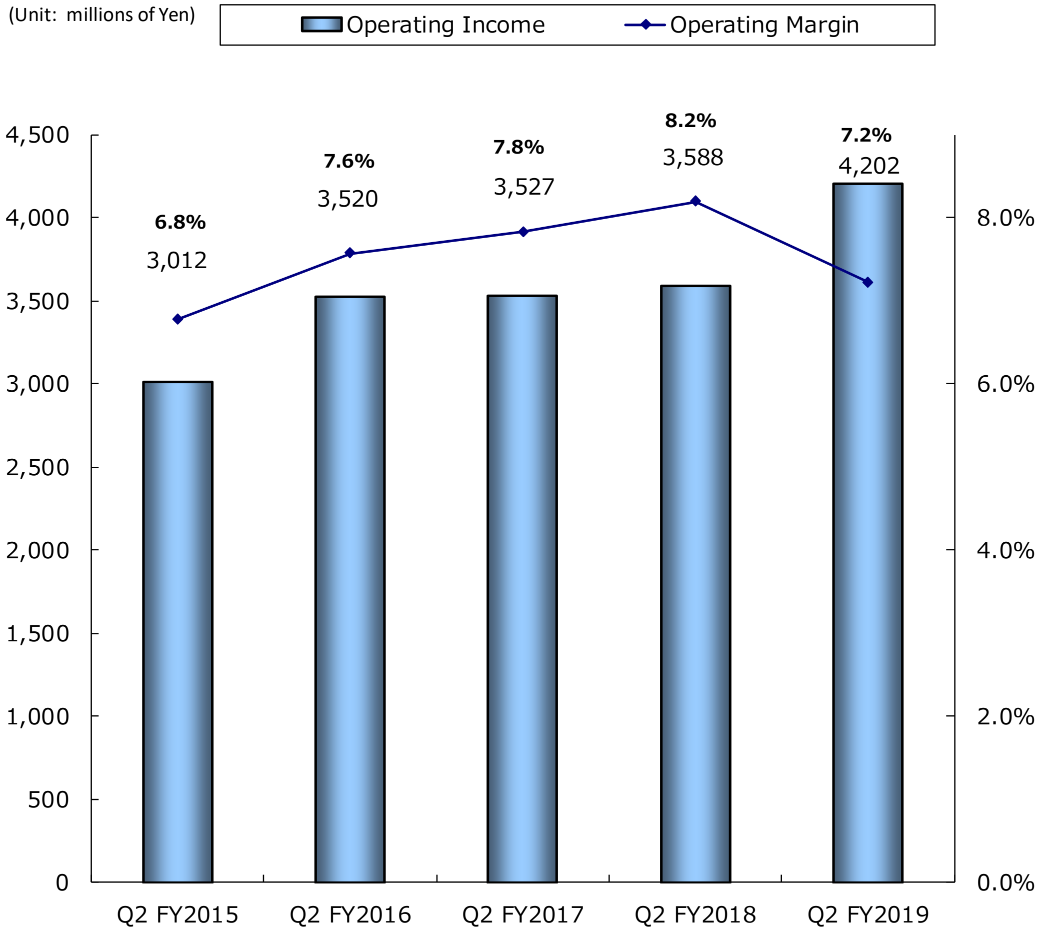


- Gross profit was 7,560 million yen, an increase of 36.1% YOY.
- An increase of 26.2% over 6.0 billion yen, an announced figure as of September 26, 2019.
- Gross profit margin rose 0.3 points to 13.0% from 12.7% YOY, and an increase of 3.8 points from margin of 9.2% of announced figure as of September 26, 2019.

Factors:

- Boost in gross profit due to merger.
- We aimed for continuous cost-reduction and secured revenue through on-site efforts and optimization, achieving improvements such as reinforced profit management, higher operation efficiency, and reduced indirect costs in spite of the concentration on turnaround maintenance and increased personnel expenses resulting from labor shortage conditions.
- The completion of large projects with low profitability for which sales were expected in the first half has been shifted to the second half.

