

Consolidated Financial Results
for the Nine Months Ended December 31, 2022
[Japanese GAAP]

February 10, 2023

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: February 10, 2023
 Scheduled date of commencing dividend payments: —
 Availability of Supplementary briefing materials on quarterly results: Available
 Schedule of quarterly results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 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	%
Nine months ended December 31, 2022	320,706	(1.2)	6,108	(68.0)	6,568	(67.4)	3,303	(78.4)
Nine months ended December 31, 2021	324,598	6.6	19,105	23.8	20,154	18.6	15,279	9.7

(Note) Comprehensive income: Nine months ended December 31, 2022: 6,580 million yen ((53.4)%)
 Nine months ended December 31, 2021: 14,114 million yen (15.1%)

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended December 31, 2022	33.67	—
Nine months ended December 31, 2021	151.97	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of December 31, 2022	404,842	246,783	59.1
As of March 31, 2022	435,785	249,237	55.6

(Reference)

Equity: As of December 31, 2022: 239,250 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	480,000	2.0	20,000	(39.0)	21,000	(38.5)	15,000	(40.4)	152.64

(Note) Revision of financial results forecasts from recently announced figures: Yes

* 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):

December 31, 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:

December 31, 2022	11,045,501 shares	March 31, 2022	9,360,821 shares
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- 3) Average number of shares outstanding during the period:

December 31, 2022	98,108,457 shares	December 31, 2021	100,538,525 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 nine months of the current consolidated period (from April 1, 2022 to December 31, 2022), the Japanese economy saw hikes in raw materials and energy costs and rises in prices caused by the prolonged situation in Ukraine, as well as supply chain constraints and rapid exchange rate fluctuations, and the outlook remained uncertain. However, the economy was expected to pick up thanks to the effects of measures against the novel coronavirus disease (COVID-19) and other various initiatives.

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, the boost in demand is seen for the utilization of renewable energy and for green transformation (GX) toward achieving carbon neutrality by 2050. In addition, there are expectations for 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 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 and regional development/ corporate DX and GX, green power business, software business, and global business, as the “MIRAI (future) Domains” that it will focus on in the future.

Moreover, the Company established the MIRAIT ONE Smart Work/Life Declaration and the Diversity & Inclusion Declaration, thereby promoting initiatives for “people-centric management.” The Company also established the Green Procurement Guidelines, thereby implementing effective measures toward creating a “strong foundation for ESG management.”

As for the consolidated financial results for the first nine months ended December 31, 2022, there were increases in orders for global and software businesses, on which the Company focuses as the “MIRAI (future) Domains,” an increase in orders for LAN/ PBX work, and an increase in orders received for 5G infrastructure development work in the Multi-carrier business, while Seibu Construction Co. Ltd., a firm that became a subsidiary of the Company in the previous fiscal year, also made positive contributions to net sales. However, there were significant decreases in sales of goods in the ICT Solutions business and in orders received for optical fiber maintenance work and mobile-related work in the NTT business. As a result, orders received increased by 2.9% year-on-year to 368,686 million yen, and net sales decreased by 1.2% year-on-year to 320,706 million yen. On the profit front as well, there was an increase in Selling, general and administrative expenses due to Seibu Construction Co., Ltd. joined and integration costs such as branding costs. As a result, operating profit decreased by 68.0% year-on-year to 6,108 million yen, ordinary profit decreased by 67.4% year-on-year to 6,568 million yen, and profit attributable to owners of parent decreased by 78.4% year-on-year to 3,303 million yen.

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

Total assets at the end of the third quarter of the current consolidated period amounted to 404,842 million yen, a decrease of 30,943 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 28,489 million yen to 158,059 million yen, mainly due to a decrease in accounts payable for construction contracts and other.

Net assets decreased by 2,453 million yen to 246,783 million yen, mainly due to dividends paid of 5,924 million yen and share repurchase of 2,819 million yen, despite the recording of profit attributable to owners of parent of 3,303 million yen.

As a result of the above, the equity ratio at the end of the third quarter stood at 59.1% (compared with 55.6% at the end of the previous fiscal year).

(3) Future Outlook

As for the consolidated financial performance in the fiscal year ending March 31, 2023, 1) the progress of some projects are behind schedule partly due to delays in the delivery of construction materials, and 2) soaring construction costs caused by rising raw material prices are discouraging companies from making investments, resulting in delayed recovery in orders. Furthermore, as there is a concern that these factors will remain unchanged in the fourth quarter, the Company expects net sales to fall short of the previous forecast.

On the profit front as well, the Company forecasts operating profit, ordinary profit and profit attributable to owners of parent to fall below the previously announced figures, as 1) net sales will likely fall below the previous forecast, and 2) there is a concern that rising raw material prices and delays in the progress of projects will likely lower profitability of some projects.

Based on the above, The forecast for the consolidated financial results for the fiscal year ending March 31, 2022 has been revised from the previous forecast announced on May 13, 2022.

