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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]



October 30, 2023

Company name: Yurtec Corporation

Stock exchange listing: Tokyo Stock Exchange

Code number: 1934

URL: <http://www.yurtec.co.jp/>

Representative: Yoshiharu Ota, Representative Director & President, Chief Executive Officer

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Scheduled date of filing quarterly securities report: November 8, 2023

Scheduled date of commencing dividend payments: December 1, 2023

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 - September 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

| | 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, 2023 | 105,807 | 5.6 | 1,725 | 106.8 | 2,892 | 57.4 | 1,720 | 99.1 |
| September 30, 2022 | 100,208 | 1.5 | 834 | 109.2 | 1,837 | 165.6 | 864 | 213.2 |

(Note) Comprehensive income: Six months ended September 30, 2023: ¥2,400 million [40.2%]

Six months ended September 30, 2022: ¥1,712 million [-%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Six months ended | Yen | Yen |
| September 30, 2023 | 24.02 | - |
| September 30, 2022 | 12.08 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|--------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of September 30, 2023 | 216,561 | 135,938 | 62.7 |
| As of March 31, 2023 | 221,400 | 134,488 | 60.7 |

(Reference) Equity: As of September 30, 2023: ¥135,880 million

As of March 31, 2023: ¥134,432 million

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|--------------|--------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended March 31, 2023 | Yen — | Yen 14.00 | Yen — | Yen 14.00 | Yen 28.00 |
| Fiscal year ending March 31, 2024 | — | 14.00 | | | |
| Fiscal year ending March 31, 2024 (Forecast) | | | — | 14.00 | 28.00 |

(Note) Revision to the dividend forecast announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|-----|------------------|-------|-----------------|-------|---|-------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 235,000 | 3.4 | 9,200 | (3.5) | 9,600 | (8.6) | 6,300 | (4.0) | 88.03 |

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – (Company name: –)
Excluded: – (Company name: –)
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes
(Note) For more details, please see page 8 of the attachment, “(3) Notes to Quarterly Consolidated Financial Statements (Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)” in “2. Quarterly Consolidated Financial Statements and Primary Notes.”
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):

| | |
|---------------------------|-------------------|
| As of September 30, 2023: | 72,224,462 shares |
| As of March 31, 2023: | 72,224,462 shares |
 - 2) Total number of treasury shares at the end of the period:

| | |
|---------------------------|----------------|
| As of September 30, 2023: | 565,736 shares |
| As of March 31, 2023: | 630,544 shares |
 - 3) Average number of shares during the period (cumulative total):

| | |
|--------------------------------------|-------------------|
| Six months ended September 30, 2023: | 71,621,667 shares |
| Six months ended September 30, 2022: | 71,547,297 shares |

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

*** Explanation of the proper use of financial results forecast and other notes**

- The forward-looking statements, including earnings forecasts, contained in this document are based on the information currently available to the Company and certain assumptions that it deems to be reasonable. As such, they do not constitute guarantees by the Company of future performance. Actual results may differ materially from these projections due to various factors. For matters regarding financial results forecast, please see page 3 of the attachment, “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” in “1. Qualitative Information on Quarterly Financial Results.”
- The supplementary explanatory materials on quarterly financial results will be posted on the Company’s website on the same day.

(Reference) Non-consolidated Financial Results Forecast

1. Non-consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 - September 30, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|--|-------------|-----|------------------|-------|-----------------|------|-------------|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Six months ended September 30, 2023 | 97,628 | 5.3 | 1,633 | 74.0 | 2,936 | 33.5 | 1,962 | 35.9 |
| September 30, 2022 | 92,720 | 1.4 | 938 | 105.2 | 2,199 | 73.0 | 1,444 | 48.1 |

| | Basic earnings per share |
|--|-----------------------------|
| Six months ended September 30, 2023 | Yen 27.40 |
| September 30, 2022 | 20.19 |

(2) Non-consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|--------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of September 30, 2023 | 188,683 | 118,993 | 63.1 |
| As of March 31, 2023 | 195,060 | 117,748 | 60.4 |

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit | | Basic earnings per share |
|-----------|-------------|-----|------------------|-------|-----------------|--------|-------------|--------|-----------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 211,000 | 0.7 | 8,200 | (9.7) | 9,200 | (12.2) | 6,300 | (12.6) | 88.03 |

(Note) Revision to the financial results forecast announced most recently: None

* Explanation of the proper use of financial results forecast and other notes

- The forward-looking statements, including earnings forecasts, contained in this document are based on the information currently available to the Company and certain assumptions that it deems to be reasonable. As such, they do not constitute guarantees by the Company of future performance. Actual results may differ materially from these projections due to various factors.
- The supplementary explanatory materials on quarterly financial results will be posted on the Company's website on the same day.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Japanese economy during the second quarter of the fiscal year ending March 31, 2024 showed a modest recovery trend, such as indications of improvements in personal consumption and the employment and wages conditions, thanks to the effects of the various government policies.

In the construction industry, public-sector investments continued to be firm, and private-sector capital investment showed signs of recovery, on the back of an improvement trend in corporate earnings.

