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Consolidated Financial Results for the Six Months Ended June 30, 2024 [Japanese GAAP]



August 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: August 13, 2024

Scheduled date of commencing dividend payments: September 11, 2024

Availability of supplementary explanatory materials on quarterly financial results: None

Schedule of quarterly financial results briefing session: Yes (For institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2024 (January 1, 2024 – June 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	%
Six months ended June 30, 2024	13,351	5.8	3,243	38.5	3,353	38.2	2,282	38.4
June 30, 2023	12,622	12.5	2,341	(9.0)	2,426	(8.7)	1,648	(23.1)

(Note) Comprehensive income: Six months ended June 30, 2024: ¥2,627 million [48.3%]

Six months ended June 30, 2023: ¥1,772 million [(19.7)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2024	239.61	—
June 30, 2023	172.80	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2024	33,072	26,667	80.5	2,796.31
As of December 31, 2023	29,493	24,552	83.0	2,566.90

(Reference) Equity: As of June 30, 2024: ¥26,607 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: Yes

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
Full year	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: Yes

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: 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 interim 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):

June 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:

June 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):

Six months ended June 30, 2024:	9,525,739 shares
Six months ended June 30, 2023:	9,541,058 shares

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

* Explanation of appropriate use of earnings forecasts and other special notes:

The forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company deems reasonable.

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. Interim Consolidated Financial Statements and Principal Notes	4
(1) Interim Consolidated Balance Sheets	4
(2) Interim Consolidated Statements of Income and Comprehensive Income	6
(3) Interim Consolidated Statements of Cash Flows	8
(4) Notes to Interim Consolidated Financial Statements	9
(Notes on premise of a going concern)	9
(Notes in case of significant changes in shareholders' equity)	9
(Segment information, etc.)	10
(Significant subsequent events)	12

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended June 30, 2024, the global economy remained uncertain due to concerns of recession in the U.S., political instability in Europe, and fluctuations in exchange rates and stock markets, in addition to tensions in the Middle East and economic stagnation in China. Meanwhile, as it is now called the era of “global boiling”, rising temperatures due to climate change and disasters such as floods, heat waves, and droughts are occurring in many countries around the world, making environmental efforts indispensable.

Regarding water and environmental projects in Japan, the 2024 Noto Peninsula Earthquake that occurred on New Year's Day has once again recognized the importance of water infrastructure, along with the needs to strengthen earthquake resistance and digitalization. In related moves, the waterworks administration has been transferred to the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) in April, and measures against aging facilities, disasters, and the environment are expected to be promoted. In this context, the "Basic Plan on Water Cycle" will be drafted to promote water infrastructures in the sound water cycle, and together with the government-led “Water PPP”, which will utilize private-sector resources in the operation of water infrastructure, a new era of water infrastructure is beginning to move forward.

In response, the NJS Group (the “Group”) has formulated a "Growth Strategy Aimed at Becoming an ‘Operation Company’" to play an active role as a leader in water infrastructure, expand its business domain, accelerate technological development, and strengthen its human capital. In April, the Operations Division and the Global Environment Division were established to enhance the company's structure. Going forward, we will continue to promote our business under the NJS Purpose, "Healthy Water and Environment for the Next Generation," by integrating our existing consulting, software, inspection, customer service, and global business operations.

For the six months ended June 30, 2024, the Group reported consolidated work orders received of ¥9,814 million (up 0.3% year on year, the same shall apply hereafter) and consolidated net sales of ¥13,351 million (up 5.8%).

In terms of profits, the Group reported operating profit of ¥3,243 million (up 38.5%), ordinary profit of ¥3,353 million (up 38.2%), and profit attributable to owners of parent of ¥2,282 million (up 38.4%).

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 ¥8,868 million (up 15.2%), net sales of ¥12,134 million (up 18.3%), and operating profit of ¥3,346 million (up 46.7%).

(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 ¥946 million (down 54.5%) and net sales of ¥1,216 million (down 46.0%), and operating loss of ¥103 million (an operating income of ¥2 million was recorded in the same period of the previous fiscal year).

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Total assets of the six months ended June 30, 2024, increased by ¥3,578 million from the end of the previous fiscal year to ¥33,072 million. This was mainly attributable to an increase in cash and deposits of ¥5,978 million, and an increase in investment securities of ¥274 million, while notes receivable, accounts receivable from completed operations, and contract assets decreased by ¥2,722 million.

