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Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 [Japanese GAAP]

May 13, 2024

Company name: MIRAIT One Corporation
Stock exchange listing: TSE
Code number: 1417
URL: https://www.mirait-one.com/english/
Representative: Toshiki Nakayama, President and CEO
Contact: Takaaki Mitsuya, Director and CFO
Phone: +81-3-6807-3124
Scheduled date of Ordinary General Meeting of Shareholders: June 25, 2024
Scheduled date of commencing dividend payments: June 26, 2024
Scheduled date of filing annual securities report: June 26, 2024
Availability of supplementary briefing material on annual results: Available
Schedule of annual results briefing session: Scheduled (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended March 31, 2024	518,384	7.1	17,830	(18.2)	18,690	(16.5)	12,535	(15.2)
Fiscal year ended March 31, 2023	483,987	2.9	21,803	(33.5)	22,384	(34.5)	14,781	(41.3)

(Note) Comprehensive income: Fiscal year ended March 31, 2024: 18,515 million yen [12.1%]
Fiscal year ended March 31, 2023: 16,517 million yen [(35.1)%]

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	yen	yen	%	%	%
Fiscal year ended March 31, 2024	133.34	–	5.0	3.9	3.4
Fiscal year ended March 31, 2023	151.20	–	6.0	5.1	4.5

(Reference)
Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2024: (169) million yen
Fiscal year ended March 31, 2023: (67) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of March 31, 2024	519,960	260,088	48.5	2,735.90
As of March 31, 2023	436,752	254,305	56.5	2,573.50

(Reference)
Equity: As of March 31, 2024: 251,978 million yen
As of March 31, 2023: 246,818 million yen

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal year ended March 31, 2024	33,625	(55,545)	38,816	48,017
Fiscal year ended March 31, 2023	5,315	(12,314)	(12,571)	30,399

2. Dividends

	Annual dividends per share					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended March 31, 2023	—	30.00	—	30.00	60.00	5,830	39.7	2.4
Fiscal year ended March 31, 2024	—	30.00	—	35.00	65.00	6,084	48.7	2.4
Fiscal year ending March 31, 2025 (Forecast)	—	35.00	—	40.00	75.00		37.8	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	570,000	10.0	27,000	51.4	28,000	49.8	18,000	43.6	198.12

* Notes:

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

(Changes in specified subsidiaries associated with changes in the scope of consolidation)

Addition: 1 company : Kokusai Kogyo Co., Ltd.

(2) Changes in accounting policies, changes in accounting estimates and corrections of errors

1) Changes in accounting policies due to the revision of accounting standards, etc.: None

2) Any changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Corrections of errors: None

(3) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury stock):

March 31, 2024	94,325,329 shares	March 31, 2023	103,325,329 shares

2) Total number of treasury stock at the end of the period:

March 31, 2024	2,224,417 shares	March 31, 2023	7,417,752 shares

3) Average number of shares outstanding during the period:

March 31, 2024	94,012,071 shares	March 31, 2023	97,762,150 shares

(Note) Total number of treasury stock includes the Company's stock held by the Board Incentive Plan trust under the Company's performance-linked stock remuneration program for directors who are not Audit and Supervisory Committee members and executive officers.

* Status of execution of the audit of financial statements

- This consolidated financial report is not subject to the audit of the financial statements under the Financial Instruments and Exchange Act.

*Explanation for the appropriate use of financial forecasts and other special notes

- While descriptions in this report regarding financial prospects and other future events are based on the information available at the time this report was prepared, and based on certain assumptions considered to be reasonable. Accordingly our actual business performance may differ significantly from the prospects due to a number of factors.

○ Table of Contents: Supplementary Materials

1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results for the Fiscal Year Ended March 31, 2023

During the fiscal year ended March 31, 2024, the Japanese economy was expected to continue its moderate recovery as economic and social activities moved toward normalization and the employment and income environment improved. However, the outlook remains uncertain owing to the effects of such issues as the prolonged situation in Ukraine, rises in prices, and global monetary tightening.

With regard to the business environment surrounding the MIRAIT ONE Group (“the Group”), digital transformation (DX) efforts by local governments and communities are being made to develop digital infrastructure throughout the nation and promote regional DX. In addition, there is an expectation that the following will be attained: promotion of regional decarbonization to contribute to regional development, the use of renewable energy and hydrogen that fit well with regional characteristics and climates, and realization of green transformation (GX), toward achieving carbon neutrality. There is also a need to improve resilience against natural disasters, which have been increasingly severe in recent years amid climate change.

In response to the 2024 Noto Peninsula Earthquake that occurred in January this year, the entire Group worked together to restore communication facilities in the affected areas as quickly as possible, and Kokusai Kogyo Co., Ltd., which became a subsidiary in December 2023, provided data such as aerial photographs to related organizations in order to quickly identify the damage situation of each area.

Against this backdrop, the Group aims to evolve into a corporate group that can contribute more than ever before to the resolution of social issues across a wide range of social infrastructure areas under its purpose and mission redefined in the previous year. The Group has formulated the MIRAIT ONE Group Vision 2030 as its business vision toward 2030 and the fifth Medium-term Management Plan for the five-year period started in the fiscal year ended March 31, 2023 or FY 2022. The Group has identified its growth areas, which are urban and regional development/corporate DX and GX, green energy business, software business, and global business as the “MIRAI (future) Domains” that it will focus on in the future.

With this year being the year we start to achieve business expansion driven by the growth of our human resources, we have accelerated the shift of business to “MIRAI Domains” and put in place a flexible system for human resources that supports strategic personnel development and challenges, as our growth strategy for human resources, while pushing forward MIRAIT ONE Smart Work/Life reforms.

In the Environmental and Social Innovation business, we strived to expand net sales by increasing green energy related work and civil engineering/construction works. In the fourth quarter, the addition of Kokusai Kogyo Co., Ltd. also contributed to an increase in net sales. Furthermore, we made efforts to increase orders through joint sales with SEIBU CONSTRUCTION CO., LTD.

In the ICT Solutions business, while there was a considerably unprofitable project, we strived to expand net sales through an increase in completed work related to global orders and LAN-related work along with an increase in the software business.

In the NTT business, we began discussion on the restructuring of a fixed-line access subsidiary with the aim of making further improvements in productivity, expanding into new business domains, and strengthening governance, while improving profit margins by increasing operational efficiency of the facility operation business.

In the Multi-carrier business, we consolidated operations and optimized the division of operations, despite a decrease in CATV work and some 5G infrastructure development work.

In addition, the Company flexibly repurchased its own shares (3.84 million shares, 7,000 million yen) to enhance shareholder returns, based on its flexible capital policy to respond to changes in the market environment. Meanwhile, treasury shares not intended for use were partially cancelled (9 million shares).