7. Operating Income (Consolidated)



- SG&A increased as a result of the merger, with special costs of 650 million yen expended as a result of the merger. There was also an increase resulting from the consolidation of the new subsidiary companies, 3.36 billion yen.
- Operating income was 4.2 billion yen, an increase of 17.1% YOY.
- An increase of 55.6% over 2.7 billion yen, an announced figure as of September 26, 2019.
- Operating income margin fell 1.0 point to 7.2% from 8.2% YOY, while it was an increase of 3.0 points from the margin of 4.2% of announced figure as of September 26, 2019.

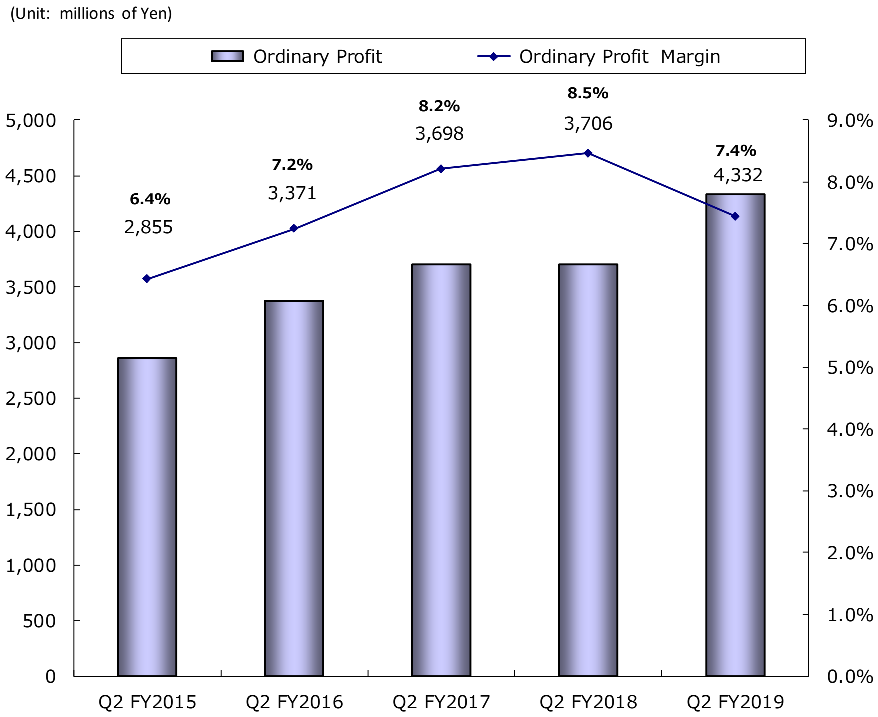
8. Non-operating Profit and Losses / Ordinary Profit

【 Non-Operating Profit and Losses 】

(Unit: Millions of Yen)

	Q2 FY2018	Q2 FY2019	YOY
【 Non-Operating Income 】			
Interest Income	1	2	+0
Dividends Received	65	69	+4
Rents Received	45	46	+0
Other	38	61	+22
Total	151	179	+28
【 Non-Operating Expenses 】			
Interest Expenses	2	5	+3
Foreign exchange losses	17	25	+8
Other	13	18	+4
Total	32	49	+16
【 Non-Operating Profit and Loss 】	118	130	+11

【Ordinary Profit】



- Ordinary profit was 4.33 billion yen, an increase of 16.9% YOY.
- An increase of 49.4% over 2.9 billion yen, an announced figure as of September 26, 2019.
- Ordinary profit margin fell 1.1 points to 7.4% from 8.5% YOY, while it was an increase of 2.9 points from the margin of 4.5% of announced figure as of September 26, 2019.

