

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

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



November 10, 2023

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 filing quarterly securities report: November 10, 2023  
 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, 2023 (January 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	%
Nine months ended September 30, 2023	16,996	17.1	1,681	(14.7)	1,777	(15.3)	1,296	(28.5)
September 30, 2022	14,519	5.4	1,971	(13.0)	2,097	(10.2)	1,813	13.8

(Note) Comprehensive income: Nine months ended September 30, 2023: ¥1,529 million [(19.7%)]  
 Nine months ended September 30, 2022: ¥1,904 million [18.7%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2023	135.88	—
September 30, 2022	190.09	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2023	29,001	23,846	82.0	2,493.75
As of December 31, 2022	28,178	23,082	81.7	2,413.81

(Reference) Equity: As of September 30, 2023: ¥23,793 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	–	40.00	–		
Fiscal year ending December 31, 2023 (Forecast)			–	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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	-	-	-	-	-	-	-	-	-

(Note) Revision to the financial results forecast announced most recently: Yes

The consolidated earnings forecast for the fiscal year ending December 31, 2023 is not disclosed. For details, please refer to Page 3,"1. Qualitative Information on Quarterly Results (3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements".

**\* 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):

September 30, 2023:	10,048,000 shares
December 31, 2022:	10,048,000 shares
  - 2) Total number of treasury shares at the end of the period:

September 30, 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):

September 30, 2023:	9,541,053 shares
September 30, 2022:	9,537,691 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.

## Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results .....	2
(1) Explanation of Operating Results .....	2
(2) Explanation of Financial Position .....	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information .....	3
2. Quarterly Consolidated Financial Statements and Principal Notes .....	4
(1) Quarterly Consolidated Balance Sheets .....	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	6
(3) Notes to Quarterly Consolidated Financial Statements .....	8
(Notes on going concern assumption) .....	8
(Notes in case of significant changes in shareholders' equity) .....	8
(Changes in accounting policies).....	8
(Additional information) .....	8
(Segment information, etc.) .....	9
(Significant subsequent events) .....	11

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the nine months ended September 30, 2023, the Japanese economy experienced a moderate recovery due to the normalization of economic activities, as a result of the removal of restrictions on activities associated with COVID-19. However, the outlook remains unstable, with consumers becoming thrifter due to high resource prices, inflation, and rising prices caused by the weak currency.

While the post-COVID-19 mindset has strengthened in 2023, the effects of climate change became even more pronounced. Around the world, heavy rains, typhoons, heat waves, droughts, and wildfires have increased awareness of water and environmental safety along with decarbonization.

In the water supply and sewage business, the aging of infrastructure developed post-war high growth period, the declining of fee revenues due to a shrinking population, and staff shortages have become apparent, and maintaining the functionality of the infrastructure and improving business efficiency have become issues. Private companies are required not only to provide individual technologies but also to manage projects, and the Government has commenced the Water PPP Project to support this new tendency. This is a system to promote PPP/PFI projects in the water sector, with an aim to achieve local business efficiencies by utilizing private sector resources, as a pillar of new capitalism. For the private sector, while it creates a new market, it also requires a high level of operational skills and human resources.

In response, the NJS Group (the "Group") has announced its "Growth Strategy for a Multi-function Company," clarifying the growth strategy to create businesses with its function as a leader in business operations at its core. In this strategy, the Group aims to strengthen the entire business domain along with facility operations. It also aims to become a "proactive group" that acts as a leader in said operations. In the area of technological development, the Group has promoted the development of drones, including an unmanned surface vehicle (USV) and a remotely operated vehicle (ROV), as well as a caterpillar camera vehicle to improve the efficiency of facility inspections.

As a result, for the nine months ended September 30, 2023, the Group reported consolidated orders received of 18,711 million yen (up 29.8% year-on-year) and consolidated net sales of 16,996 million yen (up 17.1% year-on-year).

In terms of profits, the Group reported operating profit of 1,681 million yen (down 14.7% year-on-year), ordinary income of 1,777 million yen (down 15.3% year-on-year), and net profit attributable to owners of parent of 1,296 million yen (down 28.5% year-on-year).

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, mitigation and resilience improvement projects in response to intensifying natural disasters; inspection services to raise the efficiency of inspections and surveys of infrastructure; and PPP services and operations to promote public-private collaborative projects, etc.

As a result, the domestic operations segment reported work orders received of 15,533 million yen (up 14.1% year-on-year), net sales of 13,096 million yen (up 3.6% year-on-year), and operating profit of 1,562 million yen (down 27.8% year-on-year).

#### (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 3,178 million yen (up 292.9% year-on-year) and net sales of 3,727 million yen (up 118.0% year-on-year); and operating profit of 77 million yen (an operating loss of 265 million yen was reported in the same period of the previous fiscal year).

