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Consolidated Financial Results for the Three Months Ended March 31, 2023 [Japanese GAAP]



May 12, 2023

Company name: NJS Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2325
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 Scheduled date of filing quarterly securities report: May 12, 2023
 Scheduled date of commencing dividend payments: –
 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 Three Months Ended March 31, 2023 (January 1, 2023 – March 31, 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	%
Three months ended March 31, 2023	6,849	7.1	1,561	(5.8)	1,586	(5.1)	1,071	(5.4)
March 31, 2022	6,396	14.2	1,656	2.2	1,672	(0.4)	1,131	(4.7)

(Note) Comprehensive income: Three months March 31, 2023: ¥1,116 million [(2.4)%]

Three months March 31, 2022: ¥1,144 million [(4.3)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2023	112.25	—
March 31, 2022	118.72	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	31,137	23,816	76.3	2,490.73
As of December 31, 2022	28,178	23,082	81.7	2,413.81

(Reference) Equity: As of March 31, 2023: ¥23,764 million

As of December 31, 2022: ¥23,030 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, 2022	–	35.00	–	40.00	75.00
Fiscal year ending December 31, 2023	–				
Fiscal year ending December 31, 2023 (Forecast)		40.00	–	40.00	80.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 - December 31, 2023)

(% 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
First six months	–	–	–	–	–	–	–	–	–
Full year	21,350	11.0	2,650	37.0	2,730	35.6	1,800	4.2	188.66

(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:
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: Yes
 - 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):

March 31, 2023:	10,048,000 shares
December 31, 2022:	10,048,000 shares
 - 2) Total number of treasury shares at the end of the period:

March 31, 2023:	506,954 shares
December 31, 2022:	506,909 shares
 - 3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

Three months ended March 31, 2023:	9,541,070 shares
Three months ended March 31, 2022:	9,532,791 shares

* These quarterly consolidated 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

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 three months ended March 31, 2023, uncertainty persisted with regard to the world economy, mainly due to soaring energy and food prices on account of Russia's invasion of Ukraine and other factors, as well as rising inflation and bank failures in the United States, even while economic activities appeared to be normalizing owing to the easing of behavioral restrictions in place to counter COVID-19.

Meanwhile, the effects of climate change are becoming increasingly serious, with major floods, heat waves, and droughts occurring one after another in many parts of the world.

To address these issues, the creation of a loss and damage fund was agreed upon at the COP27 summit held in November of last year, with Japan announcing ¥150 trillion of GX (green transformation) investment over the next 10 years. This shows a growing awareness that environmental efforts are essential even under uncertain economic conditions.

Concerning the water supply and sewerage business in Japan, while its importance is increasing as a business that keeps communities safe from the spread of COVID-19 and the progress of climate change, it faces many challenges including aging facilities, intensifying disasters, declining population, and decarbonization. In addition to maintaining infrastructure facilities, a broad range of efforts are needed such as reinforcing disaster countermeasures, enhancing management efficiency, and reducing carbon dioxide emissions.

As a "solution partner for water and environment business," the NJS Group (the "Group") is advancing initiatives for preserving healthy water and environment and building a sustainable society in the four fields, namely, consulting, software, inspection, and operation.

In the future, we will further develop these technologies and businesses to create next-generation infrastructure management while proposing solutions that combine them.

For the three months ended March 31, 2023, the Group reported consolidated work orders received of ¥2,399 million (up 14.7% year on year) and consolidated net sales of ¥6,849 million (up 7.1% year on year).

In terms of profits, the Group reported operating profit of ¥1,561 million (down 5.8% year on year), ordinary profit of ¥1,586 million (down 5.1% year on year), and profit attributable to owners of parent of ¥1,071 million (down 5.4% year on year).

Operating results by segment are as follows.

(Domestic operations)

In domestic operations, we have been engaged in research and design projects for the reconstruction of aging infrastructure facilities; disaster response projects; inspection services to raise the efficiency of infrastructure maintenance and management; and PPP services and operations to promote public-private collaborative projects, etc.