Under these circumstances, the Company has been pursuing business expansion, based on the FY2023 Medium-Term Management Plan, by promoting the basic strategies of increasing earnings in the Kanto region, strengthening renewal sales, and strengthening overseas business, while building on our relationships with our clients in the Tohoku and Niigata regions.

Specifically, in the Kanto region, in addition to increasing orders received for indoor wiring, air-conditioning, and plumbing installation work, we have been working to increase earnings by winning turnkey orders for work including information and telecommunications installation work.

In terms of renewal sales, we are making efforts to increase orders received by actively offering proposals that meet clients' equipment updating needs and proposing technology to reduce CO₂ emissions to our clients.

In the overseas business, efforts are being made, primarily by Sigma Engineering JSC, our consolidated subsidiary, to increase orders received for indoor wiring, air-conditioning, and plumbing installation work of large hotels and building complex projects, as well as renewable energy-related construction.

In electric power infrastructure construction work, the Company has been striving to increase orders received for maintenance work on main power grids and planned renewal work on power transmission and distribution facilities, while being committed to contributing to the stable supply of electricity, which is indispensable in social life.

In addition to setting up the Mobile Communications Engineering Center in April 2023, the Company has been working to strengthen its business foundations in an effort to increase orders received for mobile phone-related construction for which the market is expected to grow.

Additionally, considering that many projects for the construction of wind-power generation plants are planned in the Tohoku region, we are making efforts to strengthen our systems, including the establishment of the Renewable Energy Business Division in July 2023, to expand our renewable energy business.

As for the business results of the Group for the six months ended September 30, 2023, work orders received increased by ¥15,830 million (up 13.2% year on year) to ¥136,106 million (on a non-consolidated basis), thanks to the orders received for construction related to the large-scale wind-power generation plants. In addition, consolidated net sales increased by ¥5,599 million (up 5.6% year on year) to ¥105,807 million, due to the increased number of works for indoor wiring, air-conditioning and plumbing, and power distribution lines.

In terms of profit and loss, consolidated operating profit of ¥1,725 million (an increase of ¥ 891 million year on year), consolidated ordinary profit of ¥2,892 million (an increase of ¥1,055 million year on year), and profit attributable to owners of parent of ¥1,720 million (an increase of ¥856 million year on year) were reported.

(2) Explanation of Financial Position

Total assets were ¥216,561 million as of September 30, 2023, a decrease of ¥4,839 million compared with the end of the previous fiscal year. This is mainly attributable to an increase of ¥1,766 million in costs on construction contracts in progress and a decrease of ¥8,229 million in notes receivable, accounts receivable from completed construction contracts and other.

Total liabilities were ¥80,622 million, a decrease of ¥6,290 million compared with the end of the previous fiscal year. This is mainly attributable to a decrease of ¥5,474 million in notes payable, accounts payable for construction contracts and other.

Total net assets were ¥135,938 million, an increase of ¥1,450 million compared with the end of the previous fiscal year. This is mainly attributable to increases of ¥718 million in retained earnings and ¥596 million in foreign currency translation adjustment.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

With respect to the forecast for the Japanese economy, as the employment and wages conditions are improving, a modest recovery trend is expected to continue thanks to the effects of the various government policies. However, economic conditions that must be carefully watched are likely to continue as risks materialize, in which the downturn in the overseas economies impacted by global monetary tightening and other factors put downward pressure on the Japanese economy.

In the construction industry, public-sector investments are expected to remain firm, while the recovery trend of private-sector capital investment is also expected to continue on the back of strong corporate earnings.

Under such a business environment, the Company, by implementing the four key measures (focus areas) based on the FY2023 Medium-Term Management Plan, will work to increase orders received and improve productivity, and strive to achieve the quantitative targets of the plan.

<FY2023 Medium-Term Management Plan>

[Medium-Term Management Goal]

Creating a New Era with Proactive Initiatives and Challenges for Change

— Adapting to environment changes and achieving speedy management —

[Quantitative Targets (FY2025)]

(Consolidated) Net sales: 240 billion yen / Operating Profit: 12 billion yen

(Non-consolidated) Net sales: 220 billion yen / Operating Profit: 10 billion yen

[Investment Pool Based on Growth Strategies]

30 billion yen by FY2024

[Key Measures (Focus Areas)]

Focus Area 1: Sharing and practicing “Safety, Quality, and Reliability” Group-wide

Focus Area 2: Building stronger local trust relationships and responding to business environment changes

- o Business development based on maintaining and strengthening trust relationships with clients in Tohoku and Niigata
- o Ensuring profitability of the Electric Power Infrastructure Division on the basis of Tohoku Electric Power Network’s response to the new revenue cap scheme

Focus Area 3: Improving corporate value by accelerating expansion into growth areas

Focus Area 4: Ongoing talent cultivation and business transformation to support growth

- o Cultivating talent and construction systems to support growth
- o Strengthening competitiveness and addressing work style reform through ongoing business transformation

