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Consolidated Financial Results for the Three Months Ended March 31, 2024 [Japanese GAAP]



May 13, 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
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 Scheduled date of filing quarterly securities report: May 13, 2024
 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, 2024 (January 1, 2024 – March 31, 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	%
Three months ended March 31, 2024	8,354	22.0	2,706	73.3	2,764	74.2	1,825	70.4
March 31, 2023	6,849	7.1	1,561	(5.8)	1,586	(5.1)	1,071	(5.4)

(Note) Comprehensive income: Three months March 31, 2024: ¥1,873 million [67.8%]
 Three months March 31, 2023: ¥1,116 million [(2.4)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2024	191.39	—
March 31, 2023	112.25	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	33,275	25,905	77.7	2,716.58
As of March 31, 2023	29,493	24,522	83.0	2,566.90

(Reference) Equity: As of March 31, 2024: ¥25,839 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	–				
Fiscal year ending December 31, 2024 (Forecast)		45.00	–	45.00	90.00

(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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	–	–	–	–	–	–	–	–	–
Full year	22,500	2.1	2,300	42.1	2,350	37.9	1,550	(22.4)	162.52

(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: 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):

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

March 31, 2024:	536,154 shares
December 31, 2023:	506,954 shares
 - 3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

Three months ended March 31, 2024:	9,537,138 shares
Three months ended March 31, 2023:	9,541,070 shares

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

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended March 31, 2024, the global economic outlook remained uncertain due to factors such as rising crude oil prices caused by tensions in the Middle East, concerns about the stagnation of the Chinese economy, economic slowdown caused by monetary policies of various countries, and unstable exchange rates. Meanwhile, climate change is becoming increasingly serious, with a series of abnormal weather events such as major floods, heat waves, and droughts occurring in many parts of the world, and there is a growing awareness that environmental initiatives are essential to achieve a sustainable society.

Japan's water and wastewater utilities face many challenges, such as population decline, aging infrastructure and issues related to business sustainability, in addition to climate change and intensifying disasters. Along with solving social issues, it is important to maintain safety, sanitation, and the environment through sound infrastructure. Under these circumstances, the government-led scheme "Water PPP" has been proposed as a business scheme to promote public-private partnerships. The market for operations aiming at solving social issues and sustainable water supply and sewage services is expected to expand in the future.

In response, the NJS Group (the "Group") will leverage its accumulated water and environmental technologies, consulting, software, inspection, and customer service businesses to develop an operations business that promotes problem-solving, infrastructure management, and customer service. Based on the characteristics of "Consulting and Operations for Water and the Environment", the Group will expand its business, strengthen its solutions business, introduce innovation, enhance human capital, and promote business partnerships.

For the three months ended March 31, 2024, the Group reported consolidated work orders received of ¥2,601 million (up 8.4% year on year, the same shall apply hereafter) and consolidated net sales of ¥8,354 million (up 22.0%).

In terms of profits, the Group reported operating profit of ¥2,706 million (up 73.3%), ordinary profit of ¥2,764 million (up 74.2%), and profit attributable to owners of parent of ¥1,825 million (up 70.4%).

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 ¥2,094 million (up 17.1%), net sales of ¥7,548 million (up 22.6%), and operating profit of ¥2,706 million (up 73.1%).

(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 ¥506 million (down 17.1%) and net sales of ¥806 million (up 26.9 %); operating profit was ¥0 million (an operating loss of ¥40 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, 2024 increased by ¥3,781 million from the end of the previous fiscal year to ¥33,275 million. This was mainly attributable to an increase in cash and deposits of ¥1,821 million, and an increase of ¥1,856 million in notes, accounts receivable-completed operation and contract assets.

Total liabilities as of the three months ended March 31, 2024 increased by ¥2,428 million from the end of the previous fiscal year to ¥7,369 million. This was mainly attributable to an increase in income taxes payable of ¥924 million, and an increase in contract liabilities of ¥1,238 million.

Total net assets as of the three months ended March 31, 2024 increased by ¥1,353 million from the end of the previous fiscal year to ¥25,905 million. This was mainly attributable to an increase in retained earnings of ¥1,394 million. As a result, the equity ratio was 77.7%.

(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, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	17,188,267	19,010,027
Notes, accounts receivable-completed operation and contract assets	5,945,592	7,802,474
Costs on service contracts in progress	613,213	588,358
Other	480,036	529,206
Allowance for doubtful accounts	(28,906)	(15,908)
Total current assets	24,198,203	27,914,159
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	645,463	640,479
Land	299,978	299,978
Other, net	231,755	223,508
Total property, plant and equipment	1,177,197	1,163,967
Intangible assets		
Goodwill	87,019	81,086
Other	642,104	610,050
Total intangible assets	729,124	691,137
Investments and other assets		
Investment securities	1,658,569	1,614,073
Other	1,791,796	1,957,547
Allowance for doubtful accounts	(60,904)	(65,439)
Total investments and other assets	3,389,461	3,506,181
Total non-current assets	5,295,782	5,361,286
Total assets	29,493,986	33,275,445

(Thousands of yen)

	As of December 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable – operating	785,515	890,696
Income taxes payable	592,818	1,517,750
Contract liabilities	244,819	1,483,323
Provision for bonuses	778,365	911,200
Provision for loss on order received	103,525	30,375
Other	1,665,394	1,758,996
Total current liabilities	4,170,439	6,592,343
Non-current liabilities		
Retirement benefit liability	510,963	491,325
Other	260,416	286,204
Total non-current liabilities	771,379	777,530
Total liabilities	4,941,819	7,369,874
Net assets		
Shareholders' equity		
Share capital	520,000	520,000
Capital surplus	276,555	276,555
Retained earnings	23,705,817	25,100,744
Treasury shares	(792,569)	(882,308)
Total shareholders' equity	23,709,804	25,014,991
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	732,961	702,290
Foreign currency translation adjustment	12,680	96,494
Remeasurements of defined benefit plans	35,471	25,886
Total accumulated other comprehensive income	781,113	824,671
Non-controlling interests	61,249	65,908
Total net assets	24,552,167	25,905,571
Total liabilities and net assets	29,493,986	33,275,445

