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



November 11, 2024

Company name: NJS Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2325
 URL: <https://www.njs.co.jp/>
 Representative: Masaaki Murakami, President & Chief Executive Officer
 Contact: Yasuhiko Kabaya, Executive Managing Director, Chief Administrative Officer
 Phone: +81-3-6324-4355
 Scheduled date of commencing dividend payments: None
 Availability of supplementary explanatory materials on quarterly financial results: None
 Schedule of quarterly financial results briefing session: None

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

1. Consolidated Financial Results for the Nine Months Ended September 30, 2024 (January 1, 2024 - September 30, 2024)

(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	%
Nine months ended September 30, 2024	17,171	1.0	2,702	60.7	2,787	56.8	1,865	43.9
September 30, 2023	16,996	17.1	1,681	(14.7)	1,777	(15.3)	1,296	(28.5)

(Note) Comprehensive income: Nine months ended September 30, 2024: ¥2,102 million [37.5%]

Nine months ended September 30, 2023: ¥1,529 million [(19.7%)]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2024	195.88	—
September 30, 2023	135.88	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2024	31,023	25,712	82.7	2,695.69
As of December 31, 2023	29,493	24,552	83.0	2,566.90

(Reference) Equity: As of September 30, 2024: ¥25,649 million

As of December 31, 2023: ¥24,490 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	–	40.00	–	45.00	85.00
Fiscal year ending December 31, 2024	–	45.00	–		
Fiscal year ending December 31, 2024 (Forecast)				50.00	95.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 - December 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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	22,500	2.1	2,900	79.2	2,950	73.1	2,100	5.1	220.46

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

*** Notes:**

- (1) Changes in significant subsidiaries during the period: Yes
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: 1 (Company Name: Doto Corporation), Excluded: – (Company name -)
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (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):

September 30, 2024:	10,048,000 shares
December 31, 2023:	10,048,000 shares
 - 2) Total number of treasury shares at the end of the period:

September 30, 2024:	532,889 shares
December 31, 2023:	506,954 shares
 - 3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

September 30, 2024:	9,522,170 shares
September 30, 2023:	9,541,053 shares
- * Review of the accompanying quarterly consolidated statements by a certified public accountant or auditing firm: Yes
(voluntary)
- * Explanation of the proper use of financial results forecast and other notes
Forward-looking statements and other statements about the future in this document are based on information currently available to the Company and certain assumptions deemed reasonable, actual performance and other results may differ significantly due to various factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended September 30, 2024, the global economy remained uncertain due to tensions in Ukraine and the Middle East, stagnation in the Chinese economy, as well as fluctuations in JPY exchange rates and stock markets. Meanwhile, the effects of climate change were evident in water-related disasters, as floods and droughts occurred world-wide, therefore efforts to address water and environmental issues are urgent matters.

The Noto Peninsula Earthquake, which occurred on January 1, 2024, has renewed awareness of the importance of water infrastructure in Japan's water and environmental business, and efforts to strengthen earthquake resistance and digitalization are being reinforced. Following the transfer of waterworks administration to the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) this April, it is expected that earthquake resistance measures for water supply and sewage systems will be strongly promoted. In this context, the "Basic Plan on Water Cycle " has been formulated by the government. Efforts to restore and maintain a healthy water cycle are expected to be promoted. Together with the government-led "Water PPP", which utilizes private-sector resources to operate water infrastructure facilities, a new era of water infrastructure is underway.

In response, the NJS Group (the "Group") has announced its "Growth Strategy for an Operation Company" to expand business, accelerate technological development, and strengthen human capital. Under the NJS Purpose, "Healthy Water and Environment for the Next Generation," our missions are to "Protect the safety, health, and comfort of lives," "Protect local communities and environment," and "Protect water and environmental infrastructure", and we are promoting solutions to address local and environmental issues, infrastructure management, and global business. To achieve these missions, we are strengthening our software, inspection, and customer services.

As a result, for the nine months ended September 30, 2024, the Group reported consolidated orders received of 19,023 million yen (up 1.7% year on year, the same shall apply hereafter) and consolidated net sales of 17,171 million yen (up 1.0%).

In terms of profits, the Group reported operating profit of 2,702 million yen (up 60.7%), ordinary income of 2,787 million yen (up 56.8%), and net profit attributable to owners of parent of 1,865 million yen (up 43.9%).

Operating results by segment are as follows.

(Domestic operations)

In domestic operations, the Group has been engaged in research and design for the reconstruction of infrastructure; disaster prevention; inspection services to raise the efficiency of inspections and surveys of infrastructure; and PPP services and operation business to promote public-private collaborative projects, etc.