As for the consolidated financial results for the fiscal year ended March 31, 2024, orders received increased by 10.2% year-on-year to 549,057 million yen. Net sales increased by 7.1% year-on-year to 518,384 million yen. On the profit front, due to the impact of considerably unprofitable projects that materialized in the Environmental and Social Innovation business and the ICT Solutions business, operating profit decreased by 18.2% year-on-year to 17,830 million yen, and ordinary profit decreased by 16.5% year-on-year to 18,690 million yen. Profit attributable to owners of parent decreased by 15.2% year-on-year to 12,535 million yen. Operating profit ratio came in at 3.4%, and ROE at 5.0%.

Business results by reporting segment are as mentioned below.

[Business Results of MIRAIT ONE]
The Company has been working to address the five business transformation (5 Changes) to realize the "MIRAIT ONE Group Vision 2030" and the fifth Medium-term Management Plan. However, the Company faced a decline in the telecommunications business (NTT, Multi-carrier) due to telecommunications carriers curbing investment. In addition, there were a fall back from large orders won in the previous fiscal year in the ICT Solutions business, and the impact of unprofitable projects among large-scale projects that the Company took on as a new challenge. Consequently, orders received declined by 2.2% year-on-year to 299,254 million yen, net sales increased by 2.5% year-on-year to 297,481 million yen and operating profit decreased by 47.8% year-on-year to 6,676 million yen.

[Business Results of Lantrovision]
Although the post-COVID market recovery has been slower than anticipated mainly due to the impact of restrictions on the construction of new data centers in Singapore, and the competition environment in Singapore has also intensified due to higher labor costs caused by rising prices and a labor shortage, Lantrovision(S)Ltd Group ("Lantrovision") experienced demand growth in neighboring countries such as India and the Philippines and a weaker yen. As a result, orders received increased by 19.7% year-on-year to 30,288 million yen, net sales increased by 8.0% year-on year to 27,542 million yen, and operating profit decreased by 5.4% year-on-year to 1,517 million yen.

[Business Results of TTK]
TTK Co., Ltd. ("TTK") saw an increase in orders received mainly due to induction countermeasure works in the telecommunications business and quality improvement processes of mobile lines. Although TTK experienced a decrease in net sales as a result of fewer fiber optic connection works and a large increase in the balance brought forward due to some work orders concentrated in the second half of the fiscal year, there were also various efficiency improvement initiatives, such as revamping operation processes in the telecommunications business and bringing the mobile business in-house within the Group. As a result, orders received increased by 7.1% year-on-year to 41,951 million yen. Net sales decreased by 2.0% year-on-year to 37,650 million yen and operating profit decreased by 2.5% year-on-year to 2,745 million yen.

[Business Results of SOLCOM]
SOLCOM Co., Ltd. ("SOLCOM") received increased orders for solar power generation work and projects to develop road information infrastructure, despite a decrease in the telecommunications business due to telecommunications carriers curbing investment. SOLCOM also implemented measures to improve the efficiency of existing businesses and company-wide efforts to reduce costs. As a result, orders received increased by 3.1% year-on-year to 35,179 million yen, net sales decreased by 1.1% year-on-year to 33,547 million yen, and operating profit increased by 27.0% year-on-year to 1,399 million yen.

[Business Results of Shikokutsuken]

Shikokutsuken Co., Ltd. (“Shikokutsuken”) faced a decrease in the balance brought forward from the previous fiscal year and a decrease in the telecommunications business due to telecommunications carriers curbing investment. However, Shikokutsuken expanded opportunities to receive orders through relationship building, took on projects in new areas, aggressively pursued additional processes, and carried out thorough cost control and other efforts to improve profits. As a result, orders received increased by 13.3% year-on-year to 25,168 million yen. Net sales decreased by 4.6% year-on-year to 23,107 million yen and operating profit increased by 5.7% year-on-year to 2,471 million yen.

[Business Results of SEIBU CONSTRUCTION]
Amid a more favorable order environment than the previous fiscal year, SEIBU CONSTRUCTION Co., Ltd. (“SEIBU CONSTRUCTION”) particularly focused its efforts on obtaining orders for private sector works, including those of the Seibu Group, and private sector works progressed smoothly as well. As a result, orders received increased by 19.7% year-on-year to 64,718 million yen, net sales increased by 29.7% year-on-year to 66,962 million yen and operating profit increased by 164.8% year-on-year to 1,493 million yen.

[Business Results of MIRAIT ONE SYSTEMS]
MIRAIT ONE SYSTEMS Corporation (“MIRAIT ONE SYSTEMS”) focused its efforts on expanding business by strengthening the software business, developing software, and building and maintaining system infrastructure. In particular, MIRAIT ONE SYSTEMS sought to receive orders for new large projects and large renewal projects, while reducing costs through productivity improvement. Consequently, orders received increased by 16.7% year-on-year to 28,547 million yen, net sales increased by 6.3% year-on-year to 26,970 million yen, and operating profit increased by 60.4% year-on-year to 1,894 million yen.

[Business Results of Kokusai Kogyo]
Kokusai Kogyo Co., Ltd. (“Kokusai Kogyo”) mainly engages in surveying, research, planning, and designing and will be responsible for upstream processes to realize “vertical integration” aimed at accelerating the Group’s full-value model. Kokusai Kogyo focused its efforts on fields related to DX and GX as well as urban and regional development based on its spatial information technology. The company also improved productivity and proactively embraced innovative technology as demand from national resilience measures and 3D urban model expanded. Consequently, orders received were 33,110 million yen including balance brought forward, net sales were 13,037 million yen, and operating profit amounted to 604 million yen.

(Note) The financial results figures for Kokusai Kogyo reflect consolidated operating results for three months based on the business combination accounting as a result of Kokusai Kogyo becoming a subsidiary.

(2) Overview of Financial Position for the Fiscal Year Ended March 31, 2023

Total assets at the end of the fiscal year ended March 31, 2024 amounted to 519,960 million yen, an increase of 83,208 million yen from the end of the previous fiscal year. This consisted of an increase in current assets of 32,144 million yen and an increase in non-current assets of 51,063 million yen. This was mainly due to increases in cash and deposits as well as notes receivable, accounts receivable from completed construction contracts and other, etc. in current assets, and increases in customer related assets and goodwill in non-current assets, caused by the acquisition of shares of Kokusai Kogyo Co., Ltd. and inclusion of the company in the scope of consolidation.

Total liabilities increased by 77,426 million yen to 259,872 million yen. This consisted of an increase in current liabilities of 67,606 million yen and an increase in non-current liabilities of 9,819 million yen. This was mainly due to an increase in short-term borrowings in current liabilities following the acquisition of shares of Kokusai Kogyo Co., Ltd. and an increase of retirement benefit liability in non-current liabilities.

Net assets increased by 5,782 million yen to 260,088 million yen. Although the Company paid dividends and repurchased its own shares, retained earnings increased by 6,807 million yen due to profit attributable to owners of parent of 12,535 million yen recorded during the fiscal year under review.

As a result of the above, the equity ratio at the end of the fiscal year ended March 31, 2024 was 48.5% (compared to 56.5% at the end of the previous fiscal year), and net assets per share was 2,735.90 yen.