Total liabilities as of the six months ended June 30, 2024, increased by ¥1,463 million from the end of the previous fiscal year to ¥6,404 million. This was mainly attributable to an increase to a in contract liabilities of ¥1,496 million.

Total net assets as of the six months ended June 30, 2024, increased by ¥2,115 million from the end of the previous fiscal year to ¥26,667 million. This was mainly attributable to an increase in retained earnings by ¥1,852 million and an increase in valuation difference on available-for-sale securities of ¥197 million. As a result, the equity ratio was 80.5%.

2) Cash Flows

Cash and cash equivalents at the end of the six months ended June 30, 2024, increased by ¥5,978 million from the end of the previous fiscal year to ¥23,166 million.

The status of each cash flow and major factors during the current interim consolidated accounting period are as follows.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities amounted to ¥6,615 million (¥5,334 million in the same period of the previous year).

Major sources of income were income before income taxes and minority interests of ¥3,361 million, a decrease of ¥2,803 million in notes receivable, accounts receivable for completed operations, and contract assets, a decrease of ¥364 million in accounts payable for services, and an increase of ¥1,496 million in contract liabilities.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities amounted to ¥178 million (¥332 million used in the same period of the previous year).

Major expenditures included ¥71 million for the acquisition of tangible fixed assets and ¥122 million for the acquisition of intangible fixed assets.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities amounted to ¥521 million (¥385 million used in the same period of the previous year).

The main accounts of cash outflow were 89 million yen for purchase of treasury stock and ¥429 million for dividend payment.

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

The full-year consolidated earnings forecast (January 1, 2024, to December 31, 2024) published on February 14, 2024, has been revised considering recent business performance trends.

For details, refer to the separately disclosed "Notice of Revised Forecast of Consolidated Financial Result" and "Notice of the Revised Dividend forecasts for the Fiscal Year ending December 31, 2024".

2. Interim Consolidated Financial Statements and Principal Notes

(1) Interim Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	17,188,267	23,166,686
Notes, accounts receivable-completed operation and contract assets	5,945,592	3,223,191
Costs on service contracts in progress	613,213	711,442
Other	480,036	506,868
Allowance for doubtful accounts	(28,906)	(13,647)
Total current assets	24,198,203	27,594,540
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	645,463	652,657
Land	299,978	299,978
Other, net	231,755	226,744
Total property, plant and equipment	1,177,197	1,179,380
Intangible assets		
Goodwill	87,019	75,153
Other	642,104	608,875
Total intangible assets	729,124	684,029
Investments and other assets		
Investment securities	1,658,569	1,932,598
Deferred tax asset	568,398	385,537
Other	1,223,398	1,365,831
Allowance for doubtful accounts	(60,904)	(69,265)
Total investments and other assets	3,389,461	3,614,702
Total non-current assets	5,295,782	5,478,112
Total assets	29,493,986	33,072,653

(Thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable – operating	785,515	426,774
Income taxes payable	592,818	1,054,939
Contract liabilities	244,819	1,741,558
Provision for bonuses	778,365	615,735
Provision for loss on order received	103,525	36,681
Provision for shareholder special benefit	19,100	20,013
Other	1,646,294	1,747,582
Total current liabilities	4,170,439	5,643,286
Non-current liabilities		
Retirement benefit liability	510,963	510,139
Provision for retirement benefits to directors and corporate auditors	39,194	17,647
Provision for directors' and corporate auditors' stock benefits	54,193	60,405
Deferred tax liabilities	38,930	41,530
Asset retirement obligations	99,134	99,379
Other	28,963	32,601
Total non-current liabilities	771,379	761,704
Total liabilities	4,941,819	6,404,990
Net assets		
Shareholders' equity		
Share capital	520,000	520,000
Capital surplus	276,555	276,555
Retained earnings	23,705,817	25,557,891
Treasury shares	(792,569)	(874,223)
Total shareholders' equity	23,709,804	25,480,224
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	732,961	930,437
Foreign currency translation adjustment	12,680	179,833
Remeasurements of defined benefit plans	35,471	16,699
Total accumulated other comprehensive income	781,113	1,126,970
Non-controlling interests	61,249	60,467
Total net assets	24,552,167	26,667,662
Total liabilities and net assets	29,493,986	33,072,653