9. Extraordinary Profit and Losses / Net Income

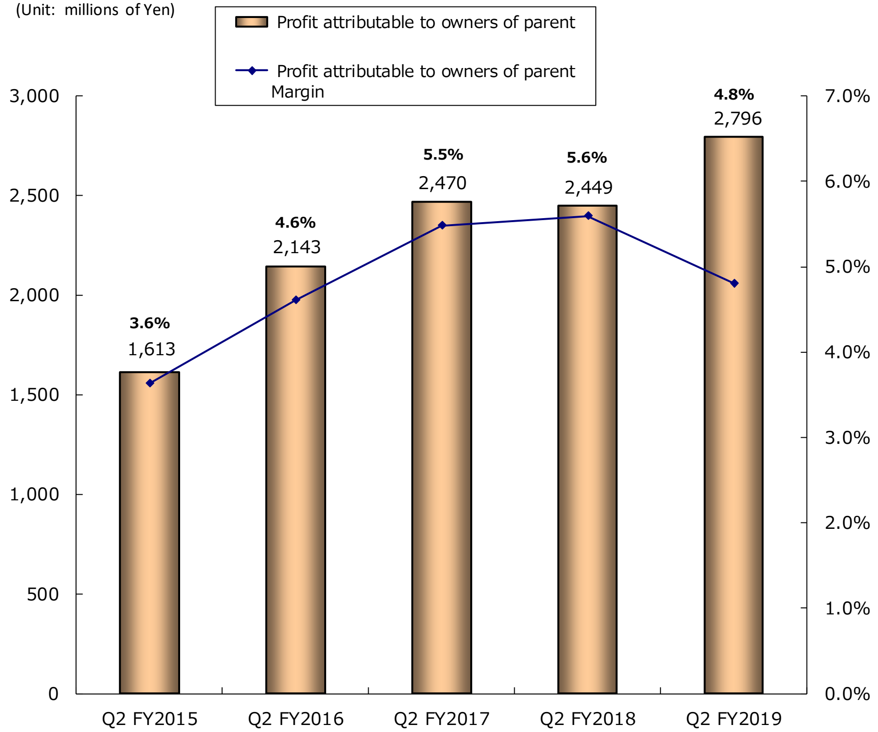
【Extraordinary Profit and Loss】

(Unit: Millions of Yen)

	Q2 FY2018	Q2 FY2019	YOY
【 Extraordinary Profit 】			
Gain from Sale of Fixed Assets	1	0	-1
Gain on Bargain Purchase		5,531	+5,531
Total	1	5,531	+5,530
【 Extraordinary Loss 】			
Loss from Sale of Fixed Assets	0	4	+4
Loss on Retirement of Fixed Assets	0	9	+9
Total	0	13	+13
【 Extraordinary Profit and Loss 】	1	5,517	+5,516

● Gain on bargain purchase of 5.53 billion yen was calculated as extraordinary profit resulting from the merger

【Profit attributable to owners of parent】



Note: The figures for Q2 FY2019 in the above graph indicate profit attributable to owners of parent excluding gain on bargain purchase.

- Profit attributable to owners of parent was 8.32 billion yen, a increase of 240.0% YoY. Profit attributable to owners of parent margin was 14.3%.
- Profit attributable to owners of parent, excluding gain on bargain purchase, was 2.79 billion yen, an increase of 14.2% YoY.
- An increase of 51.1% over 1.85 billion yen, an announced figure as of September 26, 2019. Profit attributable to owners of parent margin was 4.8%.

  Rose by 2.0 points from profit margin of 2.8%, an announced figure as of September 26, 2019.

10. Consolidated Balance Sheet (Consolidated)

(Unit: Millions of Yen)

	Q2 FY2018 Results	Percentage	FY2018 Results	Percentage	Q2 FY2019 Results	Percentage	Change
【 Current Assets 】	62,576	77.8%	63,007	78.6%	79,284	77.8%	+16,276
Cash Deposit	8,820	11.0%	16,954	21.2%	5,605	5.5%	-11,348
Trade Receivable	41,510	51.6%	39,850	49.7%	52,798	51.8%	+12,948
Disbursement of Uncompleted	12,045	15.0%	6,020	7.5%	17,893	17.6%	+11,872
Other	199	0.2%	182	0.2%	2,987	2.9%	+2,804
【 Fixed Assets 】	17,815	22.2%	17,147	21.4%	22,660	22.2%	+5,512
Tangible Fixed Assets	10,955	13.6%	11,069	13.8%	12,844	12.6%	+1,775
Intangible Fixed Assets	232	0.3%	271	0.3%	1,094	1.1%	+823
Other Assets	6,626	8.2%	5,807	7.2%	8,720	8.6%	+2,913
【 Total Assets 】	80,391	100.0%	80,155	100.0%	101,945	100.0%	+21,789