(3) Overview of Cash Flows for the Fiscal Year Ended March 31, 2024

In the fiscal year ended March 31, 2024, cash and cash equivalents (hereinafter referred to as “funds”) increased by 17,617 million yen from the previous fiscal year to 48,017 million yen.

Cash flows by business activity and the underlying factors are described below.

1) Cash flow from operating activities

Net cash inflow from operating activities was 33,625 million yen (inflow of 5,315 million yen in the previous fiscal year). This was mainly attributable to income before income taxes of 20,488 million yen.

2) Cash flow from investment activities

Net cash outflow from investment activities was 55,545 million yen (outflow of 12,314 million yen in the previous fiscal year). This was mainly attributable to the payment of 49,863 million yen for the acquisition of subsidiaries shares with changes in the scope of consolidation.

3) Cash flow from financing activities

Net cash inflow from financing activities was 38,816 million yen (outflow of 12,571 million yen in the previous year). This was mainly attributable to an increase of 53,496 million yen in short-term borrowings, which more than offset the outflow for share repurchases of 7,537 million yen and dividend payments of 5,725 million yen.

(Reference) Trends in the Group’s cash flow indicators

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Equity ratio	61.2	63.1	55.6	56.5	48.5
Marked-to-market equity ratio	41.1	51.6	44.5	36.2	33.8
Ratio of cash flow to interest-bearing debt	350.7	24.5	462.4	1,149.6	348.2
Interest coverage ratio	146.1	844.3	321.6	29.5	159.2

(Notes) 1. Calculation methods for each indicator are as follows:

Equity ratio: Equity / Total assets

Marked-to-market equity ratio: Total market capitalization / Total assets

Ratio of cash flow to interest-bearing debt: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payment

2. All indicators are calculated based on consolidated financial data.

3. Total market capitalization is calculated by multiplying the closing share price as at the end of the fiscal year by the number of shares outstanding as at the end of the fiscal year (after deducting treasury stock).

4. Cash flow used for the purposes of the calculation is the cash flow from operating activities as reported in the Consolidated Statement of Cash Flows.

5. Interest-bearing debt includes all liabilities reported in the Consolidated Balance Sheets for which

interest is paid. Interest payment is the amount of interest paid as reported in the Consolidated Statement of Cash Flows.

(4) Future Outlook

As for the consolidated financial performance in the fiscal year ending March 31, 2025, the outlook is uncertain at this point due to unstable international conditions such as the Ukraine situation and rising prices caused by the weak yen. However, we will further accelerate the shift of business to the new growth areas in "MIRAI (future) Domains," by preventing recurrence of unprofitable projects and materializing business synergies from the addition of SEIBU CONSTRUCTION CO., LTD., and Kokusai Kogyo Co., Ltd., which became a subsidiary in December 2023. Furthermore, we will continue to put in place a flexible system for human resources that supports strategic personnel development and challenges, as our growth strategy for human talent, and push forward MIRAIT ONE Smart Work/Life reforms. We will also improve productivity through the promotion of DX in existing businesses and other measures. Moreover, we will start local management reform, in which the carrier business assets of three regional companies and MIRAIT ONE branches will be shared and consolidated to secure profit, and the ICT business will be consolidated and strengthened to achieve a top-line expansion.

Based on these efforts, for the consolidated financial performance in the fiscal year ending March 31, 2025, we forecast the following:

- orders received of 580.0 billion yen (+6.4% year-on-year);
- net sales of 570.0 billion yen (+10.0% year-on-year);
- operating profit of 27.0 billion yen (+51.4% year-on-year);
- ordinary profit of 28.0 billion yen (+49.8% year-on-year) and
- profit attributable to owners of parent of 18.0 billion yen (+43.6% year-on-year).

(5) Basic Policy for Earnings Distribution and Dividend Payment for the Fiscal Year Ended March 31, 2023 and the Fiscal Year Ending March 31, 2024

The Company has enhanced its existing policy on shareholder returns with the management strategy from a balance sheet perspective announced in November 2023. Our policy is to return profits to shareholders with the target total shareholder return range of 50% to 70% through stable dividend growth and flexible share repurchases.

On the other hand, we will proactively cancel treasury stock that has no purpose of use.

Dividends from retained earnings are basically paid twice a year, in the form of an interim dividend and a year-end dividend. The Board of Directors is the decision-making body for interim dividends, and the General Meeting of Shareholders is that for year-end dividends. Payment of interim dividends as stipulated under Article 454, Paragraph 5 of the Companies Act has been specified by the Articles of Incorporation of the Company.

Based on the above, the Company has decided to pay a year-end dividend of 35 yen per share for the fiscal year ended March 31, 2024. Accordingly, the annual dividend including the interim dividend of 30 yen per share is 65 yen per share.

The Company also repurchased shares (total of 3.84 million shares/ 7,000 million yen) to enhance shareholder returns and based on its capital policy to respond flexibly to changes in the business environment. As a result, the total shareholder return ratio was 104.5%.

As for shareholder returns for the fiscal year ending March 31, 2025, the Company plans to pay an annual dividend of 75 yen per share (interim dividend of 35 yen and year-end dividend of 40 yen per share), which is an increase of 10 yen per share from the previous year. In addition, on May 13, 2024, the Company resolved to repurchase its own shares of up to 1.50 million shares/ 2,000 million yen.

Also, in April, Of the share buybacks decided on February 27, 2024, 510,000 shares/ 1,000 million yen have been implemented.

(6) Business Risks

The MIRAIT ONE Group is exposed to the following risks that could affect its operating results and financial position. Forward-looking statements contained herein are based on the Group's judgment as at the end of the fiscal year ended March 31, 2024.

1) Risks associated with excessive dependence on particular clients

The main clients of the Group are telecommunications carriers such as the NTT Group. Owing to the fact that they account for a large portion of net sales, their capital expenditures or technological breakthroughs and other factors could affect the Group's business results.

Thus, the Group is expediting the transition of its business structure from the telecommunications carrier business to the solutions business and shifting to "MIRAI Domains," which is positioned as new growth areas, as well as creating new business opportunities beyond its traditional business domains and technologies.

2) Risks associated with safety and quality issues

In the event of serious accidents, quality issues or other contingencies, there may be severe consequences which may result in the loss of clients' confidence and restrictions on the Group's operating activities, affecting its business results.

The Group is therefore wholly committed to ensuring safety and quality controls needed to deliver quality engineering and services that deserve customers' trust and appreciation, by leveraging the integrated safety and quality management system.

3) Risks associated with the management of critical information

The Group may access critical information,
such as technical data and personal information provided by clients and business partners. In the event of unforeseen information leakage or malicious use of such information, the Group may suffer liability for damages and others with potential impact on its financial results. Such event may also result in the loss of client's and business partner's confidence, affecting the Group's business results.

The Group is therefore wholly committed to the prevention of leakage of classified information through the use of ISMS (information security management system).