(2) Interim Consolidated Statements of Income and Comprehensive Income

Interim Consolidated Statements of Income

(Thousands of yen)

	Previous six months ended June 30, 2023	Current six months ended June 30, 2024
Net sales	12,622,741	13,351,336
Cost of sales	7,564,122	6,940,590
Gross profit	5,058,618	6,410,745
Selling, general and administrative expenses	2,717,321	3,167,658
Operating profit	2,341,297	3,243,087
Non-operating income		
Interest income	5,932	10,453
Dividend income	29,625	37,883
Foreign exchange gains	33,989	37,973
Other	28,880	24,910
Total non-operating income	98,428	111,220
Non-operating expenses		
Interest expenses	1	14
Provision for doubtful accounts	12,810	—
Other	238	571
Total non-operating expenses	13,051	586
Ordinary profit	2,426,673	3,353,721
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	—
Provision for loss on damage compensation	—	34,000
Total extraordinary losses	28,905	34,624
Profit before income taxes	2,426,350	3,361,645
Income taxes - current	699,589	975,093
Income taxes - deferred	77,959	104,900
Total income taxes	777,549	1,079,994
Interim net profit	1,648,800	2,281,651
Profit (loss) attributable to non-controlling interests	94	(781)
Profit attributable to owners of parent	1,648,706	2,282,433

Interim Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous six months ended June 30, 2023	Current six months ended June 30, 2024
Profit	1,648,800	2,281,651
Other comprehensive income		
Valuation difference on available-for-sale securities	119,851	197,475
Foreign currency translation adjustment	67,501	167,153
Remeasurements of defined benefit plans, net of tax	(63,986)	(18,772)
Total other comprehensive income	123,366	345,857
Comprehensive income	1,772,167	2,627,508
(attributable to)		
Comprehensive income attributable to owners of parent	1,772,072	2,628,290
Comprehensive income attributable to non-controlling interests	94	(781)

(3) Interim Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous six months ended June 30, 2023	Current six months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	2,426,350	3,361,645
Depreciation	161,674	161,025
Amortization of goodwill	11,866	11,866
Interest and dividend income	(35,557)	(48,336)
Interest expenses	1	14
Foreign exchange losses (gains)	(58,610)	(66,913)
Loss (gain) on retirement of non-current asset	482	624
Loss on tax purpose reduction entry of non-current assets	28,422	—
Gain on negative goodwill	—	(42,549)
Subsidy income	(28,582)	—
Decrease (increase) in notes, accounts receivable-completed operation and contract assets	1,513,529	2,803,273
Decrease (increase) in costs on uncompleted services	491,964	(47,516)
Increase (decrease) in accounts payable-operation	88,432	(364,509)
Increase (decrease) in contract liabilities	1,188,301	1,496,445
Increase (decrease) in accrued consumption taxes	241,396	252,749
Increase (decrease) in allowance for doubtful accounts	17,163	(9,897)
Increase (decrease) in provision for bonuses	(176,116)	(165,687)
Increase (decrease) in retirement benefit liability	23,171	(823)
Other, net	(352,450)	(183,853)
Subtotal	5,541,439	7,157,558
Interest and dividends received	36,165	49,109
Interest paid	(1)	(14)
Subsidy received	28,582	—
Income taxes paid	(271,887)	(591,281)
Net cash provided by (used in) operating activities	5,334,298	6,615,371
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	125,351	688,976
Payments into time deposits	(298,234)	(779,720)
Purchase of property, plant and equipment	(75,805)	(71,154)
Purchase of intangible assets	(121,075)	(122,641)
Proceeds from acquisition of shares of subsidiaries resulting in change in scope of consolidation	—	61,372
Payments of leasehold and guarantee deposits	(4,876)	(201)
Proceeds from refund of leasehold and guarantee deposits	13,600	6,845
Other, net	28,618	38,077
Net cash provided by (used in) investing activities	(332,423)	(178,444)
Cash flows from financing activities		
Payments for purchase of treasury stock	—	(89,848)
Proceeds from sale of treasury stock	—	2,500
Repayments of long-term borrowings	(1,436)	(834)
Dividends paid	(382,013)	(429,597)
Other, net	(2,184)	(3,587)
Net cash provided by (used in) financing activities	(385,633)	(521,367)
Effect of exchange rate change on cash and cash equivalents	53,057	62,858
Net increase (decrease) in cash and cash equivalents	4,669,298	5,978,418
Cash and cash equivalents at beginning of period	13,980,087	17,188,267
Cash and cash equivalents at end of period	18,649,385	23,166,686

