

Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]

November 11, 2022

Company name: MIRAIT ONE Corporation

Stock exchange listing: TSE

Code number: 1417

URL: <https://www.mirait-one.com/english/>

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Scheduled date for filing of quarterly report: November 11, 2022

Scheduled date of commencing dividend payments: November 30, 2022

Availability of Supplementary briefing materials on quarterly results: Available

Schedule of quarterly 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, 2022 (April 1, 2022 to September 30, 2022)

(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, 2022	202,085	(4.6)	899	(91.9)	1,444	(87.7)	416	(94.7)
Six months ended September 30, 2021	211,851	10.5	11,071	64.2	11,700	51.0	7,810	62.7

(Note) Comprehensive income: Six months ended September 30, 2022: 2,697 million yen ((68.1)%)
Six months ended September 30, 2021: 8,467 million yen (123.5%)

	Net income per share	Diluted net income per share
	yen	yen
Six months ended September 30, 2022	4.24	—
Six months ended September 30, 2021	77.48	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of September 30, 2022	382,209	247,139	62.8
As of March 31, 2022	435,785	249,237	55.6

(Reference)

Equity: As of September 30, 2022: 239,840 million yen

As of March 31, 2022: 242,120 million yen

(Note) In the three months ended June 30, 2022, provisional accounting treatment for a business combination was finalized, and figures for the fiscal year ended March 31, 2022 reflects the finalization of the provisional accounting treatment.

2. Dividends

	Annual dividends per share				
	1 st quarter-end	2 nd quarter-end	3 rd quarter-end	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2022	—	25.00	—	30.00	55.00
Fiscal year ending March 31, 2023	—	30.00			
Fiscal year ending March 31, 2023 (Forecast)			—	30.00	60.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% 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	540,000	14.8	30,000	(8.5)	31,000	(9.2)	20,000	(20.5)	203.48

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

* Notes:

(1) Changes in significant subsidiaries during the period during under review: Yes
(Changes in specified subsidiaries associated with changes in the scope of consolidation)

2 companies excluded: MIRAIT Corporation

MIRAIT Technologies Corporation

(2) Application of specific accounting practices for preparing consolidated quarterly financial statements: Yes

(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

(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, 2022	108,325,329 shares	March 31, 2022	108,325,329 shares
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2) Total number of treasury stock at the end of the period:

September 30, 2022	10,503,674 shares	March 31, 2022	9,360,821 shares
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3) Average number of shares outstanding during the period:

September 30, 2022	98,339,335 shares	September 30, 2021	100,812,462 shares
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(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 and executive officers.

* Implementation status of quarterly review processes

- This quarterly summary of consolidated financial results is not subject to the quarterly review procedures stipulated under the Financial Instruments and Exchange Act.

*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, 2022 to September 30, 2022), the Japanese economy witnessed signs of a pickup thanks to the effects of measures against the novel coronavirus disease (COVID-19) and other various initiatives. On the other hand, continuous attention needs to be paid to such issues as the prolonged situation in Ukraine, as well as the ongoing yen depreciation, the rise in prices of fuel, raw materials, and other commodities, and supply chain constraints.

The business environment surrounding the MIRAIT ONE Group (“the Group”) is characterized by the development of digital infrastructure across the nation toward realizing the Vision for a Digital Garden City Nation, and the promotion of digital transformation (DX) in local regions. In addition, there are expectations for building more robust digital infrastructure to support the government’s “green growth strategy,” including renewable energy, toward achieving carbon neutrality by 2050, and promoting regional decarbonization to contribute to regional development. Furthermore, there is a need to improve the resilience against natural disasters, which have been becoming increasingly severe in recent years.

Against this backdrop, the Company merged with its consolidated subsidiaries, MIRAIT Corporation and MIRAIT Technologies Corporation, and became MIRAIT ONE Corporation on July 1, 2022. The Group aims to evolve into a corporate group that continues to contribute to the resolution of social issues in a wider range of social infrastructure areas than ever before under its redefined purpose and mission. In order to continue to be a reliable corporate group that “builds and protects” social infrastructure of the future, 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 starting in the fiscal year ending March 31, 2023 or FY2022 (the targets for FY2026: net sales of 720.0 billion yen, operating income ratio of 7.5%+, ROE of 10%+, and EPS growth rate of 10%+ per year). The Group has identified its growth areas, which are urban development and regional development business, corporate DX/GX, green power generation business, software business, and global business, as the “MIRAI Domains” that it will focus on in the future.

Moreover, the Company opened “MIRAI College,” a corporate university providing opportunities for learning and connection, established its basic policy on human rights, made Health Management declaration, and formulated a safety and compliance charter, thereby inaugurating initiatives for “people-centric management.” The Company also established an industrial waste disposal policy to implement effective measures toward creating a “strong foundation for ESG management.”