4) Risks associated with uncertainties regarding clients' credit quality

If uncertainties arise regarding the credit quality of a client or a business partner, the Group may not be able to receive payments for construction work or may be forced to delay projects, which could affect the Group's business results.

The Group therefore adopts measures to avoid credit risks, such as the use of external credit agencies for client credit risk management, and contract document reviews by the legal section.

5) Risks associated with material procurement and price hikes

In the event of difficulty in the material supply or delays in delivery due to natural disasters, war, terrorism, or epidemics of novel infectious diseases, or in the event of rising construction costs due to soaring prices of raw materials, equipment and materials, and energy, construction projects may be suspended or delayed. Furthermore, the Group's business performance may be affected if clients hold back on investments or postpone investment decisions.

The Group therefore meticulously manages the process to minimize the extension of the construction period by, for example, prioritizing the processes that are not experiencing shortages of supplies. In addition, measures are taken to mitigate the risk of rising construction costs by incorporating into contract clauses the terms and conditions for raw material price increases, and by passing the higher costs on to construction prices.

6) Risks associated with assets held by the Group

The Group holds assets such as securities that are necessary for its business operations. Significant fluctuation in market prices thereof could affect the Group's business results.

The Group therefore adopts measures to avoid risks associated with fluctuations in value of such assets, such as by assessing its securities holdings both quantitatively and qualitatively and gradually reducing those that have less significance for the Group's business.

7) Risks associated with natural disasters, etc.

The occurrence of contingencies such as severe natural disasters and the spread of epidemic diseases could cause direct damage on the Group's employees, subcontractors and facilities, or cause outage of lifeline utility and fuel shortage. In such an event, construction may be halted and the contracted construction period may be delayed, which may affect the Group's business results.

The Group has adopted countermeasures against events such as natural disasters including earthquakes and the spread of epidemic diseases, including the formulation of a business continuity plan (BCP), establishment of a system to confirm the safety of employees, conducting of evacuation drills, and adopting of new workstyles.

8) Risks associated with overseas businesses

The Group operates businesses in countries outside of Japan, primarily in Asia and Oceania. Significant changes in the political and economic climate, currency exchange rate and the legal and regulatory framework, or the spread of epidemic diseases, or rapid rises in material prices and labor costs in these countries may affect the Group's business results.

The Group is striving to prevent and mitigate such risks by gathering information within the Group and by appropriately diversifying the countries in which the Group operates.

9) Risks associated with climate changes

As problems caused by global climate change are becoming more apparent, companies are required to give consideration to the environment mainly by reducing greenhouse gas emissions and industrial waste. Such consideration is often required of not only individual companies but also all companies in the supply chain. If the Group companies and partner companies fail to take appropriate measures, our business with suppliers may be restricted and the Group's business performance may be affected.

To respond to this, the Group clarified its commitment to "building and maintaining an environmentally friendly society" as its material issues. The Group also endorsed the Task Force on Climate-related Financial Disclosures (TCFD) to analyze risks and opportunities in the Group's business in line with its framework. Furthermore, we are working to identify greenhouse gas (GHG) emitted through our business activities and are committed to initiatives and other measures to reduce it and to further reduce industrial waste.

10) Risks associated with M&A

The Group strives to expand its business domains and transform business models through M&A with which synergy effects are expected, with the aim of increasing corporate value of the Group. However, if outcomes such as the profit growth and synergy effects expected from an M&A target company are not realized, the Group’s business performance may be affected.

To avoid this, before conducting an M&A, the Group carefully examines whether the M&A is in line with the Group’s growth strategy. We also consider the outlook for future market trends, business plans, and synergies with the Group. In the post-merger acquisition integration process, the Group identifies the items to be implemented and the timeframe for their achievement, strengthens monitoring, and works to maximize synergy effects.

11) Risks associated with legal compliance

The Group is authorized and licensed under laws and regulations including the Construction Business Act, Telecommunications Business Act, and Radio Act, and conducts its business activities in accordance with relevant laws and regulations in business operations. In the event of a violation of any of these laws, the Group's business performance and credibility may be affected.

The Group therefore closely monitors legal revisions and other developments in the relevant internal departments and promptly shares such information within the Group, reviewing internal regulations as necessary. In addition, efforts are continuously made to ensure compliance with laws and regulations by conducting awareness-raising activities for employees of the Group and partner companies, and by establishing an effective internal audit and consultation system.

2. Overview of Corporate Group

The MIRAIT ONE Group comprises MIRAIT ONE Corporation as the business holding company, and 85 consolidated subsidiaries including Lantrovision(S)Ltd, TTK Co., Ltd, SOLCOM Co., Ltd., Shikokutsuken Co., Ltd., SEIBU CONSTRUCTION Co., LTD., MIRAIT ONE SYSTEMS Corporation. and Kokusai Kogyo Co., Ltd. The main businesses operated by the Group are Environmental & Social Innovation business, ICT Solutions business, NTT business, and Multi-carrier business.

The Group's operational structure is as follows.

(As of March 31, 2024)

Clients

MIRAIT ONE Group

Main Businesses
- Environmental & social innovation business
- ICT solution business
- NTT business
- Multi-carrier business

MIRAIT ONE Corporation

[Consolidated subsidiaries]
AST-ENG Corp. / A-Rise Co., Ltd / M's Frontier Corporation / Okisokou.Co., Ltd.
KATAKURA CONSTRUCTION Co., Ltd. / KINKIDENKI Co.,Ltd. / Ground Create Co., Ltd. / COTONET ENGINEERING Co., Ltd.
Comlead Co., Ltd. / SHINKO ELECTRIC Co.,LTD / DAIMEI TUSAN CO.,LTD. / Infraise Co.,Ltd
TODENTSU Access Corporation / TODENTSU NETWORK Co.,Ltd / Tohoken System Engineering Corp. / Nishinihondenko Corporation
Nissetsu Co., Ltd. / Fucom Corp. / HOPE NET Co., Ltd. / MIRAIT-X Corporation
MIRAIT Solutions Corporation / MIRAIT Mobile East Co., ltd. / MIRAIT Mobile West Co., Ltd. / MiratecDrone Corp.
Meisei Correspondence Co., Ltd. / Line Connect Corporation / Lapisnet Co., Ltd. / Ligare Co., Ltd.
Libnet Co., Ltd. / MIRAIT Technologies Australia Pty.Limited

[Affiliates accounted for using the equity method] 4 Companies

Lantrovision(S)Ltd

[Consolidated subsidiaries]
Lantro (S) Pte Ltd / Lantro (Malaysia) Sdn Bhd / Lantro (HK) Limited / VRnet (S) Pte Ltd / Lantro (Taiwan) Limited
Lantrovision Korea Co Ltd / Lantro (Shanghai) Co Ltd / Appsilan Asia Pte Ltd / Lantro Phils. Inc / Lantro (Penang) Sdn Bhd
Lantro Myanmar Co Ltd / Lantro Technologies India Private Limited / Innovative Energy Systems & Technology Pte Ltd
PT. Lantro Technologies Indonesia / YL Integrated Pte Ltd / Nectric Engineering Pte Ltd / Sun Power Electrical Pte Ltd
Shanghai Changling Communication Equipment Co.,Ltd.