(4) Notes to Interim 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 six months ended June 30, 2023 (from January 1, 2023, to June 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 Interim Consolidated Statements of Income (Note 3)
	Domestic operations	Overseas operations	Total				
Net sales							
Water supply systems	2,582,558	1,578,405	4,160,964	—	4,160,964	—	4,160,964
Sewerage systems	7,239,005	141,362	7,380,367	—	7,380,367	—	7,380,367
Environmental systems and others	431,827	534,122	965,950	—	965,950	—	965,950
Revenue from contracts with customers	10,253,391	2,253,890	12,507,282	—	12,507,282	—	12,507,282
Other revenue	—	—	—	115,458	115,458	—	115,458
Net sales to outside customers	10,253,391	2,253,890	12,507,282	115,458	12,622,741	—	12,622,741
Intersegment net sales or transfers	—	—	—	—	—	—	—
Total	10,253,391	2,253,890	12,507,282	115,458	12,622,741	—	12,622,741
Segment profit	2,281,541	2,787	2,284,329	56,967	2,341,297	—	2,341,297

(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 interim consolidated statements of income.

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

Not applicable.

II. For the six months ended June 30, 2024 (from January 1, 2024, to June 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 Interim Consolidated Statements of Income (Note 2)
	Domestic operations	Overseas operations	Total			
Net sales						
Water supply systems	3,099,653	453,142	3,552,796	3,552,796	—	3,552,796
Sewerage systems	8,608,691	83,486	8,692,177	8,692,177	—	8,692,177
Environmental systems and others	426,517	679,844	1,106,362	1,106,362	—	1,106,362
Revenue from contracts with customers	12,134,863	1,216,473	13,351,336	13,351,336	—	13,351,336
Other revenue	—	—	—	—	—	—
Net sales to outside customers	12,134,863	1,216,473	13,351,336	13,351,336	—	13,351,336
Intersegment net sales or transfers	—	—	—	—	—	—
Total	12,134,863	1,216,473	13,351,336	13,351,336	—	13,351,336
Segment profit (loss)	3,346,470	(103,382)	3,243,087	3,243,087	—	3,243,087

(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 interim consolidated statements of income.

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

(Significant gain on negative goodwill)

In the current interim consolidated accounting period, a gain on negative goodwill of ¥42,549 thousand was recognized in the "Domestic operations" segment due to the acquisition of all shares of Doto Corporation and its inclusion in the scope of consolidation.

Gain on negative goodwill is not included in the above segment income because it is an extraordinary gain.

(Company Acquisitions, etc.)

1. Outline of acquisition

(1) Name of acquired company and description of its business

Name of acquired company	Doto Corporation
Business description	Design and consulting of water and sewage systems

(2) Main reason for business acquisition

By adding Doto Corporation, which boasts high technological capabilities in the implementation design of water and sewage pipeline facilities, to the Group, we aim to strengthen our competitiveness for the future decarbonized society and DX business, and further expand our business domain through synergy with the technological capabilities both companies have cultivated over the years.

(3) Date of acquisition

April 1, 2024

(4) Legal form of business combination

Acquisition of shares for cash.

(5) Company name after acquisition

No change.

(6) Percentage of voting rights acquired

100%

(7) Main basis for determining the acquiring company

The Company acquired the shares for cash consideration.

2. Period of the acquired company's results included in the interim consolidated statement of income for the interim consolidated accounting period.

From April 1, 2024, to June 30, 2024

3. Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition	Cash	310,000 thousand yen
Acquisition cost		310,000 thousand yen

4. Amount of negative goodwill incurred and reason for incurrence

(1) Amount of negative goodwill incurred

42,549 thousand yen

(2) Reason for incurrence of negative goodwill

The acquisition cost was less than the net asset value at fair value at the time of acquisition, therefore the value difference was recognized as gain on negative goodwill.