Consolidated Financial Results
for the Nine Months Ended December 31, 2021 [Japanese GAAP]

February 10, 2022

Company name: MIRAIT Holdings Corporation　Stock exchange listing: TSE
Code Number: 1417　URL: https://www.mirait.co.jp/
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Scheduled date for filing of quarterly report: February 10, 2022
Scheduled date for commencement of dividend payment: —
Supplementary briefing materials on quarterly results: Available
Quarterly results briefing: None

(Amounts are rounded down to the nearest one million)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021
(April 1, 2021 to December 31, 2021)

(1) Consolidated Operating Results (cumulative)

(% indicates change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended December 31, 2021	324,598	6.6	19,105	23.8	20,154	18.6	15,279	9.7
Nine months ended December 31, 2020	304,459	5.5	15,434	70.3	16,998	64.0	13,934	121.0

(Note) Comprehensive income: Nine months ended December 31, 2021　14,114 million yen (15.1%)
Nine months ended December 31, 2020　12,267 million yen (42.7%)

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended December 31, 2021	151.97	–
Nine months ended December 31, 2020	130.54	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of December 31, 2021	337,675	237,895	69.0
As of March 31, 2021	358,751	231,323	63.1

(Reference) Equity: As of December 31, 2021　232,869 million yen
As of March 31, 2021　226,389 million yen

2. Dividends

	Annual dividends per share				
	End of 1Q	End of2Q	End of 3Q	Year-end	Total
	yen	yen	yen	yen	Yen
Fiscal year ended March 31, 2021	–	22.50	–	22.50	45.00
Fiscal year ending March 31, 2022	–	25.00	–		
Fiscal year ending March 31, 2022 (forecast)				30.00	55.00

(Note) Revision of dividend forecasts from recently announced figures: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022
(April 1, 2021 to March 31, 2022)

(% indicates change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	Yen
Full year ending March 31, 2022	480,000	3.5	32,000	6.2	33,500	5.5	22,500	(7.0)	224.09

(Note) Revision of financial results forecasts from recently announced figures: None

* Notes:

(1) Significant changes in subsidiaries during the period under review: None

(2) Application of specific accounting practices for preparing consolidated quarterly financial statements: Yes

(3) Changes in accounting principles and changes or restatements of accounting estimates:

1) Changes in accounting principles due to revision of accounting standards: Yes

2) Changes in accounting principles other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

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

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

December 31, 2021	108,325,329 shares	March 31, 2021	108,325,329 shares

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

December 31, 2021	8,331,400 shares	March 31, 2021	6,907,718 shares

3) Average number of shares outstanding during the period

December 31, 2021	100,538,525 shares	December 31, 2020	106,742,903 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 and executive officers.

* Implementation status of quarterly review processes

- This quarterly summary of consolidated financial results is not subject to the quarterly review procedures stipulated under the Financial Instruments and Exchange Act.

* Explanation regarding the appropriate use of performance forecasts, and other items warranting special mention

- The performance forecasts and other forward-looking statements in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Accordingly, actual performance may differ materially depending on various factors.

Table of Contents: Supplementary Materials

1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results for the Period under Review

During the first nine months of the current consolidated period (from April 1, 2021 to December 31, 2021), Japan witnessed signs of a gradual recovery and normalization of economic activity following the lifting of the state of emergency and other restrictions at the end of September. However, the number of COVID-19 cases surged once again with the spread of the new variant, causing renewed uncertainties. Downside risks impacting the supply chain, such as the COVID-19 situation, semiconductor shortage and rise in raw material costs, continues to warrant caution.

As for the business environment for the MIRAIT Group ("the Group"), some projects remain behind schedule due to voluntary restraints and delays in the delivery of construction materials. However, the Group is benefitting from the increase in mobile work due to base station installment plans brought forward on the back of the proliferation of fifth-generation mobile telecommunication (5G) services. In addition, demand for new ICT solutions is rising with the penetration of online classrooms/ teleworking and digital transformation. Furthermore, the government's "green growth strategy", including initiatives to promote the shift to renewable energy to achieve a carbon-free society, is expected to boost demand to build more robust digital infrastructure, while also driving growth in projects to achieve regional revitalization through the creation of decarbonized communities.

Against this backdrop, the MIRAIT Group has continued business operations as a trusted "Comprehensive Engineering and Services Company" that builds and protects social infrastructure that is essential to communities, while taking appropriate measures to prevent the spread of COVID-19. At the same time, the Group is endeavoring to enhance corporate value and to achieve sustainable growth through initiatives to elevate the efficiency of business operations, including those to promote workstyle reforms and DX.