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

(Thousands of yen)

	Previous three months ended March 31, 2023	Current three months ended March 31, 2024
Net sales	6,849,807	8,354,280
Cost of sales	4,025,927	4,247,044
Gross profit	2,823,879	4,107,235
Selling, general and administrative expenses	1,262,726	1,401,190
Operating profit	1,561,153	2,706,045
Non-operating income		
Interest income	2,784	5,113
Dividend income	8,350	12,525
Cash surrender value of insurance policy	-	12,104
Foreign exchange gains	9,514	20,123
Other	5,179	9,051
Total non-operating income	25,828	58,917
Non-operating expenses		
Interest expenses	1	-
Other	166	471
Total non-operating expenses	168	471
Ordinary profit	1,586,813	2,764,491
Extraordinary income		
Subsidy income	28,582	-
Total extraordinary income	28,582	-
Extraordinary losses		
Loss on sales and disposal of fixed assets	-	252
Loss on tax purpose reduction entry of non-current assets	28,422	-
Provision for loss on damage compensation	-	34,000
Total extraordinary losses	28,422	34,252
Profit before income taxes	1,586,973	2,730,239
Income taxes - current	576,206	913,413
Income taxes - deferred	(60,574)	(13,119)
Total income taxes	515,632	900,293
Profit	1,071,341	1,829,945
Profit attributable to non-controlling interests	322	4,658
Profit attributable to owners of parent	1,071,018	1,825,286

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended March 31

(Thousands of yen)

	Previous three months ended March 31, 2023	Current three months ended March 31, 2024
Profit	1,071,341	1,829,945
Other comprehensive income		
Valuation difference on available-for-sale securities	64,561	(30,671)
Foreign currency translation adjustment	12,851	83,814
Remeasurements of defined benefit plans, net of tax	(31,993)	(9,585)
Total other comprehensive income	45,419	43,557
Comprehensive income	1,116,760	1,873,503
(attributable to)		
Comprehensive income attributable to owners of parent	1,116,438	1,868,844
Comprehensive income attributable to non-controlling interests	322	4,658

(3) Notes to Quarterly Consolidated Financial Statements
(Notes on premise of a going concern)

Not applicable.

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

Not applicable.

(Segment information, etc.)

[Segment information]

I. 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.

II. For the three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)

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

(Thousands of yen)

	Reportable segments			Adjustments (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	Domestic operations	Overseas operations	Total		
Net sales					
Water supply systems	1,642,100	280,772	1,922,873	—	1,922,873
Sewerage systems	5,632,489	47,597	5,680,087	—	5,680,087
Environmental systems and others	273,430	477,889	751,319	—	751,319
Revenue from contracts with customers	7,548,020	806,259	8,354,280	—	8,354,280
Other revenue	—	—	—	—	—
Net sales to outside customers	7,548,020	806,259	8,354,280	—	8,354,280
Intersegment net sales or transfers	—	—	—	—	—
Total	7,548,020	806,259	8,354,280	—	8,354,280
Segment profit (loss)	2,706,018	27	2,706,045	—	2,706,045

(Notes) 1. The adjustments of segment profit (loss) 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

Not applicable.

(Significant subsequent events)

(Acquisition of a company through stock acquisition)

The Company's Board of Directors resolved on February 27, 2024 to make Doto Corporation a subsidiary, and the Company acquired the shares on April 1, 2024.

1. Purpose of share acquisition

The NJS Group is working to expand our operations, enhance our solutions (issue-solving capabilities), and strengthen our human capital with the goal of becoming a “Water and Environmental Operations Company”. To achieve this goal, this acquisition of shares is intended to strengthen our consulting and operational structure with a focus on water and wastewater services.

2. Name, business description and scale of the company acquired

- (1) Name: Doto Corporation
- (2) Business description: Survey, planning, design, inspection, and diagnosis of water and sewage facilities
- (3) Capital stock: 10,000 thousand yen

3. Date of share acquisition

April 1, 2024

4. Number of shares to be acquired, acquisition price and post-acquisition ownership ratio

- (1) Number of shares to be acquired: 200 shares
- (2) Acquisition price: 310,000 thousand yen
- (3) Post-acquisition ownership ratio: 100%

(Merger of consolidated subsidiaries)

The Company's Board of Directors resolved on April 23, 2024 to merge its consolidated subsidiaries, NJS E&M Co., Ltd. and Suido Asset Service Co., Ltd., effective October 1, 2024, as described below.

1. Purpose of the merger

The main objective of the merger is to enhance customer service quality in water and wastewater business.

2. Summary of the merger

(1) Merger schedule:

- 1) Date of execution of merger agreement: August 1, 2024 (scheduled)
- 2) Merger date (effective date): October 1, 2024 (scheduled)

(2) Method of merger:

Absorption-type merger with NJS E&M Co., Ltd. as the surviving company and Suido Asset Service Co., Ltd. as the dissolving company

(3) Details of allotment in relation to the merger:

No new shares will be issued and no other monies or properties will be allotted as a result of the merger because the merger is between wholly owned subsidiaries of the Company.

(4) Treatment of stock acquisition rights and bonds in connection with this merger:

Not applicable.

3. Post-merger status

The trade name of the surviving company after the merger will be changed to “Suido Asset Service Co., Ltd.”.

4. Summary of accounting procedures to be performed

The transaction will be accounted for as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).