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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 13, 2024

Company name: MIRAIT ONE Corporation
Stock exchange listing: TSE
Code number: 1417
URL: https://www.mirait-one.com/english/
Representative: Toshiki Nakayama, President and CEO
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Schedule date of filing semi-annual report: November 13, 2024
Scheduled date of commencing dividend payments: November 29, 2024
Availability of supplementary briefing material on semi-annual results: Available
Schedule of semi-annual results briefing session: Scheduled (for analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results (% indicates changes from the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended September 30, 2024	249,905	15.4	4,680	97.9	4,892	54.9	1,418	642.0
Six months ended September 30, 2023	216,640	7.2	2,364	162.9	3,158	118.7	191	(54.1)

(Note) Comprehensive income: Six months ended September 30, 2024: 4,771 million yen [41.6%]
Six months ended September 30, 2023: 3,370 million yen [25.0%]

	Net income per share	Diluted net income per share
	yen	yen
Six months ended September 30, 2024	15.56	–
Six months ended September 30, 2023	2.01	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of September 30, 2024	481,304	261,059	52.0
As of March 31, 2024	519,960	260,088	48.5

(Reference)
Equity: As of September 30, 2024: 250,324 million yen
As of March 31, 2024: 251,978 million yen

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2024	—	30.00	—	35.00	65.00
Fiscal year ending March 31, 2025	—	35.00			
Fiscal year ending March 31, 2025 (Forecast)			—	40.00	75.00

(Note) Revision of dividend forecasts from recently announced figures: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	570,000	10.0	27,000	51.4	28,000	49.8	18,000	43.6	198.12

(Note) Revision of financial results forecasts from recently announced figures: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

(2) Application of specific accounting practices for preparing consolidated semi-annual financial statements: Yes

(Note) For details, see Attached Materials 8 page “Application of Specific Accounting Practices for Preparing Consolidated semi-annual Financial Statements."

(3) Changes in accounting policies, changes in accounting estimates and corrections of errors

1) Changes in accounting policies due to the revision of accounting standards, etc.: Yes

2) Any changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Corrections of errors: None

(Note) For details, see Attached Materials 8 page “Changes in accounting policies.”

(4) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury stock):

September 30, 2024	94,325,329 shares	March 31, 2024	94,325,329 shares

2) Total number of treasury stock at the end of the period:

September 30, 2024	3,716,171 shares	March 31, 2024	2,224,417 shares

3) Average number of shares outstanding during the period:

September 30, 2024	91,184,462 shares	September 30, 2023	94,928,247 shares

(Note) Total number of treasury stock includes the Company’s stock held by the Board Incentive Plan trust under the Company’s performance-linked stock remuneration program for directors who are not Audit and Supervisory Committee members and executive officers.

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

*Explanation for the appropriate use of financial forecasts and other special notes

- While descriptions in this report regarding financial prospects and other future events are based on the information available at the time this report was prepared, and based on certain assumptions considered to be reasonable. Accordingly, our actual business performance may differ significantly from the prospects due to a number of factors.

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1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results for the Period under Review

During the first six months of the current consolidated period (from April 1, 2024 to September 30, 2024), the Japanese economy continued on the path of moderate recovery due mainly to an improved employment and income environment. On the other hand, the outlook remains uncertain due to the impact of such issues as the prolonged situations in Ukraine and the Middle East, rises in prices, and persistently high interest rate levels in Europe and the United States.

The business environment surrounding the MIRAIT ONE Group ("the Group"), has seen the promotion of nationwide digital transformation (DX) efforts by local governments and communities, an increase in demand for data centers due to the expanding use of cloud services, and in recent years, progress in disaster prevention, disaster mitigation, and national land resilience in the face of increasingly severe natural disasters, as well as progress in the government's regional infrastructure redevelopment strategy management initiative that treats multiple and various types of infrastructure, such as roads, water and sewage systems in a wide area as a group. Moreover, there is an expectation that the following will be attained: promotion of regional decarbonization, the use of renewable energy and hydrogen that fit well with regional characteristics and climates, and realization of green transformation (GX), toward achieving carbon neutrality in 2050.

Against this backdrop, the Group aims to evolve into a corporate group that continues to contribute more than ever before to the resolution of social issues across a wide range of social infrastructure areas under its purpose and mission redefined. The Group has formulated the MIRAIT ONE Group Vision 2030 as its business vision toward 2030 and the fifth Medium-term Management Plan for the five-year period started in the fiscal year ended March 31, 2023 or FY 2022. The Group has identified its growth areas, which are urban and regional development/corporate DX and GX, green energy business, software business, and global business as the "MIRAI (future) Domains" that it will focus on in the future.