Revision of Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
Previously announced forecast (A)	(million yen) 540,000	(million yen) 30,000	(million yen) 31,000	(million yen) 20,000	(yen) 203.48
Revised forecast (B)	480,000	20,000	21,000	15,000	152.64
Change (B-A)	(60,000)	(10,000)	(10,000)	(5,000)	—
Percentage change	(11.1)	(33.3)	(32.3)	(25.0)	—
(Reference) Previous year's results (FYE March 2022)	470,385	32,804	34,152	25,163	250.84

2. Notes to Summary Information (Explanatory Notes)

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

In the second quarter of 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 third quarter ended December 31, 2022, and then multiplying income before income taxes for the nine 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	Nine months ended December 31, 2022
Assets		
Current assets		
Cash and deposits	50,929	39,282
Notes receivable, accounts receivable from completed construction contracts and other	180,549	134,512
Costs on construction contracts in progress	30,916	45,843
Investments in leases	4,376	3,460
Other	9,379	15,253
Allowance for doubtful accounts	(15)	(7)
Total current assets	276,135	238,344
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	44,500	43,498
Land	35,445	36,032
Construction in progress	629	1,424
Other, net	10,976	12,336
Total property, plant and equipment	91,552	93,292
Intangible assets		
Customer related assets	12,723	12,583
Goodwill	20,576	21,126
Software	1,502	1,424
Software in progress	1,850	3,658
Other	258	220
Total intangible assets	36,912	39,013
Investments and other assets		
Investment securities	16,224	18,143
Retirement benefit asset	7,708	8,284
Deferred tax assets	3,651	4,197
Leasehold and guarantee deposits	1,813	1,780
Other	2,119	2,124
Allowance for doubtful accounts	(331)	(339)
Total investments and other assets	31,186	34,191
Total non-current assets	159,650	166,498
Total assets	435,785	404,842

(Millions of yen)

	Fiscal year ended March 31, 2022	Nine months ended December 31, 2022
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	67,790	50,364
Short-term borrowings	50,107	50,092
Income taxes payable	5,077	1,127
Lease obligations	3,537	3,124
Advances received on construction contracts in progress	7,341	7,164
Provision for loss on construction contracts	1,406	1,325
Provision for bonuses	8,336	3,987
Provision for bonuses for directors (and other officers)	93	76
Provision for warranties for completed construction	204	170
Other	14,788	14,351
Total current liabilities	158,683	131,785
Non-current liabilities		
Long-term accounts payable - other	798	107
Lease obligations	6,302	4,850
Deferred tax liabilities	3,738	3,848
Deferred tax liabilities for land revaluation	41	41
Provision for retirement benefits for directors (and other officers)	79	87
Provision for share-based compensation	390	346
Retirement benefit liability	15,356	15,898
Asset retirement obligations	617	710
Other	538	382
Total non-current liabilities	27,865	26,273
Total liabilities	186,548	158,059
Net assets		
Shareholders' equity		
Share capital	7,000	7,000
Capital surplus	69,652	69,675
Retained earnings	175,815	172,563
Treasury shares	(15,844)	(18,547)
Total shareholders' equity	236,623	230,692
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,011	2,629
Revaluation reserve for land	(98)	(98)
Foreign currency translation adjustment	236	3,452
Remeasurements of defined benefit plans	2,347	2,574
Total accumulated other comprehensive income	5,497	8,558
Non-controlling interests	7,116	7,532
Total net assets	249,237	246,783
Total liabilities and net assets	435,785	404,842

(2) Consolidated Quarterly Statements of Income and Comprehensive Income
 Nine Months Ended December 31

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales of completed construction contracts	324,598	320,706
Cost of sales of completed construction contracts	281,038	285,196
Gross profit on completed construction contracts	43,560	35,510
Selling, general and administrative expenses	24,454	29,402
Operating profit	19,105	6,108
Non-operating income		
Interest income	35	67
Dividend income	622	406
Share of profit of entities accounted for using equity method	154	19
Other	429	390
Total non-operating income	1,241	883
Non-operating expenses		
Interest expenses	39	126
Foreign exchange losses	11	126
Infectious disease control costs	56	–
Other	85	170
Total non-operating expenses	192	423
Ordinary profit	20,154	6,568
Extraordinary income		
Gain on sale of non-current assets	643	102
Gain on sale of investment securities	2,973	1,090
Other	34	131
Total extraordinary income	3,652	1,324
Extraordinary losses		
Loss on sale of non-current assets	28	3
Loss on retirement of non-current assets	80	16
Loss on revision of retirement benefit plan	34	–
Business restructuring expenses	70	329
Other	71	160
Total extraordinary losses	285	509
Profit before income taxes	23,521	7,383
Income taxes	8,089	3,875
Profit	15,432	3,507
Profit attributable to		
Profit attributable to owners of parent	15,279	3,303
Profit attributable to non-controlling interests	152	204

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,149)	(384)
Revaluation reserve for land	—	0
Foreign currency translation adjustment	875	3,216
Remeasurements of defined benefit plans, net of tax	(47)	245
Share of other comprehensive income of entities accounted for using equity method	3	(4)
Total other comprehensive income	(1,317)	3,072
Comprehensive income	14,114	6,580
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,956	6,364
Comprehensive income attributable to non-controlling interests	157	215

(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. Also, the Board of Directors of the Company resolved on November 11, 2022 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 541,800 shares of its common stock of an amount of 819 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 18,547 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 third 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.

(Significant subsequent events)

(Cancellation of treasury shares)

On February 10, 2023, the Board of Directors of the Company resolved to cancel its own shares pursuant to Article 178 of the Companies Act of Japan.

- 1) Class of shares to be cancelled: Common stock of the Company
- 2) Number of shares to be cancelled: 5,000,000 shares
(4.6% of the shares issued before the cancellation, including shares of treasury stock)
- 3) Scheduled date of cancellation: February 28, 2023