As a result, the domestic operations segment reported work orders received of ¥1,788 million (down 8.5% year on year), net sales of ¥6,156 million (up 4.8% year on year), and operating profit of ¥1,562 million (down 5.2% year on year).

(Overseas operations)

In overseas operations, we promoted projects to develop water-related infrastructure in the developing and

emerging countries of Asia, the Middle East, and Africa.

As a result, the overseas operations segment reported work orders received of ¥610 million (up 349.6% year on year) and net sales of ¥635 million (up 37.0% year on year); operating loss was ¥40 million (an operating loss of ¥20 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Total assets as of the three months ended March 31, 2023 increased by ¥2,959 million from the end of the previous fiscal year to ¥31,137 million.

This was mainly attributable to an increase in cash and deposits of ¥595 million, an increase of ¥2,142 million in notes, accounts receivable-completed operation and contract assets, and an increase of ¥128 million in costs on service contracts in progress under current assets.

Total liabilities as of the three months ended March 31, 2023 increased by ¥2,225 million from the end of the previous fiscal year to ¥7,321 million. This was mainly attributable to an increase in accounts payable - operating of ¥337 million, an increase in income taxes payable of ¥606 million, an increase in contract liabilities of ¥1,184 million, and an increase of ¥143 million in provision for bonuses under current liabilities.

Total net assets as of the three months ended March 31, 2023 increased by ¥734 million from the end of the previous fiscal year to ¥23,816 million. This was mainly attributable to an increase in retained earnings of ¥688 million. As a result, the equity ratio was 76.3%.

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

There have been no changes from the consolidated financial results forecast announced on February 14, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	13,980,087	14,575,947
Notes, accounts receivable-completed operation and contract assets	5,404,355	7,546,522
Costs on service contracts in progress	1,720,956	1,849,297
Other	466,568	515,573
Allowance for doubtful accounts	(30,032)	(29,210)
Total current assets	21,541,934	24,458,130
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,436,967	1,390,268
Land	1,447,464	1,447,464
Other, net	185,746	187,554
Total property, plant and equipment	3,070,179	3,025,287
Intangible assets		
Goodwill	110,752	104,819
Other	603,101	567,947
Total intangible assets	713,854	672,766
Investments and other assets		
Investment securities	1,241,524	1,334,277
Other	1,667,998	1,705,214
Allowance for doubtful accounts	(56,669)	(57,714)
Total investments and other assets	2,852,853	2,981,777
Total non-current assets	6,636,886	6,679,832
Total assets	28,178,821	31,137,962

(Thousands of yen)

	As of December 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - operating	1,384,059	1,722,007
Current portion of long-term borrowings	1,436	484
Income taxes payable	334,641	940,713
Contract liabilities	252,984	1,437,321
Provision for bonuses	770,541	913,816
Provision for loss on order received	49,800	64,801
Other	1,446,417	1,375,310
Total current liabilities	4,239,880	6,454,456
Non-current liabilities		
Retirement benefit liability	534,451	541,341
Other	322,035	325,591
Total non-current liabilities	856,486	866,933
Total liabilities	5,096,367	7,321,389
Net assets		
Shareholders' equity		
Share capital	520,000	520,000
Capital surplus	276,555	276,555
Retained earnings	22,473,675	23,162,151
Treasury shares	(792,470)	(792,569)
Total shareholders' equity	22,477,761	23,166,137
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	442,797	507,358
Foreign currency translation adjustment	(16,593)	(3,741)
Remeasurements of defined benefit plans	126,435	94,442
Total accumulated other comprehensive income	552,639	598,059
Non-controlling interests	52,053	52,375
Total net assets	23,082,454	23,816,572
Total liabilities and net assets	28,178,821	31,137,962

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended March 31

(Thousands of yen)

