

Consolidated Financial Results
for the Nine Months Ended December 31, 2023
[Japanese GAAP]

February 13, 2024

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 of filing quarterly report: February 13, 2024
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material 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, 2023 (April 1, 2023 to December 31, 2023)

(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, 2023	343,862	7.2	4,967	(18.7)	5,822	(11.4)	945	(71.4)
Nine months ended December 31, 2022	320,706	(1.2)	6,108	(68.0)	6,568	(67.4)	3,303	(78.4)

(Note) Comprehensive income: Nine months ended December 31, 2023: 4,379 million yen [(33.4)%]
 Nine months ended December 31, 2022: 6,580 million yen [(53.4)%]

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended December 31, 2023	10.01	—
Nine months ended December 31, 2022	33.67	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of December 31, 2023	484,450	247,670	49.5
As of March 31, 2023	436,752	254,305	56.5

(Reference)

Equity: As of December 31, 2023: 239,844 million yen
 As of March 31, 2023: 246,818 million yen

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, 2023	—	30.00	—	30.00	60.00
Fiscal year ending March 31, 2024	—	30.00	—		
Fiscal year ending March 31, 2024 (Forecast)				35.00	65.00

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

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

(% 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	520,000	7.4	20,000	(8.3)	20,500	(8.4)	14,000	(5.3)	148.84

(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)

Addition: 1 company (Name) Kokusai Kogyo Co., Ltd.

(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.: None

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, 2023	103,325,329 shares	March 31, 2023	103,325,329 shares
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2) Total number of treasury stock at the end of the period:

December 31, 2023	10,392,483 shares	March 31, 2023	7,417,752 shares
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3) Average number of shares outstanding during the period:

December 31, 2023	94,473,681 shares	December 31, 2022	98,108,457 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 who are not Audit and Supervisory Committee members 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, 2023 to December 31, 2023), the Japanese economy continued on the path of moderate recovery as economic and social activities moved toward normalization and an improvement in the employment and income environment. However, the outlook remains uncertain owing to the effects of such issues as the prolonged situation in Ukraine, rises in prices, and global monetary tightening.

With regard to the business environment surrounding the MIRAIT ONE Group (“the Group”), digital transformation (DX) efforts by local governments and communities are being made to develop digital infrastructure throughout the nation and promote regional DX. There is also a need to improve resilience against natural disasters, which have been increasingly severe in recent years amid climate change. In addition, there is an expectation that the following will be attained: promotion of regional decarbonization to contribute to regional development, the use of renewable energy, electric vehicles, and other components that fit well with regional characteristics and climates, and realization of green transformation (GX), toward achieving carbon neutrality.

Against this backdrop, the Group aims to evolve into a corporate group that can 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 in the previous year. 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.

With this year being the year we start to achieve business expansion driven by the growth of our human capitals, we are accelerating the shift of business to “MIRAI Domains,” putting in place a flexible system for human capitals that supports strategic personnel development and challenges, as our growth strategy for human talent, while pushing forward MIRAIT ONE Smart Work/Life reforms.

We are also working to strengthen sales capabilities, broaden our customer base in growth fields, and reinforce our management foundations including by making Kokusai Kogyo Co., Ltd. a subsidiary, effective December 20, 2023, with the aim of demonstrating synergy between businesses that promote urban and regional development/corporate DX and GX we are focusing on our efforts as “MIRAI Domains,” and realizing “vertical integration” to accelerate the full-value model. In addition, we have begun discussion on the restructuring of the NTT business’ fixed-line access subsidiary (scheduled for October 2024) with the aim of making further improvements in productivity in existing businesses, expanding into new business domains, and strengthening governance.

As for the consolidated financial results for the first nine months ended December 31, 2023, there was a decrease in CATV work and some 5G infrastructure development work in the Multi-carrier business. However, there were also increases in facility operational work in the NTT business, increases in green-energy related work in the Environmental and Social Innovation business, increases in civil engineering /construction works by SEIBU CONSTRUCTION CO., LTD., and an increase in completed work related to global orders and LAN-related work along with an increase sales of goods in the ICT Solutions business. As a result, orders received increased by 12.2% year-on-year to 413,512 million yen and net sales increased by 7.2% year-on-year to 343,862 million yen.