In FY 2024, the Business Risk Management, newly established in April, began efforts to prevent the recurrence of unprofitable projects through thorough risk checks on individual projects and optimal risk management in tackling challenges in new business areas. We will fully engage as a group in expanding our business in Japan and in carrying out full value type projects, in addition to cabling business in Asia and the provision of self-managed services in response to the increased demand for data centers in Japan and overseas. Furthermore, we will accelerate the promotion of business synergies in the fields of "Zero Carbon City Business" and "Public Utility Infrastructure Management Business" through a three-pronged approach with SEIBU CONSTRUCTION CO., LTD., and Kokusai Kogyo Co., Ltd. Also, as our growth strategy for human resources, we will continue to promote a flexible system for human resources that supports strategic personnel development and challenges while advancing MIRAIT ONE Smart Work/Life reforms.

Moreover, we will work to improve productivity through the promotion of DX in existing businesses and other measures, and will start local management reform in which the carrier business assets of three companies, located in the Tohoku, Chugoku and Shikoku regions, and MIRAIT ONE branches will be shared and consolidated to secure profit, and the ICT business will be consolidated and strengthened to achieve a top-line expansion.

As for the consolidated financial results for the first six months ended September 30, 2024, although CATV work and some 5G infrastructure development work in the Multi-carrier business decreased, access and mobile construction work in the NTT business increased, electrical and air conditioning work, and construction and renovation work in the Environmental and Social Innovation business rose, and work related to global orders and DC and cloud construction work in the ICT Solutions business increased. In addition, there was also the contribution to the net sales of Kokusai Kogyo Co., Ltd., which became a

subsidiary in December 2023. Based on these efforts, the consolidated financial results for the first six months ended September 30, 2024, amounted to the following:

- Orders received of 319,250 million yen (+21.8 % year-on-year);
- Net sales of 249,905 million yen (+15.4% year-on-year);
- Operating profit of 4,680 million yen (+97.9% year-on-year);
- Ordinary profit of 4,892 million yen (+54.9% year-on-year); and
- Profit attributable to owners of parent of 1,418 million yen (+642.0% year-on-year).

(2) Overview of Financial Position for the Period under Review

Total assets at the end of the second quarter of the current consolidated period amounted to 481,304 million yen, a decrease of 38,656 million yen from the end of the previous fiscal year, mainly due to a decrease in accounts receivable from completed construction contracts and other.

Total liabilities decreased by 39,627 million yen from the end of the previous fiscal year to 220,244 million yen, mainly due to a decrease in accounts payable for construction contracts and other, and repayment of short-term borrowings.

Net assets increased by 971 million yen from the end of the previous fiscal year to 261,059 million yen, mainly due to having posted 1,418 million yen in profit attributable to owners of parent and 3,037 million yen in other comprehensive income, despite dividends paid of 3,243 million yen and a share repurchase of 2,986 million yen.

As a result of the above, the equity ratio at the end of the second quarter stood at 52.0% (compared with 48.5% at the end of the previous fiscal year).

(3) Future Outlook

The consolidated financial results forecast for the fiscal year ending March 31, 2025, as announced on May 13, 2024, remains unchanged.

2. Semi-annual Consolidated Financial Statements and Notes

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	50,036	51,880
Notes receivable, accounts receivable from completed construction contracts and other	205,212	153,922
Investments in leases	5,416	5,229
Costs on construction contracts in progress	31,097	40,822
Other	13,126	11,014
Allowance for doubtful accounts	(237)	(266)
Total current assets	304,651	262,603
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,049	44,485
Land	36,114	36,724
Construction in progress	1,620	1,959
Other, net	17,325	18,779
Total property, plant and equipment	100,110	101,949
Intangible assets		
Customer related assets	29,900	33,145
Goodwill	38,570	38,569
Software	1,412	5,388
Software in progress	5,612	917
Other	169	194
Total intangible assets	75,666	78,214
Investments and other assets		
Investment securities	19,454	19,150
Retirement benefit asset	11,241	11,791
Deferred tax assets	3,396	1,059
Leasehold and guarantee deposits	2,655	3,269
Other	3,142	3,620
Allowance for doubtful accounts	(357)	(354)
Total investments and other assets	39,532	38,537
Total non-current assets	215,309	218,700
Total assets	519,960	481,304