As for the consolidated financial results for the first six months ended September 30, 2022, Seibu Construction Co. Ltd., a firm that became a subsidiary of the Company in the previous fiscal year, made positive contributions to sales. In addition, there were increases in orders received for 5G infrastructure development work in the Multi-carrier business and in orders for global and software businesses, on which the Company focuses as the “MIRAI Domains.” However, there were significant decreases in orders received for optical fiber maintenance work and mobile-related work in the NTT business and in sales of goods in the ICT Solutions business. As a result, orders received decreased by 3.7% year-on-year to 240,407 million yen, and net sales decreased by 4.6% year-on-year to 202,085 million yen. On the profit front as well, there was an increase in Selling, general and administrative expenses also increased due to Seibu Construction Co., Ltd. joined and integration costs such as branding costs. As a

result, operating profit decreased by 91.9% year-on-year to 899 million yen, ordinary profit decreased by 87.7% year-on-year to 1,444 million yen, and profit attributable to owners of parent decreased by 94.7% year-on-year to 416 million yen.

(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 382,209 million yen, a decrease of 53,576 million yen from the end of the previous fiscal year, mainly due to a decrease in accounts receivable including accounts receivable from completed construction contracts and other.

Total liabilities decreased by 51,479 million yen to 135,069 million yen, mainly due to a decrease in accounts payable for construction contracts and other, and repayment of short-term borrowings.

Net assets decreased by 2,097 million yen to 247,139 million yen, mainly due to dividends paid of 2,980 million yen and share repurchase of 2,001 million yen.

As a result of the above, the equity ratio at the end of the second quarter stood at 62.8% (compared with 55.6% at the end of the previous fiscal year).

(3) Future Outlook

The consolidated financial results forecast for the fiscal year ending March 31, 2023, as announced on May 13, 2022, remains unchanged.

2. Notes to Summary Information (Explanatory Notes)

(1) Changes in Important Subsidiaries during the Period under Review

In the second quarter of the current consolidated period, MIRAIT Corporation and MIRAIT Technologies Corporation, the Company's wholly-owned consolidated subsidiaries, were removed from the scope of consolidation following their dissolution as a result of an absorption-type merger by which the Company became a surviving company.

(2) Application of Specific Accounting Practices for Preparing Consolidated Quarterly Financial Statements

Calculation of tax expense

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes for the current fiscal year, including the second quarter ended September 30, 2022, and then multiplying income 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.

3. Consolidated Quarterly Financial Statements and Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	Fiscal year ended March 31, 2022	Six months ended September 30, 2022
Assets		
Current assets		
Cash and deposits	50,929	51,552
Notes receivable, accounts receivable from completed construction contracts and other	180,549	115,880
Costs on construction contracts in progress	30,916	40,848
Investments in leases	4,376	3,624
Other	9,379	9,565
Allowance for doubtful accounts	(15)	(18)
Total current assets	276,135	221,453
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	44,500	43,894
Land	35,445	35,533
Construction in progress	629	839
Other, net	10,976	10,676
Total property, plant and equipment	91,552	90,943
Intangible assets		
Customer related assets	12,723	12,703
Goodwill	20,576	20,269
Software	1,502	1,504
Software in progress	1,850	3,036
Other	258	237
Total intangible assets	36,912	37,751
Investments and other assets		
Investment securities	16,224	16,056
Retirement benefit asset	7,708	8,124
Deferred tax assets	3,651	4,339
Leasehold and guarantee deposits	1,813	1,774
Other	2,119	2,093
Allowance for doubtful accounts	(331)	(328)
Total investments and other assets	31,186	32,060
Total non-current assets	159,650	160,755
Total assets	435,785	382,209

(Millions of yen)

	Fiscal year ended March 31, 2022	Six months ended September 30, 2022
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	67,790	45,192
Short-term borrowings	50,107	30,076
Income taxes payable	5,077	1,481
Lease obligations	3,537	3,291
Advances received on construction contracts in progress	7,341	7,328
Provision for loss on construction contracts	1,406	1,401
Provision for bonuses	8,336	7,903
Provision for bonuses for directors (and other officers)	93	53
Provision for warranties for completed construction	204	188
Other	14,788	11,391
Total current liabilities	158,683	108,308
Non-current liabilities		
Long-term accounts payable - other	798	605
Lease obligations	6,302	5,229
Deferred tax liabilities	3,738	3,690
Deferred tax liabilities for land revaluation	41	41
Provision for retirement benefits for directors (and other officers)	79	84
Provision for share-based compensation	390	329
Retirement benefit liability	15,356	15,722
Asset retirement obligations	617	609
Other	538	446
Total non-current liabilities	27,865	26,760
Total liabilities	186,548	135,069
Net assets		
Shareholders' equity		
Share capital	7,000	7,000
Capital surplus	69,652	69,661
Retained earnings	175,815	173,251
Treasury shares	(15,844)	(17,727)
Total shareholders' equity	236,623	232,185
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,011	2,481
Revaluation reserve for land	(98)	(98)
Foreign currency translation adjustment	236	2,795
Remeasurements of defined benefit plans	2,347	2,476
Total accumulated other comprehensive income	5,497	7,655
Non-controlling interests	7,116	7,298
Total net assets	249,237	247,139
Total liabilities and net assets	435,785	382,209

(2) Consolidated Quarterly Statements of Income and Comprehensive Income
Six Months Ended September 30