As a result, the domestic operations segment reported work orders received of 17,855 million yen (up 15.0%), net sales of 15,393 million yen (up 17.5%), and operating profit of 2,829 million yen (up 81.1%).

(Overseas operations)

In overseas operations, the Group promoted projects to develop water-related infrastructure in the emerging countries of Asia, the Middle East, Africa, among others.

As a result, the overseas operations segment reported work orders received of 1,168 million yen (down 63.3%) and net sales of 1,778 million yen (down 52.3%), and operating loss of 126 million yen (an operating profit of 77 million yen was reported in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Total assets as of September 30, 2024, increased by 1,529 million yen from the end of the previous fiscal year to 31,023 million yen. This was mainly due to a 1,909 million yen decrease in notes, accounts receivable-completed operations and contract assets, while cash and deposits increased by 2,898 million yen and investment securities increased by 378 million yen.

Total liabilities as of September 30, 2024, increased by 369 million yen from the end of the previous fiscal year to 5,311 million yen. This was mainly due to a 373 million yen decrease in accounts payable-operating, while contract liabilities increased by 1,009 million yen and provision for bonuses increased by 312 million yen.

Total net assets as of September 30, 2024, increased by 1,159 million yen from the end of the previous consolidated fiscal year to 25,712 million yen. This was mainly due to a 1,004 million yen increase in retained earnings. As a result, the equity-to-asset ratio was 82.7%.

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

There is no change to the consolidated earnings forecast for the fiscal year ending December 31, 2024, from the "Notice of Revised Forecast of Consolidated Financial Result" announced on August 13, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	17,188,267	20,087,135
Notes, accounts receivable-completed operation and contract assets	5,945,592	4,036,226
Costs on service contracts in progress	613,213	826,920
Other	480,036	467,014
Allowance for doubtful accounts	(28,906)	(10,997)
Total current assets	24,198,203	25,406,298
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	645,463	634,865
Land	299,978	299,978
Other, net	231,755	215,864
Total property, plant and equipment	1,177,197	1,150,709
Intangible assets		
Goodwill	87,019	69,220
Other	642,104	651,876
Total intangible assets	729,124	721,096
Investments and other assets		
Investment securities	1,658,569	2,036,807
Deferred tax asset	568,398	495,908
Other	1,223,398	1,275,121
Allowance for doubtful accounts	(60,904)	(62,390)
Total investments and other assets	3,389,461	3,745,447
Total non-current assets	5,295,782	5,617,253
Total assets	29,493,986	31,023,552

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable – operating	785,515	411,957
Income taxes payable	592,818	556,374
Contract liabilities	244,819	1,254,707
Provision for bonuses	778,365	1,091,060
Provision for loss on order received	103,525	81,685
Provision for shareholder special benefit	19,100	9,227
Other	1,646,294	1,158,464
Total current liabilities	4,170,439	4,563,478
Non-current liabilities		
Retirement benefit liability	510,963	498,648
Provision for retirement benefits to directors and corporate auditors	39,194	12,360
Provision for directors' and corporate auditors' stock benefits	54,193	63,720
Deferred tax liabilities	38,930	37,742
Asset retirement obligations	99,134	99,502
Other	28,963	35,964
Total non-current liabilities	771,379	747,938
Total liabilities	4,941,819	5,311,416
Net assets		
Shareholders' equity		
Share capital	520,000	520,000
Capital surplus	276,555	276,555
Retained earnings	23,705,817	24,710,340
Treasury shares	(792,569)	(874,223)
Total shareholders' equity	23,709,804	24,632,673
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	732,961	1,002,953
Foreign currency translation adjustment	12,680	6,420
Remeasurements of defined benefit plans	35,471	7,772
Total accumulated other comprehensive income	781,113	1,017,146
Non-controlling interests	61,249	62,316
Total net assets	24,552,167	25,712,135
Total liabilities and net assets	29,493,986	31,023,552