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	64,011	55,442
Short-term borrowings	75,148	24,167
Lease obligations	3,539	3,741
Income taxes payable	5,347	4,861
Advances received on construction contracts in progress	11,261	8,611
Provision for loss on construction contracts	1,490	2,262
Provision for loss on orders received	125	176
Provision for bonuses	10,920	9,372
Provision for bonuses for directors (and other officers)	152	61
Provision for warranties for completed construction	1,074	163
Other	19,600	14,137
Total current liabilities	192,672	122,999
Non-current liabilities		
Bonds payable	–	30,000
Long-term borrowings	31,003	30,859
Lease obligations	7,402	8,457
Deferred tax liabilities	7,593	6,026
Deferred tax liabilities for land revaluation	28	28
Provision for retirement benefits for directors (and other officers)	97	59
Provision for share-based payments	437	462
Retirement benefit liability	18,686	18,796
Asset retirement obligations	1,450	1,677
Other	500	878
Total non-current liabilities	67,199	97,245
Total liabilities	259,872	220,244
Net assets		
Shareholders' equity		
Share capital	7,000	7,000
Capital surplus	45,775	45,803
Retained earnings	190,849	189,024
Treasury shares	(3,793)	(6,729)
Total shareholders' equity	239,832	235,098
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,674	3,318
Revaluation reserve for land	(85)	(85)
Foreign currency translation adjustment	4,256	7,377
Remeasurements of defined benefit plans	4,301	4,614
Total accumulated other comprehensive income	12,146	15,225
Non-controlling interests	8,109	10,735
Total net assets	260,088	261,059
Total liabilities and net assets	519,960	481,304

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	216,640	249,905
Cost of sales	194,815	217,300
Gross profit	21,825	32,604
Selling, general and administrative expenses	19,461	27,924
Operating profit	2,364	4,680
Non-operating income		
Interest income	157	201
Dividend income	213	250
Foreign exchange gains	271	–
Other	377	466
Total non-operating income	1,020	919
Non-operating expenses		
Interest expenses	59	257
Bond issuance cost	–	150
Share of loss of entities accounted for using equity method	83	40
Foreign exchange losses	–	152
Other	83	105
Total non-operating expenses	226	706
Ordinary profit	3,158	4,892
Extraordinary income		
Gain on sale of non-current assets	138	451
Gain on bargain purchase	–	18
Gain on sale of investment securities	20	13
Gain on sale of shares of subsidiaries and associates	–	46
Subsidy income	107	–
Other	0	–
Total extraordinary income	268	530
Extraordinary losses		
Loss on sale of non-current assets	11	17
Loss on retirement of non-current assets	142	64
Loss on valuation of investment securities	74	71
Other	34	–
Total extraordinary losses	262	154
Profit before income taxes	3,164	5,268
Income taxes	2,846	3,534
Profit	317	1,733
Profit attributable to		
Profit attributable to owners of parent	191	1,418
Profit attributable to non-controlling interests	126	315

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Other comprehensive income		
Valuation difference on available-for-sale securities	1,275	(360)
Foreign currency translation adjustment	1,496	2,777
Remeasurements of defined benefit plans, net of tax	(138)	326
Share of other comprehensive income of entities accounted for using equity method	419	293
Total other comprehensive income	3,052	3,037
Comprehensive income	3,370	4,771
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,241	4,497
Comprehensive income attributable to non-controlling interests	128	273

(3) Notes to Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes to shareholders' equity)

On February 27, 2024, the Board of Directors of the Company resolved to repurchase its own shares in the market pursuant to Article 156 of the Companies Act of Japan, applied pursuant to Paragraph 3, Article 165 of the Companies Act, following which the Company purchased 514,600 shares of its common stock of an amount of 985 million yen. As a result, the Company's treasury stock increased by the same amount. Also, the Board of Directors of the Company resolved on May 13, 2024 to repurchase its own shares in the market pursuant to Article 156 of the Companies Act of Japan, applied pursuant to Paragraph 3, Article 165 of the Companies Act, following which the Company purchased 1,009,600 shares of its common stock of an amount of 1,999 million yen. As a result, the Company's treasury stock increased by the same amount.

The total amount of treasury stock at the end of the second quarter of the current consolidated fiscal period was 6,729 million yen.

(Application of Specific Accounting Practices for Preparing Semi-annual Consolidated Financial Statements)

Calculation of tax expense

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the current fiscal year, including the second quarter ended September 30, 2024, and then multiplying profit before income taxes for the six months with the said estimated effective tax rate.

The statutory tax rate is applied if the tax expense calculated using the estimated effective tax rate lacks rationality to a significant degree.

(Changes in accounting policies)

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27; October 28, 2022; hereinafter, "2022 Revised Accounting Standard"), etc. from the beginning of the first six months ended September 30, 2024.