	Q2 FY2018 Results	Percentage	FY2018 Results	Percentage	Q2 FY2019 Results	Percentage	Change
【 Current Liabilities 】	32,075	39.9%	29,845	37.2%	33,528	32.9%	+3,682
Trade Payables	26,657	33.2%	23,719	29.6%	24,751	24.3%	+1,031
Short-Term Debt	233	0.3%	205	0.3%	243	0.2%	+38
Advances Received on Uncompleted Contracts	1,445	1.8%	535	0.7%	1,043	1.0%	+508
Other	3,740	4.6%	5,385	6.6%	7,489	7.4%	+2,103
【 Fixed Liabilities 】	2,202	2.7%	2,321	2.9%	3,984	3.9%	+1,662
Long-Term Debt	72	0.1%	53	0.1%	35	0.0%	-17
Net Defined Benefit Liability	1,842	2.3%	1,984	2.5%	3,638	3.6%	+1,654
Other	287	0.3%	283	0.3%	309	0.3%	+26
【Total Liabilities】	34,278	42.6%	32,167	40.1%	37,512	36.8%	+5,344
【Total Net Assets】	46,113	57.4%	47,988	59.9%	64,433	63.2%	+16,444
"Non-controlling interests"	(819)	(1.0%)	(865)	(1.1%)	(933)	(0.9%)	+68
【Total liabilities and Assets】	80,391	100.0%	80,155	100.0%	101,945	100.0%	+21,789

Note: Shareholder's Equity Ratio(Consolidates) 62.3%

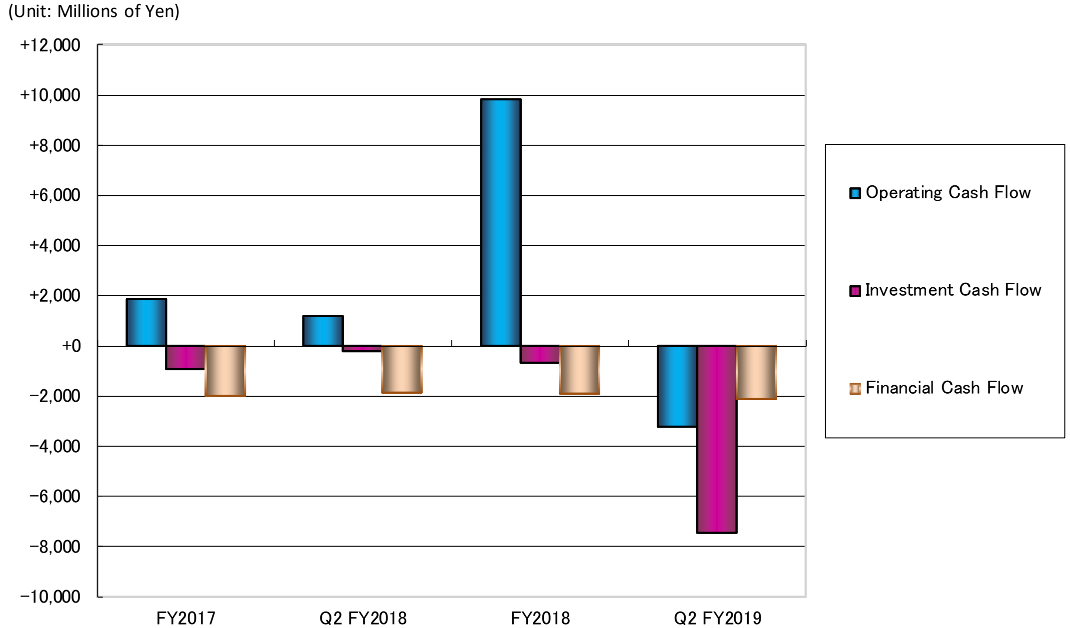
11. Cash Flow (Consolidated)