The figures for orders received includes 25,088 million yen of construction work brought over with the making of Kokusai Kogyo Co., Ltd. into a subsidiary in December, 2023.

On the profit front, we have recorded a provision for loss on construction contracts following efforts to strengthen our construction system to be able to cope with changes in processes and delays in delivery in considerably unprofitable project in the ICT Solutions business that occurred in the second quarter. As a result, operating profit decreased by 18.7% year-on-year to 4,967 million yen and ordinary profit decreased by 11.4% year-on-year to 5,822 million yen. Also, profit attributable to owners of parent decreased by 71.4% year-on-year to 945 million yen owing to the impact of the calculation of tax expense applying specific

accounting practices for preparing consolidated quarterly financial statements.

Regarding action to implement management that is conscious of cost of capital and stock price, which has been requested by the Tokyo Stock Exchange, the details of discussions by the Board of Directors have been released on our website (<https://ir.mirait-one.com/en/realizing/index.html>).

(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 484,450 million yen, an increase of 47,698 million yen from the end of the previous fiscal year, mainly due to a recording of goodwill following the making of Kokusai Kogyo Co., Ltd. into a subsidiary, which was brought within the scope of consolidation.

Total liabilities increased by 54,333 million yen from the end of the previous fiscal year to 236,779 million yen, mainly as a result of an increase in short-term borrowings.

Net assets decreased by 6,634 million yen from the end of the previous fiscal year to 247,670 million yen, mainly due to a share repurchase of 5,987 million yen.

As a result of the above, the equity ratio at the end of third quarter stood at 49.5% (compared with 56.5% at the end of the previous fiscal year).

(3) Future Outlook

With regard to the consolidated financial results for the fiscal year ending March 31, 2024, we expect to achieve net sales in line with the previous forecast owing to an expansion in growth areas, focused primarily on urban and regional development, in addition to the sales contributions of Kokusai Kogyo Co., Ltd., which was incorporated into the Group in December, 2023. With regard to orders received, we expect to realize 550.0 billion yen, an increase of 20.0 billion yen over the previously forecast 530.0 billion yen, owing primarily to the making of Kokusai Kogyo Co., Ltd. into a subsidiary.

However, on the profit front, we have recorded a provision for loss on construction contracts following efforts to strengthen our construction system to be able to cope with changes in processes and delays in delivery in several large-scale orders in the ICT Solutions business and Environmental and Social Innovation business, despite the effects of the increased profits described above. In addition, owing to temporary increases in costs associated with M&A, we expect operating profit, ordinary profit and profit attributable to owners of parent to be lower than the previous forecast.

As a result of the above, we have been revised the forecasts announced previously (released on May 15, 2023).

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

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
Previously announced forecast (A)	(million yen) 520,000	(million yen) 26,000	(million yen) 26,500	(million yen) 18,000	(yen) 190.49
Revised forecast (B)	520,000	20,000	20,500	14,000	148.84
Change (B-A)	0	(6,000)	(6,000)	(4,000)	—
Percentage change	0.0%	(23.1)%	(22.6)%	(22.2)%	—
(Reference) Previous year's results (FYE March 2023)	483,987	21,803	22,384	14,781	151.20

2. Notes to Summary Information (Explanatory Notes)

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

As a result of the Group purchasing all shares of Kokusai Kogyo Co., Ltd., the said subsidiary is included in the scope of consolidation from the third quarter of the current consolidated period.

(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, 2023, 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)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	32,482	41,149
Notes receivable, accounts receivable from completed construction contracts and other	190,131	164,173
Investments in leases	4,803	4,028
Costs on construction contracts in progress	31,717	48,460
Other	13,382	16,724
Allowance for doubtful accounts	(12)	(244)
Total current assets	272,506	274,292
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	43,006	43,287
Land	35,862	36,127
Construction in progress	1,788	3,612
Other, net	12,814	17,228
Total property, plant and equipment	93,470	100,255
Intangible assets		
Customer related assets	12,315	11,977
Goodwill	20,687	51,994
Software	1,490	1,500
Software in progress	4,031	5,361
Other	197	165
Total intangible assets	38,723	70,999
Investments and other assets		
Investment securities	17,833	20,307
Retirement benefit asset	7,097	7,153
Deferred tax assets	4,004	6,134
Leasehold and guarantee deposits	1,592	2,657
Other	1,869	3,079
Allowance for doubtful accounts	(346)	(428)
Total investments and other assets	32,051	38,903
Total non-current assets	164,246	210,158
Total assets	436,752	484,450