[Affiliates accounted for using the equity method] 5 Companies

TTK Co., Ltd.

[Consolidated subsidiaries]
TTK ENG Miyagi Co.,Ltd / HOKUBU Co.,Ltd. / TTK ENG Iwate Co.,Ltd / TTK ENG Aomori Co.,Ltd
TTK ENG Akita Co.,Ltd / TTK ENG Yamagata Co.,Ltd / TTK ENG Fukushima Co.,Ltd / Tsukada Electrical Construction Co., Ltd
Futatsuyama Construction Co., Ltd

SOLCOM Co., Ltd.

[Consolidated subsidiaries]
SOLCOMMEISTER Co.,Ltd. / Yuwakogyo Corporation / Solcom Business Survice Corporation
Seikenkogyo Co.,Ltd. / Chugokutsushinshizai Corporation / Dentsushizai Corporation

[Affiliates accounted for using the equity method] 2 Companies

Shikokutsuken Co., Ltd.

[Consolidated subsidiaries]
Ochidenki Corporation / STK Techno Corporation

SEIBU CONSTRUCTION CO.,LTD.

MIRAIT ONE SYSTEMS Corporation

[Consolidated subsidiaries]
ACTIS Co., Ltd. / CREiST Inc. / TIMETEC Co., Ltd. / Trust System Corporation

Kokusai Kogyo Co., Ltd.

[Consolidated subsidiaries]
KKC Systems Co., Ltd. / TDS Co., Ltd. / Kokusai Data Production Center Co., Ltd. / Ryukyu Kokusai Kogyo Co., Ltd.
Meiji consultant co.,ltd. / AiNest Co., Ltd. / Sango Himawari Energy Co., Ltd. / Kokusai Taiwan Limited
ThinkTron Limited

[Affiliates accounted for using the equity method] 3 Companies

Changes in affiliated companies are as follows:

1) DAIMEI TECHNO CO., LTD. was removed from the scope of consolidation from the first quarter of the consolidated fiscal year under review, following its dissolution as a result of an absorption-type merger by which Tokai-koei Inc. (trade name changed to Infraise Co., Ltd on April 1, 2023) became a surviving company.
2) As a result of the acquisition of all outstanding shares of Kokusai Kogyo Co., Ltd., from the third quarter of the consolidated fiscal year under review, Kokusai Kogyo Co., Ltd. and its ten consolidated subsidiaries (Meiji consultant co., ltd. and nine other companies) were added to the scope of consolidation, and three equity method affiliates of Kokusai Kogyo Co., Ltd. (RTi-cast Inc. and two other companies) were added to the scope of equity method affiliates.
3) Associate Lease Co., Ltd., a consolidated subsidiary of Kokusai Kogyo Co., Ltd., was removed from the scope of consolidation from the fourth quarter of the consolidated fiscal year under review, following its dissolution.

3. Management Policy

(1) Basic Management Policy

The MIRAIT ONE Group has redefined its purpose and mission through the business integration of July 2022. While thoroughly nurturing existing businesses and services, we will further accelerate business expansion by identifying up and coming growth areas, the “MIRAI (future) Domains,” and mobilizing group resources to expand urban and regional development/corporate DX and GX, green energy business, software business, and global business. By working to help customers and society solve problems and revitalize local communities, we are striving to increase corporate value and achieve sustainable growth.

<u>Purpose</u>

Co-creating an exciting future through challenges and technology.

<u>Mission</u>

・Meeting customer expectations and contributing to realize a prosperous society.
・Constantly refining our technology and business model to add more value.
・Building and maintaining future social infrastructure with our partners.
・Creating an attractive corporate culture with a diverse and dynamic workforce.
・Continuing to be a trusted company through improved sustainability and strict compliance.

(2) Medium-term Management Strategy and Targeted Management Benchmarks

The Group has formulated the MIRAIT ONE Group Vision 2030 as its business vision toward 2030 and the fifth Medium-term Management Plan for the five-year period started in the fiscal year ended March 31, 2023 or FY2022 . The Group has identified its growth areas, which are urban and regional development, corporate DX and GX, green energy business, software business, and global business, as the “MIRAI (future) Domains” that it will focus on in the future.

〔Overview of the medium-term management plan〕

Target management indicators（Target for 2026）

・Net sales 720.0 bil. yen
・Operating income ratio 7.5%+
・ROE 10.0%+
・EPS growth rate 10%+ (per year)

(3) Issues to be Addressed

In the business environment for the MIRAIT ONE Group, capital investment associated with telecommunications carriers' infrastructure is trending downward over the medium to long term, and going forward, the shift toward solutions-based investments is expected to continue.

On the other hand, efforts for digital transformation (DX) by local governments and communities are being made to develop digital infrastructure throughout the nation and promote regional DX. In addition, there is an expectation that the following will be attained: promotion of regional decarbonization to contribute to regional development, the use of renewable energy and hydrogen that fit well with regional characteristics and climates, and realization of green transformation (GX), toward achieving carbon-neutral society. There is also a need to improve resilience against natural disasters, which have been increasingly severe in recent years amid climate change.

Against this backdrop, it will be necessary for the Group to promote operations that address the changing business environment, and based on the new redefinition of purpose and mission, we aim to evolve into a corporate group that continues to contribute to the resolution of social issues in a wider range of social infrastructure areas than ever before. With an eye toward 2030, the new business vision "MIRAIT ONE Group Vision 2030" is our roadmap to addressing the five business transformations, "5 changes." Viewing the previous fiscal year as the year to start to achieve business expansion driven by the growth of our human capitals, we accelerated the shift of business to new growth areas, "MIRAI Domains," and took on new business areas. However, this move caused several large-scale unprofitable projects, and as a result, in ensuring prevention of future recurrence, the "Business Risk Management Office" has been set up to perform thorough risk assessment on individual projects, conduct risk management smoothly, and share case examples and know-how for managing risks. With the establishment of this organizational unit, we will strive to conduct optimal risk management when taking on new business areas and steadily expand "MIRAI Domains."

We will continue our endeavors to be a reliable corporate group that "builds and protects" the social infrastructure of the future.

4. Basic Approach Concerning the Selection of Accounting Policies

The MIRAIT Group operates its businesses primarily in Japan. Hence, the policy of the Company is to prepare its consolidated financial statements based on Japanese accounting standards for the time being.

The Company will respond appropriately based on developments of its overseas businesses and the situation with other Japanese companies in applying IFRS (International Financial Reporting Standards).

(Notes)

This document contains forward-looking statements based on the plans, outlooks, management strategies and policies of the Group at the time of its issuance. Such forward-looking statements describe management judgments and assumptions based on information available at this time.