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales of completed construction contracts	211,851	202,085
Cost of sales of completed construction contracts	184,244	180,798
Gross profit on completed construction contracts	27,606	21,287
Selling, general and administrative expenses	16,535	20,387
Operating profit	11,071	899
Non-operating income		
Interest income	24	36
Dividend income	384	259
Foreign exchange gains	–	116
Surrender value of insurance policies	49	45
Share of profit of entities accounted for using equity method	112	30
Other	252	294
Total non-operating income	823	783
Non-operating expenses		
Interest expenses	24	86
Foreign exchange losses	101	–
Rental expenses on real estate	12	84
Other	55	67
Total non-operating expenses	194	238
Ordinary profit	11,700	1,444
Extraordinary income		
Gain on sale of non-current assets	12	60
Gain on sale of investment securities	1,172	1,090
Other	34	129
Total extraordinary income	1,219	1,280
Extraordinary losses		
Loss on sale of non-current assets	27	0
Loss on retirement of non-current assets	59	6
Loss on valuation of investment securities	0	–
Loss on revision of retirement benefit plan	34	–
Business restructuring expenses	55	261
Other	66	140
Total extraordinary losses	244	407
Profit before income taxes	12,675	2,317
Income taxes	4,752	1,880
Profit	7,923	436
Profit attributable to		
Profit attributable to owners of parent	7,810	416
Profit attributable to non-controlling interests	112	19

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Other comprehensive income		
Valuation difference on available-for-sale securities	(368)	(532)
Revaluation reserve for land	–	0
Foreign currency translation adjustment	929	2,627
Remeasurements of defined benefit plans, net of tax	(29)	141
Share of other comprehensive income of entities accounted for using equity method	12	23
Total other comprehensive income	544	2,260
Comprehensive income	8,467	2,697
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,349	2,690
Comprehensive income attributable to non-controlling interests	118	6

(3) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes to shareholders' equity)

On May 13, 2022, 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 1,229,000 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 17,727 million yen.

(Changes in accounting principles)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has adopted the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 dated June 17, 2021), from the beginning of the first quarter of the consolidated fiscal period. In accordance with the transitional treatment provided in paragraph 27-2 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement", the new accounting policy set forth in the "Implementation Guidance on Accounting Standard for Fair Value Measurement" is applied into the future. This is negligible effect on the quarterly consolidated financial statements.

(Business Combination)

(Finalization of provisional accounting treatment for business combination)

For the business combination with Seibu Construction Co. Ltd. that took place on March 31, 2022, provisional accounting treatment was applied in the previous fiscal year and finalized in the first quarter of the consolidated period.

In accordance with the finalization of the provisional accounting treatment, a review of the allocation of acquisition costs has been reflected in the comparative information included in the consolidated quarterly financial statements for the second quarter of the current consolidated period.

As a result, the tentatively calculated goodwill of 24,852 million yen decreased by 7,081 million yen to 17,770 million yen due to the finalization of the accounting treatment.

In addition, customer related assets and deferred tax liabilities at the end of the previous fiscal year increased by 10,184 million yen and 3,102 million yen, respectively.

Common control transaction, etc.

(Absorption-type merger of consolidated subsidiaries)

Based on a resolution of the Board of Directors' meeting held on February 10, 2022, the Company merged with MIRAIT Corporation and MIRAIT Technologies Corporation, its wholly-owned subsidiaries, through an absorption-type merger by which the Company became a surviving company, and changed its trade name as shown below with an effective date of July 1, 2022.

1. Outline of the transaction

(1) Name and description of businesses subject to merger

(Company surviving the absorption-type merger)

Name: MIRAIT Holdings Corporation

Business description: Management etc. of subsidiaries and Group companies engaged in telecommunications engineering work, electrical work, civil engineering work, building construction work, and other businesses related thereto

(Company absorbed in the absorption-type merger)

Name: MIRAIT Corporation

Business description: Telecommunications engineering work, electrical work, civil engineering work, building construction work, and other businesses related thereto

Name: MIRAIT Technologies Corporation

Business description: Telecommunications engineering work, electrical work, civil engineering work, building construction work, and other businesses related thereto

(2) Date of the business combination

July 1, 2022

(3) Legal form of the business combination

An absorption-type merger by which MIRAIT Corporation and MIRAIT Technologies Corporation became defunct companies and the Company became a surviving company.

(4) Name of the company after the business combination

MIRAIT ONE Corporation

(5) Other matters concerning the outline of the transaction

The merger is intended to further strengthen profitability by reducing costs through faster decision-making across the Group, more efficient management systems, and concentration of management resources.

2. Outline of the accounting treatment applied

Pursuant to the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 dated January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 dated January 16, 2019), the merger was accounted for as a transaction under common control.

(Significant subsequent events)

On November 11, 2022, 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 Article 165, Paragraph 3 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 1,800 thousand shares (1.8% of outstanding shares excluding treasury stock)

4. Total repurchase amount

Up to 2 billion yen

5. Repurchase period

November 14, 2022 to March 31, 2023

6. Repurchase method

Market purchases on the Tokyo Stock Exchange