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

(Thousands of yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Net sales	16,996,801	17,171,461
Cost of sales	11,135,729	9,671,481
Gross profit	5,861,072	7,499,979
Selling, general and administrative expenses	4,179,480	4,797,013
Operating profit	1,681,591	2,702,966
Non-operating income		
Interest income	10,386	15,934
Dividend income	29,649	37,910
Foreign exchange gains	35,969	—
Other	32,987	36,638
Total non-operating income	108,992	90,483
Non-operating expenses		
Interest expenses	1	27
Provision of allowance for doubtful accounts	12,810	—
Foreign exchange loss	—	5,338
Other	250	572
Total non-operating expenses	13,063	5,938
Ordinary income	1,777,520	2,787,511
Extraordinary income		
Gain on negative goodwill	—	42,549
Subsidy income	28,582	—
Total extraordinary income	28,582	42,549
Extraordinary losses		
Loss on sales and disposal of fixed assets	482	624
Loss on reduction of fixed assets	28,422	—
Loss on Compensations	—	25,850
Provision for loss on damage compensation	—	8,150
Total extraordinary losses	28,905	34,624
Profit before income taxes	1,777,197	2,795,435
Income taxes - current	668,806	966,857
Income taxes - deferred	(189,654)	(37,729)
Total income taxes	479,151	929,128
Profit	1,298,045	1,866,307
Profit (loss) attributable to non-controlling interests	1,579	1,067
Profit attributable to owners of parent	1,296,466	1,865,240

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended September 30

(Thousands of yen)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Profit	1,298,045	1,866,307
Other comprehensive income		
Valuation difference on available-for-sale securities	235,012	269,991
Foreign currency translation adjustment	92,298	(6,259)
Remeasurements of defined benefit plans, net of tax	(95,980)	(27,699)
Total other comprehensive income	231,330	236,032
Comprehensive income	1,529,376	2,102,339
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,527,797	2,101,272
Comprehensive income attributable to non-controlling interests	1,579	1,067

(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.

(Notes to Statements of Cash Flows)

Quarterly consolidated statements of cash flows have not been prepared for the nine months ended September 30, 2024. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the nine months ended September 30, are as follows.

	(Thousands of yen)	
	For the nine months ended September 30, 2023	For the nine months ended September 30, 2024
Depreciation	268,210	260,433
Amortization of goodwill	17,799	17,799

(Segment information, etc.)

[Segment information]

I. For the nine months ended September 30, 2023 (from January 1, 2023, to September 30, 2023)

1. Information on net sales and profit (loss) by reportable segment and disaggregation of revenue

(Thousands of yen)

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Domestic operations	Overseas operations	Total				
Net sales							
Water supply systems	3,359,768	2,709,824	6,069,593	—	6,069,593	—	6,069,593
Sewerage systems	9,194,608	202,057	9,396,666	—	9,396,666	—	9,396,666
Environmental systems and others	542,185	815,573	1,357,759	—	1,357,759	—	1,357,759
Revenue from contracts with customers	13,096,563	3,727,455	16,824,019	—	16,824,019	—	16,824,019
Other revenue	—	—	—	172,782	172,782	—	172,782
Net sales to outside customers	13,096,563	3,727,455	16,824,019	172,782	16,996,801	—	16,996,801
Intersegment net sales or transfers	—	—	—	—	—	—	—
Total	13,096,563	3,727,455	16,824,019	172,782	16,996,801	—	16,996,801
Segment profit	1,562,492	77,437	1,639,930	41,661	1,681,591	—	1,681,591

(Notes) 1. “Others” consist of businesses that are not included in the reportable segments, mainly the real estate leasing business.

2. The adjustments of segment profit are partly due to eliminations of intersegment transactions.

3. Segment profit is adjusted to correspond with operating profit reported on the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

Not applicable.

II. For the nine months ended September 30, 2024 (from January 1, 2024, to September 30, 2024)

1. Information on net sales and profit (loss) by reportable segment and disaggregation of revenue

(Thousands of yen)

	Reportable segments			Total	Adjustments (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	Domestic operations	Overseas operations	Total			
Net sales						
Water supply systems	4,034,350	764,095	4,798,446	4,798,446	—	4,798,446
Sewerage systems	10,809,170	104,914	10,914,084	10,914,084	—	10,914,084
Environmental systems and others	549,813	909,116	1,458,929	1,458,929	—	1,458,929
Revenue from contracts with customers	15,393,334	1,778,126	17,171,461	17,171,461	—	17,171,461
Other revenue	—	—	—	—	—	—
Net sales to outside customers	15,393,334	1,778,126	17,171,461	17,171,461	—	17,171,461
Intersegment net sales or transfers	—	—	—	—	—	—
Total	15,393,334	1,778,126	17,171,461	17,171,461	—	17,171,461
Segment profit (loss)	2,829,033	(126,066)	2,702,966	2,702,966	—	2,702,966

(Notes) 1. The adjustments of segment profit are partly due to eliminations of intersegment transactions.

2. Segment profit (loss) is adjusted to correspond with operating profit reported on the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

In the current nine months consolidated accounting period, a gain on negative goodwill of 42,549 thousand yen was recognized in the "Domestic operations" segment due to the acquisition of all shares of Doto Corporation. The gain on negative goodwill is not included in the above segment income because it is categorized as extraordinary gain.