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	67,708	53,373
Short-term borrowings	21,505	77,148
Lease obligations	3,305	3,307
Income taxes payable	3,595	3,072
Advances received on construction contracts in progress	5,302	12,738
Provision for loss on construction contracts	809	4,072
Provision for bonuses	8,532	5,323
Provision for bonuses for directors (and other officers)	120	120
Provision for warranties for completed construction	94	60
Other	14,092	15,300
Total current liabilities	125,066	174,517
Non-current liabilities		
Long-term borrowings	30,011	31,043
Lease obligations	6,290	6,395
Deferred tax liabilities	3,486	3,335
Deferred tax liabilities for land revaluation	41	41
Provision for retirement benefits for directors (and other officers)	89	94
Provision for share-based payments	355	384
Retirement benefit liability	15,782	19,026
Asset retirement obligations	887	1,436
Other	434	502
Total non-current liabilities	57,380	62,261
Total liabilities	182,446	236,779
Net assets		
Shareholders' equity		
Share capital	7,000	7,000
Capital surplus	61,280	61,291
Retained earnings	184,041	179,259
Treasury shares	(12,329)	(17,755)
Total shareholders' equity	239,993	229,795
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,729	3,783
Revaluation reserve for land	(98)	(98)
Foreign currency translation adjustment	2,555	4,903
Remeasurements of defined benefit plans	1,638	1,460
Total accumulated other comprehensive income	6,824	10,048
Non-controlling interests	7,487	7,826
Total net assets	254,305	247,670
Total liabilities and net assets	436,752	484,450

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

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales of completed construction contracts	320,706	343,862
Cost of sales of completed construction contracts	285,196	309,111
Gross profit on completed construction contracts	35,510	34,751
Selling, general and administrative expenses	29,402	29,783
Operating profit	6,108	4,967
Non-operating income		
Interest income	67	238
Dividend income	406	375
Foreign exchange gains	–	286
Share of profit of entities accounted for using equity method	19	–
Other	390	510
Total non-operating income	883	1,410
Non-operating expenses		
Interest expenses	126	158
Share of loss of entities accounted for using equity method	–	157
Foreign exchange losses	126	–
Commission expenses	–	119
Other	170	121
Total non-operating expenses	423	556
Ordinary profit	6,568	5,822
Extraordinary income		
Gain on sale of non-current assets	102	148
Gain on sale of investment securities	1,090	155
Subsidy income	–	107
Other	131	0
Total extraordinary income	1,324	412
Extraordinary losses		
Loss on sale of non-current assets	3	11
Loss on retirement of non-current assets	16	158
Loss on valuation of investment securities	–	202
Business restructuring expenses	329	–
Other	160	63
Total extraordinary losses	509	436
Profit before income taxes	7,383	5,797
Income taxes	3,875	4,642
Profit	3,507	1,155
Profit attributable to		
Profit attributable to owners of parent	3,303	945
Profit attributable to non-controlling interests	204	209

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Other comprehensive income		
Valuation difference on available-for-sale securities	(384)	1,070
Foreign currency translation adjustment	3,216	1,896
Remeasurements of defined benefit plans, net of tax	245	(178)
Share of other comprehensive income of entities accounted for using equity method	(4)	436
Total other comprehensive income	3,072	3,224
Comprehensive income	6,580	4,379
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,364	4,169
Comprehensive income attributable to non-controlling interests	215	209

(3) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes to shareholders' equity)

On November 11, 2022 and March 1, 2023, 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 603,500 shares of its common stock of an amount of 1,003 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 15, 2023 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 2,405,100 shares of its common stock of an amount of 4,464 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 third quarter of the current consolidated fiscal period was 17,755 million yen.

(Significant subsequent events)

(Cancellation of treasury shares)

On February 13, 2024, 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: 9,000,000 shares
(8.7% of the shares issued before the cancellation, including shares of treasury stock)
- 3) Scheduled date of cancellation: February 29, 2024