	For the three months ended March 31, 2022	For the three months ended March 31, 2023
Net sales	6,396,178	6,849,807
Cost of sales	3,598,968	4,025,927
Gross profit	2,797,210	2,823,879
Selling, general and administrative expenses	1,140,240	1,262,726
Operating profit	1,656,969	1,561,153
Non-operating income		
Interest income	2,602	2,784
Dividend income	5,010	8,350
Foreign exchange gains	1,894	9,514
Other	5,970	5,179
Total non-operating income	15,477	25,828
Non-operating expenses		
Interest expenses	8	1
Other	43	166
Total non-operating expenses	51	168
Ordinary profit	1,672,395	1,586,813
Extraordinary income		
Subsidy income	—	28,582
Total extraordinary income	—	28,582
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	—	28,422
Total extraordinary losses	—	28,422
Profit before income taxes	1,672,395	1,586,973
Income taxes - current	487,644	576,206
Income taxes - deferred	53,208	(60,574)
Total income taxes	540,853	515,632
Profit	1,131,541	1,071,341
Profit (loss) attributable to non-controlling interests	(164)	322
Profit attributable to owners of parent	1,131,706	1,071,018

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended March 31

(Thousands of yen)

	For the three months ended March 31, 2022	For the three months ended March 31, 2023
Profit	1,131,541	1,071,341
Other comprehensive income		
Valuation difference on available-for-sale securities	(16,227)	64,561
Foreign currency translation adjustment	24,217	12,851
Remeasurements of defined benefit plans, net of tax	5,228	(31,993)
Total other comprehensive income	13,218	45,419
Comprehensive income	1,144,759	1,116,760
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,144,924	1,116,438
Comprehensive income attributable to non-controlling interests	(164)	322

(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.

(Changes in accounting policies)

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

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Standard Implementation Guidance") from the beginning of the first quarter of the fiscal year ending December 31, 2023, and plans to prospectively apply the new accounting policy determined by the Fair Value Measurement Standard Implementation Guidance in accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Standard Implementation Guidance. This change will have no impact on the quarterly consolidated financial statements.

(Additional information)

(Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and certain domestic consolidated subsidiaries transitioned from the consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year ending December 31, 2023. Accounting treatment and disclosure of national and local corporate taxes and tax effect accounting are therefore handled in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021; hereinafter, "Practical Solution No. 42"). Based on Paragraph 32-(1) of Practical Solution No. 42, the changes in accounting policy accompanying application of Practical Solution No. 42 are deemed to have no impact.

(Segment information, etc.)

[Segment information]

I. For the three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

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	1,442,046	297,304	1,739,350	—	1,739,350	—	1,739,350
Sewerage systems	4,296,369	48,562	4,344,931	—	4,344,931	—	4,344,931
Environmental systems and others	137,152	117,832	254,984	—	254,984	—	254,984
Revenue from contracts with customers	5,875,568	463,699	6,339,267	—	6,339,267	—	6,339,267
Other revenue	—	—	—	56,911	56,911	—	56,911
Net sales to outside customers	5,875,568	463,699	6,339,267	56,911	6,396,178	—	6,396,178
Intersegment net sales or transfers	—	—	—	—	—	—	—
Total	5,875,568	463,699	6,339,267	56,911	6,396,178	—	6,396,178
Segment profit (loss)	1,648,090	(20,363)	1,627,726	29,242	1,656,969	—	1,656,969

(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 (loss) are partly due to eliminations of intersegment transactions.

3. 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

Not applicable.

II. For the three months ended March 31, 2023 (from January 1, 2023 to March 31, 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	1,455,825	237,246	1,693,071	—	1,693,071	—	1,693,071
Sewerage systems	4,375,015	84,604	4,459,619	—	4,459,619	—	4,459,619
Environmental systems and others	325,523	313,555	639,078	—	639,078	—	639,078
Revenue from contracts with customers	6,156,363	635,406	6,791,770	—	6,791,770	—	6,791,770
Other revenue	—	—	—	58,037	58,037	—	58,037
Net sales to outside customers	6,156,363	635,406	6,791,770	58,037	6,849,807	—	6,849,807
Intersegment net sales or transfers	—	—	—	—	—	—	—
Total	6,156,363	635,406	6,791,770	58,037	6,849,807	—	6,849,807
Segment profit (loss)	1,562,895	(40,987)	1,521,908	39,244	1,561,153	—	1,561,153

(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 (loss) are partly due to eliminations of intersegment transactions.

3. 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

Not applicable.

(Significant subsequent events)

Not applicable.