(Unit: Millions of Yen)

	FY2017	Q2 FY2018	FY2018	Q2 FY2019
Operating Cash Flow	+1,856	+1,198	+9,842	-3,202
Investment Cash Flow	-944	-227	-681	-7,463
Financial Cash Flow	-1,991	-1,842	-1,893	-2,121
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-4	-17	-23	-3
Change in Cash and Cash Equivalents	-1,083	-888	+7,243	-12,790

Remarks

(1) There was an increase in cash and cash equivalents resulting from changes to the scope of consolidation and the merger of 1.44 billion yen. The balance of cash and cash equivalents at the end of September was 5.47 billion yen.



12. Earnings Forecast for Full-Year FY2019 (Consolidated)

(Unit: Millions of Yen)

	Full-Year				
	Announced figures (As of Sept. 26, 2019)	Full-Year FY2019 Forecast		Comparison of announced figures	Percent Change(%)
		1st Half Results	Full-Year Forecast		
New Contracts	162,500	101,090	166,000	+3,500	+2.2%
Net Sales	140,000	58,216	140,000	+0	+0.0%
Gross Profit	12,700	7,569	14,000	+1,300	+10.2%
Percentage (%)	9.1%	13.0%	10.0%	+0.9%	-
SG&A	6,400	3,367	6,500	+100	+1.6%
Percentage (%)	4.6%	5.8%	4.6%	+0.0%	-
Operating Income	6,300	4,202	7,500	+1,200	+19.0%
Percentage (%)	4.5%	7.2%	5.4%	+0.9%	-
Ordinary Profit	6,550	4,332	7,650	+1,100	+16.8%
Percentage (%)	4.7%	7.4%	5.5%	+0.7%	-
Profit attributable to owners of parent	4,200	8,327	10,250	+6,050	+144.0%
Percentage (%)	3.0%	14.3%	7.3%	+4.2%	-
EPS	77.53Yen	165.83Yen	189.23Yen	111.70Yen	+144.1%
Outstanding Contracts	52,693	72,942	56,193	+3,500	+6.6%

(Reference)

(Unit: Millions of Yen)

	FY2018 Results (Full-Year)		
		Difference	Percent Change (%)
New Contracts	104,588	+61,412	+58.7%
Net Sales	97,331	+42,669	+43.8%
Gross Profit	11,984	+2,016	+16.8%
Percentage (%)	12.3%	-2.3%	-
SG&A	4,300	+2,200	+51.2%
Percentage (%)	4.4%	+0.2%	-
Operating Income	7,683	-183	-2.4%
Percentage (%)	7.9%	-2.5%	-
Ordinary Profit	7,939	-289	-3.6%
Percentage (%)	8.2%	-2.7%	-
Profit attributable to owners of parent	5,225	+5,025	+96.2%
Percentage (%)	5.4%	+1.9%	-

※Note: The above differences and percentage changes are values in comparison with the full-year forecast on the left table.

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

New Contracts

(Unit: Millions of Yen)

	Forecast figures (As of Sept. 26, 2019)	Full-Year FY2019 Forecast		Comparison of forecast figures	FY2018 Results	
		1st Half	Full-Year		Full-Year	Difference
Daily Maintenance	29,200	15,281	30,000	+800	26,050	+3,950
Turnaround Maintenance	44,800	26,328	49,000	+4,200	44,567	+4,433
Plant Modification	46,200	29,270	45,300	-900	26,178	+19,122
Plant Construction	42,300	30,211	41,700	-600	7,791	+33,909
Engineering	162,500	101,090	166,000	+3,500	104,588	+61,412