There have been no changes from the full-year consolidated financial results forecast announced on July 28, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2023 | As of September 30, 2023 |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 35,979 | 29,581 |
| Notes receivable, accounts receivable from completed construction contracts and other | 77,778 | 69,549 |
| Electronically recorded monetary claims - operating | 11,048 | 8,154 |
| Costs on construction contracts in progress | 1,070 | 2,837 |
| Other | 19,112 | 28,359 |
| Allowance for doubtful accounts | (310) | (318) |
| Total current assets | 144,679 | 138,163 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 19,428 | 20,110 |
| Land | 17,859 | 19,377 |
| Other, net | 9,318 | 8,493 |
| Total property, plant and equipment | 46,605 | 47,981 |
| Intangible assets | | |
| Goodwill | 3,707 | 3,716 |
| Other | 3,342 | 3,309 |
| Total intangible assets | 7,050 | 7,026 |
| Investments and other assets | | |
| Other | 23,301 | 23,622 |
| Allowance for doubtful accounts | (236) | (232) |
| Total investments and other assets | 23,065 | 23,389 |
| Total non-current assets | 76,721 | 78,397 |
| Total assets | 221,400 | 216,561 |

(Million yen)

| | As of March 31, 2023 | As of September 30, 2023 |
|--|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes payable, accounts payable for construction contracts and other | 34,702 | 29,228 |
| Electronically recorded obligations - operating | 12,129 | 15,243 |
| Short-term borrowings | 3,728 | 4,413 |
| Provision for loss on construction contracts | 156 | 120 |
| Provision for bonuses for directors (and other officers) | 92 | – |
| Provision for loss on disaster | 18 | 18 |
| Other | 13,148 | 8,956 |
| Total current liabilities | 63,976 | 57,981 |
| Non-current liabilities | | |
| Long-term borrowings | 4,529 | 4,584 |
| Provision for retirement benefits for directors (and other officers) | 34 | 35 |
| Retirement benefit liability | 15,730 | 15,842 |
| Other | 2,641 | 2,179 |
| Total non-current liabilities | 22,936 | 22,641 |
| Total liabilities | 86,912 | 80,622 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 7,803 | 7,803 |
| Capital surplus | 7,864 | 7,885 |
| Retained earnings | 118,713 | 119,431 |
| Treasury shares | (333) | (299) |
| Total shareholders' equity | 134,047 | 134,820 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 230 | 460 |
| Revaluation reserve for land | (2,186) | (2,187) |
| Foreign currency translation adjustment | 838 | 1,434 |
| Remeasurements of defined benefit plans | 1,502 | 1,351 |
| Total accumulated other comprehensive income | 384 | 1,059 |
| Non-controlling interests | 55 | 58 |
| Total net assets | 134,488 | 135,938 |
| Total liabilities and net assets | 221,400 | 216,561 |

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

(Million yen)

| | For the six months ended September 30, 2022 | For the six months ended September 30, 2023 |
|--|--|--|
| Net sales | 100,208 | 105,807 |
| Cost of sales | 89,358 | 93,936 |
| Gross profit | 10,849 | 11,870 |
| Selling, general and administrative expenses | 10,014 | 10,144 |
| Operating profit | 834 | 1,725 |
| Non-operating income | | |
| Foreign exchange gains | 816 | 720 |
| Other | 352 | 485 |
| Total non-operating income | 1,169 | 1,205 |
| Non-operating expenses | | |
| Interest expenses | 85 | 11 |
| Provision of allowance for doubtful accounts | 58 | – |
| Idle assets expenses | 18 | 18 |
| Other | 4 | 8 |
| Total non-operating expenses | 166 | 38 |
| Ordinary profit | 1,837 | 2,892 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 0 | 0 |
| Total extraordinary income | 0 | 0 |
| Extraordinary losses | | |
| Loss on removal of non-current assets | 8 | 10 |
| Loss on valuation of investment securities | 21 | – |
| Other | 19 | 1 |
| Total extraordinary losses | 49 | 11 |
| Profit before income taxes | 1,788 | 2,881 |
| Income taxes - current | 1,002 | 1,157 |
| Income taxes – deferred | (83) | (1) |
| Total income taxes | 918 | 1,156 |
| Profit | 869 | 1,725 |
| Profit attributable to non-controlling interests | 5 | 4 |
| Profit attributable to owners of parent | 864 | 1,720 |

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

| | For the six months ended September 30, 2022 | For the six months ended September 30, 2023 |
|--|--|--|
| Profit | 869 | 1,725 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1) | 229 |
| Foreign currency translation adjustment | 979 | 596 |
| Remeasurements of defined benefit plans, net of tax | (134) | (151) |
| Total other comprehensive income | 842 | 675 |
| Comprehensive income | 1,712 | 2,400 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,707 | 2,396 |
| Comprehensive income attributable to non-controlling interests | 5 | 4 |

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Tax expense calculation)

The Company calculates tax expenses by making a reasonable estimate of the effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year including the second quarter of the fiscal year under review and multiplying the profit before income taxes by the estimated effective tax rate. However, the statutory effective tax rate will be applied if such tax expenses are found to be very unreasonable after calculation based on the relevant estimated effective tax rate.