## (2) Explanation of Financial Position

Total assets as of September 30, 2023, increased by 822 million yen from the end of the previous fiscal year to 29,001 million yen. This was mainly due to a 2,789 million yen increase in cash and deposits and a 337 million yen increase in investment securities, against decreases of 1,445 million yen in notes receivable, accounts receivable for completed operations and contract assets, and 985 million yen in costs on uncompleted operations, respectively.

Total liabilities as of September 30, 2023, increased by 58 million yen from the end of the previous year to 5,154 million yen. This was mainly due to a decrease of 841 million yen in accounts payable for operations, while contract liabilities and accrued bonuses increased by 594 million yen and 292 million yen, respectively.

Total net assets as of September 30, 2023, increased by 764 million yen from the end of the previous fiscal year to 23,846 million yen. This was mainly due to a 531 million yen increase in retained earnings. As a result, the equity ratio was 82.0%.

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

As described in "(3) Notes to Quarterly Consolidated Financial Statements (Significant Subsequent Events)" on pages 11 and 12, the Company will record an extraordinary gain on sales of fixed assets in the fourth quarter of the current consolidated fiscal year from sales of real estate for lease. The Company is not disclosing its consolidated earnings forecast for the fiscal year ending December 31, 2023, as it is currently examining the impact of these extraordinary gains, as well as other factors, on its consolidated earnings.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	13,980,087	16,769,234
Notes, accounts receivable-completed operation and contract assets	5,404,355	3,959,002
Costs on service contracts in progress	1,720,956	735,294
Other	466,568	511,532
Allowance for doubtful accounts	(30,032)	(44,441)
Total current assets	21,541,934	21,930,622
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,436,967	1,360,106
Land	1,447,464	1,447,464
Other, net	185,746	191,110
Total property, plant and equipment	3,070,179	2,998,682
Intangible assets		
Goodwill	110,752	92,952
Other	603,101	610,648
Total intangible assets	713,854	703,601
Investments and other assets		
Investment securities	1,241,524	1,579,384
Other	1,667,998	1,853,002
Allowance for doubtful accounts	(56,669)	(63,687)
Total investments and other assets	2,852,853	3,368,699
Total non-current assets	6,636,886	7,070,982
Total assets	28,178,821	29,001,605

(Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - operating	1,384,059	542,936
Current portion of long-term borrowings	1,436	-
Income taxes payable	334,641	363,231
Contract liabilities	252,984	847,904
Provision for bonuses	770,541	1,062,613
Provision for loss on order received	49,800	99,205
Other	1,446,417	1,433,149
Total current liabilities	4,239,880	4,349,040
Non-current liabilities		
Retirement benefit liability	534,451	567,957
Other	322,035	237,960
Total non-current liabilities	856,486	805,918
Total liabilities	5,096,367	5,154,959
<b>Net assets</b>		
Shareholders' equity		
Share capital	520,000	520,000
Capital surplus	276,555	276,555
Retained earnings	22,473,675	23,005,057
Treasury shares	(792,470)	(792,569)
Total shareholders' equity	22,477,761	23,009,043
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	442,797	677,809
Foreign currency translation adjustment	(16,593)	75,705
Remeasurements of defined benefit plans	126,435	30,455
Total accumulated other comprehensive income	552,639	783,970
Non-controlling interests	52,053	53,632
Total net assets	23,082,454	23,846,646
Total liabilities and net assets	28,178,821	29,001,605

(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, 2022	For the nine months ended September 30, 2023
Net sales	14,519,088	16,996,801
Cost of sales	8,353,341	11,135,729
Gross profit	6,165,746	5,861,072
Selling, general and administrative expenses	4,194,210	4,179,480
Operating profit	1,971,536	1,681,591
Non-operating income		
Interest income	6,625	10,386
Dividend income	26,273	29,649
Foreign exchange gains	76,158	35,969
Other	17,593	32,987
Total non-operating income	126,650	108,992
Non-operating expenses		
Interest expenses	17	1
Provision of allowance for doubtful accounts	-	12,810
Other	306	250
Total non-operating expenses	323	13,063
Ordinary income	2,097,864	1,777,520
Extraordinary income		
Settlement received	458,758	-
Marginal gain on step acquisitions	73,309	-
Subsidy income	-	28,582
Total extraordinary income	532,068	28,582
Extraordinary losses		
Loss on sale and retirement of non-current assets	0	482
Loss on tax purpose reduction entry of non-current assets	1,068	-
Loss on sale of investment securities	-	28,422
Total extraordinary losses	1,068	28,905
Profit before income taxes	2,628,863	1,777,197
Income taxes - current	739,277	668,806
Income taxes - deferred	75,307	(189,654)
Total income taxes	814,585	479,151
Profit	1,814,278	1,298,045
Profit (loss) attributable to non-controlling interests	1,225	1,579
Profit attributable to owners of parent	1,813,052	1,296,466

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended September 30

(Thousands of yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Profit	1,814,278	1,298,045
Other comprehensive income		
Valuation difference on available-for-sale securities	(27,924)	235,012
Foreign currency translation adjustment	102,939	92,298
Remeasurements of defined benefit plans, net of tax	15,686	(95,980)
Total other comprehensive income	90,701	231,330
Comprehensive income	1,904,979	1,529,376
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,903,754	1,527,797
Comprehensive income attributable to non-controlling interests	1,225	1,579

### (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 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 referred to as the "Guidance ") from the beginning of the first quarter of the current fiscal year, and the new accounting policy prescribed by the Guidance is applied prospectively in accordance with the transitional treatment prescribed in Section 27-2 of the Guidance on Accounting Standard for Measurement of Fair Value. There is no impact on the quarterly consolidated financial statements.