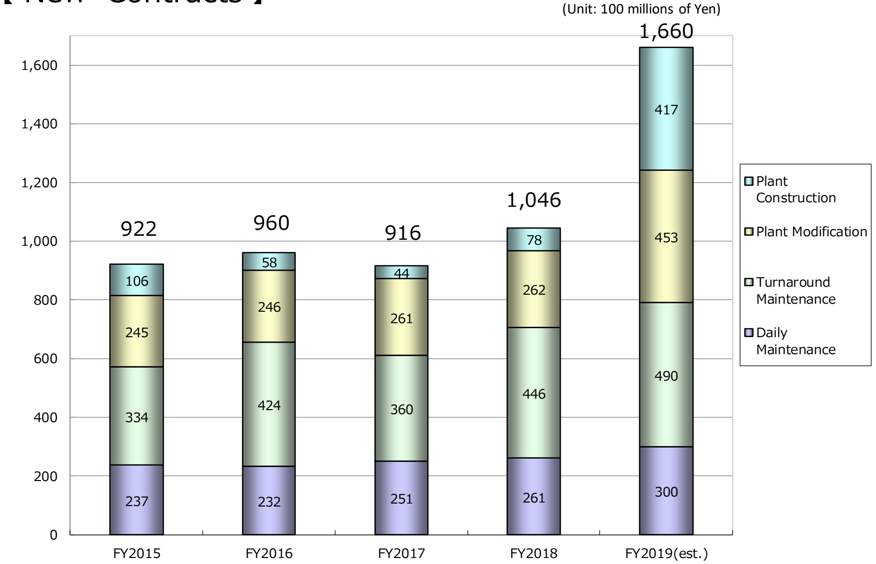
Net Sales

(Unit: Millions of Yen)

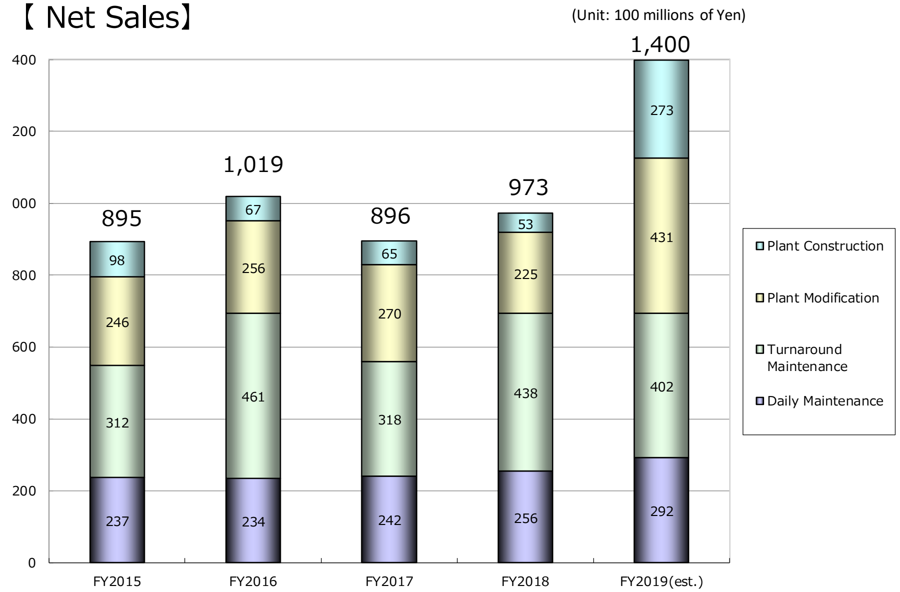
	Announced figures (As of Sept. 26, 2019)	Full-Year FY2019 Forecast		Comparison of announced figures	FY2018 Results	
		1st Half	Full-Year		Full-Year	Difference
Daily Maintenance	28,100	13,490	29,200	+1,100	25,571	+3,629
Turnaround Maintenance	38,300	24,573	40,200	+1,900	43,813	-3,613
Plant Modification	45,100	15,017	43,100	-2,000	22,476	+20,624
Plant Construction	28,300	5,063	27,300	-1,000	5,333	+21,967
Engineering	139,800	58,144	139,800	0	97,195	+42,605
Other Business	200	71	200	0	136	+64
Total	140,000	58,216	140,000	0	97,331	+42,669