As such, actual business results could be significantly different from those stated in this document due to changes in the various underlying conditions. Thus, please be advised that the Company cannot guarantee the accuracy of the forward-looking statements in this document into the future.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	32,482	50,036
Notes receivable, accounts receivable from completed construction contracts and other	190,131	205,212
Investments in leases	4,803	5,416
Costs on construction contracts in progress	31,717	31,097
Prepaid expenses	1,163	1,626
Accounts receivable - other	5,127	3,803
Other	7,091	7,696
Allowance for doubtful accounts	(12)	(237)
Total current assets	272,506	304,651
Non-current assets		
Property, plant and equipment		
Buildings and structures	67,585	72,412
Machinery, vehicles, tools, furniture and fixtures	22,691	27,538
Land	35,862	36,114
Leased assets	9,975	11,592
Construction in progress	1,788	1,620
Accumulated depreciation	(44,432)	(49,168)
Total property, plant and equipment	93,470	100,110
Intangible assets		
Customer related assets	12,315	29,900
Goodwill	20,687	38,570
Software	1,490	1,412
Software in progress	4,031	5,612
Other	197	169
Total intangible assets	38,723	75,666
Investments and other assets		
Investment securities	17,833	19,454
Retirement benefit asset	7,097	11,241
Deferred tax assets	4,004	3,396
Leasehold and guarantee deposits	1,592	2,655
Other	1,869	3,142
Allowance for doubtful accounts	(346)	(357)
Total investments and other assets	32,051	39,532
Total non-current assets	164,246	215,309
Total assets	436,752	519,960

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	67,708	64,011
Short-term borrowings	21,505	75,148
Lease obligations	3,305	3,539
Accounts payable - other	5,404	6,110
Income taxes payable	3,595	5,347
Advances received on construction contracts in progress	5,247	11,261
Provision for loss on construction contracts	733	1,490
Provision for loss on orders received	76	125
Provision for bonuses	8,532	10,920
Provision for bonuses for directors (and other officers)	120	152
Provision for warranties for completed construction	94	1,074
Other	8,742	13,490
Total current liabilities	125,066	192,672
Non-current liabilities		
Long-term borrowings	30,011	31,003
Lease obligations	6,290	7,402
Deferred tax liabilities	3,486	7,593
Deferred tax liabilities for land revaluation	41	28
Provision for retirement benefits for directors (and other officers)	89	97
Provision for share-based payments	355	437
Retirement benefit liability	15,782	18,686
Asset retirement obligations	887	1,450
Other	434	500
Total non-current liabilities	57,380	67,199
Total liabilities	182,446	259,872
Net assets		
Shareholders' equity		
Share capital	7,000	7,000
Capital surplus	61,280	45,775
Retained earnings	184,041	190,849
Treasury shares	(12,329)	(3,793)
Total shareholders' equity	239,993	239,832
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,729	3,674
Revaluation reserve for land	(98)	(85)
Foreign currency translation adjustment	2,555	4,256
Remeasurements of defined benefit plans	1,638	4,301
Total accumulated other comprehensive income	6,824	12,146
Non-controlling interests	7,487	8,109
Total net assets	254,305	260,088
Total liabilities and net assets	436,752	519,960

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	483,987	518,384
Cost of sales	423,491	456,601
Gross profit	60,495	61,782
Selling, general and administrative expenses	38,692	43,952
Operating profit	21,803	17,830
Non-operating income		
Interest income	122	328
Dividend income	419	377
Foreign exchange gains	–	379
Rental income from real estate	287	174
Surrender value of insurance policies	280	138
Other	318	334
Total non-operating income	1,427	1,734
Non-operating expenses		
Interest expenses	179	208
Share of loss of entities accounted for using equity method	67	169
Foreign exchange losses	126	–
Commission expenses	173	119
Fair value adjustment of contingent consideration	–	181
Infectious disease control costs	12	–
Other	287	194
Total non-operating expenses	846	874
Ordinary profit	22,384	18,690
Extraordinary income		
Gain on sale of non-current assets	124	190
Gain on sale of investment securities	1,104	1,957
Other	240	108
Total extraordinary income	1,469	2,255
Extraordinary losses		
Loss on sale of non-current assets	14	11
Loss on retirement of non-current assets	70	166
Loss on sale of investment securities	25	–
Loss on valuation of investment securities	–	202
Business restructuring expenses	317	–
Other	183	77
Total extraordinary losses	610	457
Profit before income taxes	23,243	20,488

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Income taxes - current	8,272	7,749
Income taxes - deferred	(231)	(402)
Total income taxes	8,041	7,347
Profit	15,201	13,141
Profit attributable to		
Profit attributable to non-controlling interests	420	606
Profit attributable to owners of parent	14,781	12,535
Other comprehensive income		
Valuation difference on available-for-sale securities	(281)	969
Revaluation reserve for land	–	13
Foreign currency translation adjustment	2,370	1,357
Remeasurements of defined benefit plans, net of tax	(723)	2,714
Share of other comprehensive income of entities accounted for using equity method	(49)	318
Total other comprehensive income	1,315	5,374
Comprehensive income	16,517	18,515
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,108	17,857
Comprehensive income attributable to non-controlling interests	408	658

(3) Consolidated Statement of Changes in Net Assets

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,000	69,652	175,815	(15,844)	236,623
Changes during period					
Dividends of surplus			(5,924)		(5,924)
Profit attributable to owners of parent			14,781		14,781
Purchase of treasury shares				(4,998)	(4,998)
Disposal of treasury shares		(0)		118	118
Cancellation of treasury shares		(8,394)		8,394	—
Change in ownership interest of parent due to transactions with non-controlling interests		23			23
Fluctuation resulting from exclusion of equity method affiliates			(630)		(630)
Net changes in items other than shareholders' equity					
Total changes during period	—	(8,371)	8,226	3,514	3,369
Balance at end of period	7,000	61,280	184,041	(12,329)	239,993

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,011	(98)	236	2,347	5,497	7,116	249,237
Changes during period							
Dividends of surplus							(5,924)
Profit attributable to owners of parent							14,781
Purchase of treasury shares							(4,998)
Disposal of treasury shares							118
Cancellation of treasury shares							—
Change in ownership interest of parent due to transactions with non-controlling interests							23
Fluctuation resulting from exclusion of equity method affiliates 7							(630)
Net changes in items other than shareholders' equity	(281)	—	2,318	(709)	1,327	371	1,698
Total changes during period	(281)	—	2,318	(709)	1,327	371	5,068
Balance at end of period	2,729	(98)	2,555	1,638	6,824	7,487	254,305

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,000	61,280	184,041	(12,329)	239,993
Changes during period					
Dividends of surplus			(5,727)		(5,727)
Profit attributable to owners of parent			12,535		12,535
Purchase of treasury shares				(7,537)	(7,537)
Disposal of treasury shares		9		561	571
Cancellation of treasury shares		(15,512)		15,512	—
Change in ownership interest of parent due to transactions with non-controlling interests		(2)			(2)
Fluctuation resulting from exclusion of equity method affiliates					—
Net changes in items other than shareholders' equity					
Total changes during period	—	(15,505)	6,807	8,536	(161)
Balance at end of period	7,000	45,775	190,849	(3,793)	239,832