Revisions concerning the recognition classification of income taxes (imposed on other comprehensive income) follow the transitional treatment set forth in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard and in the proviso of paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28; October 28, 2022; hereinafter, "2022 Revised Guidance").

Regarding the revisions related to the review of treatment in consolidated financial statements when conducting a tax deferral of gains or losses on sales arising from the sale of subsidiary shares, etc. between consolidated companies, the Company has applied 2022 Revised Guidance from the beginning of the first six months ended September 30, 2024.

This change in accounting policy has no impact on the semi-annual consolidated financial statements.

(Notes on segment information)

【Segment information】

I Previous interim consolidated accounting period (from April 1, 2023 to September 30, 2023)

1. Sales and income(loss) by reportable segment

(million yen)

	Reportable segment						
	MIRAIT ONE	Lantrovision	TTK	SOLCOM	Shikoku tsuken	SEIBU CONSTRUCTION	MIRAIT ONE SYSTEMS
Net sales							
Net sales to external customers	126,922	11,930	15,916	13,848	7,972	29,395	10,656
Inter-segment sales or transfers	354	—	235	90	44	170	1,796
Total	127,276	11,930	16,151	13,938	8,016	29,565	12,452
Segment income (loss)	879	527	704	(82)	30	(6)	782

	Total	Adjustments (Note 1)	Amount in Consolidated Financial Statements (Note 2)
Net sales			
Net sales to external customers	216,640	—	216,640
Inter-segment sales or transfers	2,691	(2,691)	—
Total	219,332	(2,691)	216,640
Segment income (loss)	2,835	(470)	2,364

(Notes) 1. Adjustments for segment income (loss) in the amount of (470) million yen include adjustments for retirement benefits in the amount of (240) million yen, etc.

2. Segment income (loss) is adjusted to the operating income reported in the semi-annual consolidated statements of income and comprehensive income.

Ⅱ Current interim consolidated accounting period (from April 1, 2024 to September 30, 2024)

1. Sales and income (loss) by reportable segment

(million yen)

	Reportable segment							
	MIRAIT ONE	Lantrovision	TTK	SOLCOM	Shikoku tsuken	SEIBU CONSTRUCTION	MIRAIT ONE SYSTEMS	Kokusai Kogyo
Net sales								
Net sales to external customers	129,904	15,786	15,321	13,548	8,953	31,916	11,972	22,502
Inter-segment sales or transfers	1,017	—	96	14	10	60	2,307	—
Total	130,922	15,786	15,417	13,563	8,964	31,976	14,279	22,502
Segment income (loss)	2,673	460	488	(199)	427	(271)	881	459

	Total	Adjustments (Note 1)	Amount in Consolidated Financial Statements (Note 2)
Net sales			
Net sales to external customers	249,905	—	249,905
Inter-segment sales or transfers	3,506	(3,506)	—
Total	253,412	(3,506)	249,905
Segment income (loss)	4,920	(240)	4,680

(Notes) 1. Adjustments for segment income (loss) in the amount of (240) million yen include adjustments for retirement benefits in the amount of (227) million yen, etc.

2. Segment income (loss) is adjusted to the operating income reported in the semi-annual consolidated statements of income and comprehensive income.

2. Matters with regard to changes, etc., to reportable segments

(Addition of reportable segment)

"Kokusai Kogyo" has been added to the Company's reportable segments as Kokusai Kogyo Co., Ltd. became a consolidated subsidiary from the first nine months ended December 31, 2023.

3. Segment information for impairment of non-current assets, goodwill, etc.

(Significant change in amount of goodwill)

During the second quarter of the current consolidated period, goodwill of 1,006 million yen was recognized in the MIRAIT ONE segment due to the acquisition of shares of Koyo Holdings Co., Ltd and its inclusion in the scope of consolidation.

(Significant subsequent events)

(Share repurchase)

On November 13, 2024, the Board of Directors of the Company resolved to repurchase its own shares pursuant to Article 156 of the Companies Act of Japan, applied pursuant to Paragraph 3, Article 165 of the Companies Act.

1. Reasons for share repurchase
   To enhance shareholder return and to facilitate flexible implementation of capital policy in response to changes in the business environment.
2. Type of shares to be repurchased
   Common stock
3. Total number of shares to be repurchased
   Up to 1,500,000 shares (1.65% of outstanding shares excluding treasury stock)
4. Total repurchase amount
   Up to 2.0 billion yen
5. Repurchase period
   November 14, 2024 to March 31, 2025
6. Repurchase method
   Market purc