14. Financial Highlights (Consolidated)

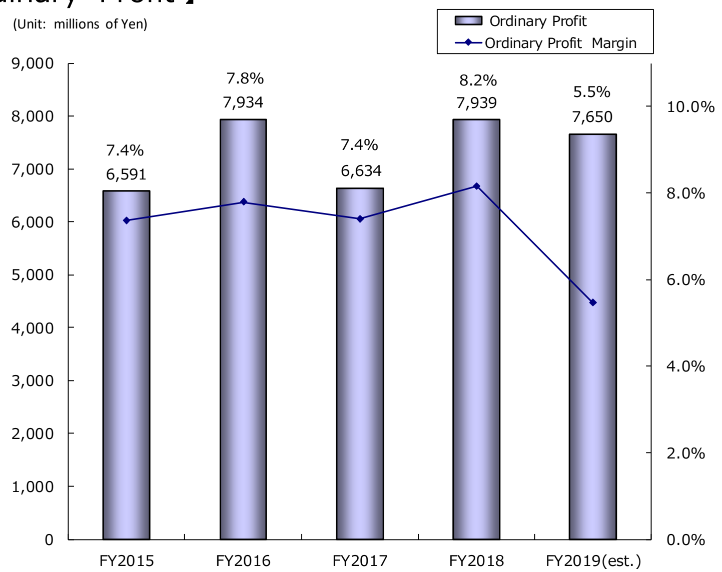
【 New Contracts 】



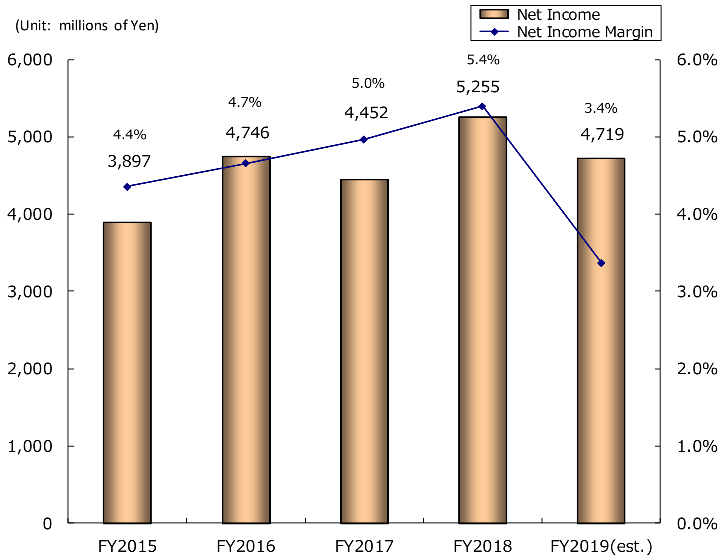
【 Net Sales】



【 Ordinary Profit 】



【Net Income 】



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

15. About Dividend

Basic Understanding Regarding Dividend

Our group's businesses provide maintenance and engineering services for plants in petroleum, petrochemical, non-ferrous metal, and industries. As such, we belong to a sector that is easily affected by changes in private sector capital expenditure. Therefore, we believe that 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

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

Dividend Forecast for FY2019

● Year-end dividend: 35 yen (Consolidated dividend payout ratio: 40.2%)

As shown in the published materials, the company is performing well. As a result, we have revised the forecasted dividend payout at the end of the term from 32 yen to 35 yen per share. Note that the dividend forecast is calculated excluding gain on bargain purchase, profit and loss pertaining to the merger.

The consolidated dividend payout ratio was calculated as 40.2% as follows:

Consolidated dividend payout ratio = {Total dividend amount ÷ forecasted consolidated net income (excluding gain on bargain purchase) } × 100

This material includes projections based on future forecast and plans that was available on Nov 15, 2019.

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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