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,729	(98)	2,555	1,638	6,824	7,487	254,305
Changes during period							
Dividends of surplus							(5,727)
Profit attributable to owners of parent							12,535
Purchase of treasury shares							(7,537)
Disposal of treasury shares							571
Cancellation of treasury shares							—
Change in ownership interest of parent due to transactions with non-controlling interests							(2)
Fluctuation resulting from exclusion of equity method affiliates 7							—
Net changes in items other than shareholders' equity	944	13	1,700	2,662	5,322	621	5,944
Total changes during period	944	13	1,700	2,662	5,322	621	5,782
Balance at end of period	3,674	(85)	4,256	4,301	12,146	8,109	260,088

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	23,243	20,488
Depreciation	8,030	8,511
Amortization of goodwill	1,426	1,750
Share of loss (profit) of entities accounted for using equity method	67	169
Increase (decrease) in allowance for doubtful accounts	11	220
Increase (decrease) in provision for bonuses	196	1,401
Increase (decrease) in provision for loss on construction contracts	(521)	757
Increase (decrease) in other provisions	(183)	998
Remeasurements of defined benefit plans	(709)	2,662
Increase (decrease) in net defined benefit asset and liability	1,037	(3,850)
Interest and dividend income	(541)	(706)
Interest expenses	179	208
Foreign exchange losses (gains)	126	(349)
Loss (gain) on sale of investment securities	(1,078)	(1,957)
Loss (gain) on sale and retirement of non-current assets	(40)	(12)
Decrease (increase) in trade receivables	(7,982)	5,789
Decrease (increase) in costs on construction contracts in progress	(984)	799
Increase (decrease) in trade payables	(147)	(7,141)
Increase (decrease) in advances received on construction contracts in progress	(2,385)	5,950
Increase (decrease) in accrued consumption taxes	(323)	(7)
Decrease (increase) in consumption taxes refund receivable	(309)	134
Increase/decrease in other assets/liabilities	(4,383)	2,912
Other, net	273	754
Subtotal	15,001	39,485
Interest and dividends received	594	730
Interest paid	(179)	(211)
Income taxes paid	(10,100)	(6,379)
Net cash provided by (used in) operating activities	5,315	33,625

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from investing activities		
Payments into time deposits	(1,276)	(994)
Proceeds from withdrawal of time deposits	1,269	1,294
Purchase of property, plant and equipment	(5,595)	(6,009)
Proceeds from sale of property, plant and equipment	363	386
Purchase of intangible assets	(2,241)	(2,484)
Purchase of investment securities	(4,704)	(58)
Proceeds from sale of investment securities	3,001	2,592
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(49,863)
Net decrease (increase) in short-term loans receivable	(103)	(261)
Payments for acquisition of businesses	(3,266)	–
Proceeds from cancellation of insurance funds	231	161
Other, net	9	(307)
Net cash provided by (used in) investing activities	(12,314)	(55,545)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(28,602)	53,496
Proceeds from long-term borrowings	29,826	–
Repayments of long-term borrowings	(24)	(50)
Purchase of treasury shares	(4,998)	(7,537)
Decrease (increase) in deposits for purchase of treasury shares	(1,005)	17
Dividends paid	(5,924)	(5,725)
Dividends paid to non-controlling interests	(115)	(155)
Repayments of finance lease obligations	(1,659)	(1,747)
Other, net	(67)	518
Net cash provided by (used in) financing activities	(12,571)	38,816
Effect of exchange rate change on cash and cash equivalents	1,068	720
Net increase (decrease) in cash and cash equivalents	(18,501)	17,617
Cash and cash equivalents at beginning of period	48,901	30,399
Cash and cash equivalents at end of period	30,399	48,017

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Segment information)

[Segment information]

1. Description of reportable segments

(1) Method of determining reportable segments

The reportable segments of the Company are individual units for which separate financial information is available, and that are subject to a periodic review by the Board of Directors for the purposes of determining the allocation of management resources and evaluating performance.

The MIRAIT ONE Group, the business groups, which are centered on the business companies, form comprehensive strategies and engage in activities for their respective businesses.

The Company acquired shares of Kokusai Kogyo Co., Ltd. and added it to the scope of consolidation. Accordingly, “Kokusai Kogyo” is added to the Company’s reportable segments.

Hence, the eight reportable segments of the Company are “MIRAIT ONE”, “Lantrovision”, “TTK”, “SOLCOM”, “Shikokutsuken”, “SEIBU CONSTRUCTION”, “MIRAIT ONE SYSTEMS” and “Kokusai Kogyo”

(2) Types of products and services attributable to each reportable segment

“MIRAIT ONE,” “TTK,” “SOLCOM” and “Shikokutsuken” engage in Environmental and social innovation business, ICT solutions business and Telecommunications infrastructure business. “Lantrovision” and “MIRAIT ONE SYSTEMS” engage in ICT solutions business. “SEIBU CONSTRUCTION” and “Kokusai Kogyo” engage in Environmental and social innovation business.

2. Method of calculating sales, income, assets and other items for each reportable segment

Accounting methods applied to the reportable business segments are generally in line with those applied to the consolidated financial statements.

Segment income reflects the operating income for each reportable segment. Internal revenue and transfers between segments are based on actual market prices.

3. Sales and income, assets and other items by reportable segment

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(million yen)

	Reportable segment						
	MIRAIT ONE	Lantrovision	TTK	SOLCOM	Shikoku tsuken	SEIBU CONSTRUCTION	MIRAIT ONE SYSTEMS
Net sales							
Net sales to external customers	289,637	25,233	38,290	33,884	24,093	51,126	21,722
Inter-segment sales or transfers	692	259	148	49	129	498	3,643
Total	290,329	25,492	38,438	33,933	24,222	51,624	25,365
Segment income	12,778	1,603	2,816	1,101	2,339	563	1,181
Segment assets	251,156	29,710	34,968	40,245	23,571	83,599	9,670
Other items							
Depreciation and amortization	4,894	711	772	685	167	708	91
Increase in property, plant and equipment and intangible assets	6,419	854	1,054	528	210	193	308

	Total	Adjustments (Note 1)	Amount in Consolidated Financial Statements (Note 2)
Net sales			
Net sales to external customers	483,987	—	483,987
Inter-segment sales or transfers	5,419	(5,419)	—
Total	489,406	(5,419)	483,987
Segment income	22,384	(581)	21,803
Segment assets	472,923	(36,171)	436,752
Other items			
Depreciation and amortization	8,030	—	8,030
Increase in property, plant and equipment and intangible assets	9,570	—	9,570

(Notes) 1. The amounts adjusted are as follows:

(1) Adjustments for segment income in the amount of (581) million yen include adjustments for retirement benefits in the amount of (399) million yen, respectively.