(Additional information)

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

Effective from the first quarter of the current fiscal year, the Company and some of its domestic consolidated subsidiaries have shifted from a consolidated tax payment system to a group tax sharing system. In accordance with this change, the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting are based on the " Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System " (PITF No. 42, August 12, 2021); the Company has assumed that there is no effect of the change in accounting policy due to the application of Paragraph 32-(1) of PITF No. 42.

(Segment information, etc.)

[Segment information]

I. For the nine months ended September 30, 2022 (from January 1, 2022, to September 30, 2022)

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

(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	3,257,773	971,228	4,229,002	-	4,229,002	-	4,229,002
Sewerage systems	9,041,602	177,960	9,219,563	-	9,219,563	-	9,219,563
Environmental systems and others	337,663	560,984	898,647	-	898,647	-	898,647
Revenue from contracts with customers	12,637,040	1,710,173	14,347,213	-	14,347,213	-	14,347,213
Other revenue	-	-	-	171,875	171,875	-	171,875
Net sales to outside customers	12,637,040	1,710,173	14,347,213	171,875	14,519,088	-	14,519,088
Intersegment net sales or transfers	-	-	-	-	-	-	-
Total	12,637,040	1,710,173	14,347,213	171,875	14,519,088	-	14,519,088
Segment profit (loss)	2,164,817	(265,057)	1,899,760	71,776	1,971,536	-	1,971,536

(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

(Significant changes in the amount of goodwill)

In "Domestic operations," goodwill was recognized due to the acquisition of shares of Fuyo Consultant Co., Ltd. The amount of goodwill arising from this event is 130,250 thousand yen.

II. 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 (loss)	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 (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)

#### Transfer of fixed assets (1)

The Company's Board of Directors decided on the transfer of fixed assets at a meeting held on September 26, 2023 and entered into a real estate sales and purchase agreement on September 26, 2023.

##### 1. Reason for transfer

To improve the efficiency of assets and financial strength through effective utilization of management resources.

##### 2. Details of Assets to be Transferred

Location: 6-8 Tomihisacho, Shinjuku-ku, Tokyo  
Type of assets: Land (1,041.85 m<sup>2</sup>), Building (3,011.06 m<sup>2</sup>)  
Use before transfer: Real estate for lease

##### 3. Schedule of transfers

(i) Date of resolution by the Board of Directors: September 26, 2023  
(ii) Date of execution of transfer agreement: September 26, 2023  
(iii) Date of delivery of transferred assets: October 31, 2023

##### 4. Transfer price

The transfer price is not disclosed due to an agreement with the transferee.

##### 5. Information of the transferee

Information of the transferee is not disclosed due to an arrangement with the transferee. There is no capital, personal, or business relationship between the transferee and the Company, and the transferee is not a related party.

##### 6. Impact on Business Performance

As a result of the transfer of the said fixed assets, a gain on sales of fixed assets of 1,050 million yen will be recorded as extraordinary income in the fourth quarter of the fiscal year ending December 31, 2023.

## Transfer of fixed assets (2)

The Company's Board of Directors decided on the transfer of fixed assets at a meeting held on September 26, 2023, and concluded a real estate sales and purchase agreement on October 31, 2023.

### 1. Reason for transfer

To improve the efficiency of assets and financial strength through effective utilization of management resources.

### 2. Details of Assets to be Transferred

Location: 1-27, Yamate-dori, Showa-ku, Nagoya City, Aichi Prefecture  
Type of Assets: Land (2,172.00 m<sup>2</sup>), building (4,371.43 m<sup>2</sup>)  
Use before transfer: Real estate for lease

### 3. Schedule of transfers

(i) Date of resolution by the Board of Directors: September 26, 2023  
(ii) Date of execution of transfer agreement: October 31, 2023  
(iii) Date of delivery of transferred assets: November 30, 2023

### 4. Transfer price

The transfer price is not disclosed due to an agreement with the transferee.

### 5. Information of the transferee

Information of the transferee is not disclosed due to an arrangement with the transferee. There is no capital, personal, or business relationship between the transferee and the Company, and the transferee is not a related party.

### 6. Impact on Business Performance

As a result of the transfer of the said fixed assets, a gain on sales of fixed assets of 230 million yen will be recorded as extraordinary income in the fourth quarter of the fiscal year ending December 31, 2023.