(2) Adjustments for segment assets in the amount of (36,171) million yen include the netting of receivables in the amount of (29,722) million yen.

2. Segment income is adjusted to the operating income reported in the Consolidated Statement of Income and Comprehensive Income.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(million yen)

	Reportable segment							
	MIRAIT ONE	Lantrovision	TTK	SOLCOM	Shikoku tsuken	SEIBU CONSTRUCTION	MIRAIT ONE SYSTEMS	Kokusai Kogyo
Net sales								
Net sales to external customers	295,861	27,512	37,306	33,327	23,044	65,283	23,011	13,037
Inter-segment sales or transfers	1,619	30	344	219	62	1,679	3,958	—
Total	297,481	27,542	37,650	33,547	23,107	66,962	26,970	13,037
Segment income	6,676	1,517	2,745	1,399	2,471	1,493	1,894	604
Segment assets	266,040	33,656	34,698	41,812	24,201	89,395	11,013	78,160
Other items								
Depreciation and amortization	4,732	865	738	645	181	712	135	500
Increase in property, plant and equipment and intangible assets	6,211	1,065	1,298	1,077	186	141	102	375

	Total	Adjustments (Note 1)	Amount in Consolidated Financial Statements (Note 2)
Net sales			
Net sales to external customers	518,384	—	518,384
Inter-segment sales or transfers	7,915	(7,915)	—
Total	526,300	(7,915)	518,384
Segment income	18,801	(970)	17,830
Segment assets	578,979	(59,018)	519,960
Other items			
Depreciation and amortization	8,511	—	8,511
Increase in property, plant and equipment and intangible assets	10,459	—	10,459

(Notes) 1. The amounts adjusted are as follows:

(1) Adjustments for segment income in the amount of (970) million yen include adjustments for retirement benefits in the amount of (484) million yen, respectively.

(2) Adjustments for segment assets in the amount of (59,018) million yen include the netting of receivables in the amount of (51,035) million yen.

2. Segment income is adjusted to the operating income reported in the Consolidated Statement of Income and Comprehensive Income.

(Associated information)

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

1. Information for individual products and services

(million yen)

	Environmental and social innovation business	ICT solutions business	Telecommunications infrastructure business	Total
Net sales to external customers	112,041	127,768	244,177	483,987

2. Information for individual regions

(1) Net sales

Information on net sales for individual regions is omitted given that sales to domestic external customers account for more than 90% of net sales reported in the Consolidated Statement of Income and Comprehensive Income.

(2) Property, plant and equipment

Information on property, plant and equipment for individual regions is omitted given that domestic assets represent more than 90% of property, plant and equipment as reported in the Consolidated Balance Sheet.

3. Information regarding major customers

(million yen)

Name of customer	Net sales	Associated business segments
Nippon Telegraph and Telephone East Corporation	89,497	MIRAIT ONE TTK MIRAIT ONE SYSTEMS
Nippon Telegraph and Telephone West Corporation	59,668	MIRAIT ONE SOLCOM Shikokutsuken MIRAIT ONE SYSTEMS
NTT DOCOMO, INC.	28,403	MIRAIT ONE TTK SOLCOM Shikokutsuken MIRAIT ONE SYSTEMS

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

1. Information for individual products and services

(million yen)

	Environmental and social innovation business	ICT solutions business	Telecommunications infrastructure business	Total
Net sales to external customers	143,806	143,133	231,445	518,384

2. Information for individual regions

(1) Net sales

Information on net sales for individual regions is omitted given that sales to domestic external customers account for more than 90% of net sales reported in the Consolidated Statement of Income and Comprehensive Income.

(2) Property, plant and equipment

Information on property, plant and equipment for individual regions is omitted given that domestic assets represent more than 90% of property, plant and equipment as reported in the Consolidated Balance Sheet.

3. Information regarding major customers

(million yen)

Name of customer	Net sales	Associated business segments
Nippon Telegraph and Telephone East Corporation	86,791	MIRAIT ONE TTK
Nippon Telegraph and Telephone West Corporation	58,685	MIRAIT ONE SOLCOM Shikokutsuken MIRAIT ONE SYSTEMS
NTT DOCOMO, INC.	25,976	MIRAIT ONE TTK SOLCOM Shikokutsuken MIRAIT ONE SYSTEMS

(Segment information for impairment of non-current assets)

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

Omitted due to immateriality.

(Segment information for amortized and outstanding amounts of goodwill)

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(million yen)

	Reportable segment							
	MIRAIT ONE	Lantrovision	TTK	SOLCOM	Shikoku tsuken	SEIBU CONSTRUCTION	MIRAIT ONE SYSTEMS	Total
(Goodwill) Amortized amount	50	379	12	—	96	888	—	1,426
Balance at end of current period	1,186	2,518	28	—	72	16,882	—	20,687

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(million yen)

	Reportable segment								
	MIRAIT ONE	Lantrovision	TTK	SOLCOM	Shikoku tsuken	SEIBU CONSTRUCTION	MIRAIT ONE SYSTEMS	Kokusai Kogyo	Total
(Goodwill) Amortized amount	116	416	13	—	72	888	—	242	1,750
Balance at end of current period	1,070	2,312	14	—	—	15,993	—	19,179	38,570

(Per share information)

	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)
Net assets per share	2,573.50 yen	2,735.90 yen
Net income per share	151.20 yen	133.34 yen

(Note) The basis for calculating net income per share and diluted net income per share is as follows:

	Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)
Net income per share		
Net income attributable to owners of parent (million yen)	14,781	12,535
Net income not attributable to common shareholders (million yen)	-	-
Net income attributable to owners of parent attributable to common stock (million yen)	14,781	12,535
Average number of outstanding shares of common stock during the fiscal year (thousand shares)	97,762	94,012

(Note) 1. The diluted net income per share for the consolidated fiscal year under review is not stated because there are no dilutive shares outstanding.

2. In calculating net income per share, treasury shares held in trust accounted for in shareholder's equity are included in the number of own shares which is deducted from the average number of outstanding shares of common stock for the fiscal year. For the fiscal year ended March 31, 2024, the average number of own shares outstanding deducted for the purposes of calculating net income per share was 533,286. The average number of own shares at the end of the fiscal year ended March 31, 2023 was 330,453.

(Significant subsequent events)

On May 13, 2024, the Board of Directors of the Company resolved to repurchase its own shares pursuant to Article 156 of the Companies Act of Japan, applied pursuant to Paragraph 3, Article 165 of the Companies Act.

1. Reasons for share repurchase
   To enhance shareholder return and to facilitate flexible implementation of capital policy in response to changes in the business environment.
2. Type of shares to be repurchased
   Common stock
3. Total number of shares to be repurchased
   Up to 1,500,000 shares (1.63% of outstanding shares excluding treasury stock)
4. Total repurchase amount
   Up to 2.0 billion yen
5. Repurchase period
   May 14, 2024 to September 30, 2024
6. Repurchase method
   Market purchases on the Tokyo Stock Exchange