During the first nine months of the current consolidated period, the MIRAIT Group strived to expand sales. In the NTT business, optical fiber work increased on the back of government-supported projects to expand advanced wireless telecommunication networks. Mobile-related work increased in the Multi-carrier business as plans to build 5G base stations were brought forward with the penetration of 5G-related services, and electrical/ lighting work increased in the Environmental and Social Innovation business. Furthermore, in the ICT Solutions business, LAN/PBX work, Lantrovision's global business and sales of mobile-related construction materials increased. Meanwhile, the Group continued to promote operational efficiency to maintain and improve on profitability.

Moreover, the Group is accelerating efforts to transform its business structure. Specifically, progress was made with preparations for the tri-party merger with MIRAIT Co., Ltd. and MIRAIT Technologies Co., Ltd. scheduled for July 2022. The Group also commenced discussions to reorganize the software business into a strategic subsidiary.

As for the consolidated financial results for the first nine months ended December 2021, orders received increased by 2.0% year-on-year to 358,289 million yen, net sales increased by 6.6% year-on-year to 324,598 million yen, operating income increased by 23.8% year-on-year to 19,105 million yen, ordinary income increased by 18.6% year-on-year to 20,154 million yen, and net income attributable to owners of parent increased by 9.7% year-on-year to 15,279 million yen.

As announced January 27, 2022, Seibu Construction Co. Ltd. will be made a subsidiary of the MIRAIT Group effective March 31, 2022. The MIRAIT Group will continue to strive to further strengthen its business foundation and to enhance its corporate value.

(2) Overview of Financial Position for the Period under Review

Total assets at the end of the second quarter of the current consolidated period amounted to 337,675 million yen, a decrease of 21,076 million yen from the end of the previous fiscal year. This was mainly due to the decrease in accounts receivables including those from completed construction contracts and other and the decrease in investment securities reflecting the sale of policy shareholdings, which more than offset the increase in costs on construction contracts in progress and other.

Total liabilities decreased by 27,648 million yen to 99,780 million yen, mainly due to the decrease in accounts payable for construction contracts and other, and income taxes payable.

Net assets increased by 6,572 million yen to 237,895 million yen due to 15,279 million yen in net income attributable to owners of parent recorded during the quarter, which more than offset the dividend payment of 4,801 million yen and the share repurchase of 2,999 million yen.

As a result of the above, the equity ratio at the end of the second quarter stood at 69.0% (compared with 63.1% at the end of the previous fiscal year).

(3) Future Outlook

The consolidated financial results forecast for the fiscal year ending March 31, 2022, as announced on November 12, 2021, remains unchanged.

2. Notes to Summary Information (Explanatory Notes)

(1) Changes in Important Subsidiaries during the Period under Review

Not applicable.

(2) Application of Specific Accounting Practices for Preparing Consolidated Quarterly Financial Statements

Calculation of tax expense

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes for the current fiscal year, including the third quarter ended December 31, 2021, and then multiplying income before income taxes for the nine months with the said estimated effective tax rate.

The statutory tax rate is applied if the tax expense calculated using the estimated effective tax rate lacks rationality to a significant degree.

3. Consolidated Quarterly Financial Statements and Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2021	Nine Months Ended December 31, 2021
Assets		
Current assets		
Cash and deposits	44,764	38,011
Notes receivable, accounts receivable from completed construction contracts and other	147,605	120,971
Costs on construction contracts in progress	30,789	42,421
Investments in leases	5,460	4,528
Other	4,902	10,406
Allowance for doubtful accounts	(26)	(11)
Total current assets	233,494	216,328
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	38,546	40,761
Land	32,891	35,252
Construction in progress	5,602	2,840
Other, net	9,614	9,393
Total property, plant and equipment	86,655	88,247
Intangible assets		
Customer related assets	2,523	2,503
Goodwill	3,094	2,845
Software	1,620	2,656
Other	311	271
Total intangible assets	7,549	8,277
Investments and other assets		
Investment securities	22,562	14,487
Retirement benefit asset	2,988	4,001
Deferred tax assets	2,504	3,369
Leasehold and guarantee deposits	1,425	1,440
Other	1,798	1,702
Allowance for doubtful accounts	(227)	(179)
Total investments and other assets	31,052	24,821
Total non-current asset	125,256	121,347
Total assets	358,751	337,675

(Millions of yen)

	Fiscal Year Ended March 31, 2021	Nine Months Ended December 31, 2021
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	63,213	50,784
Short-term borrowings	186	186
Income taxes payable	8,086	1,363
Lease obligations	3,347	3,372
Advances received on construction contracts in progress	3,150	4,390
Provision for loss on construction contracts	1,299	805
Provision for bonuses	8,023	3,951
Provision for bonuses for directors (and other officers)	101	77
Provision for warranties for completed construction	10	15
Other	15,599	10,950
Total current liabilities	103,018	75,898
Non-current liabilities		
Long-term accounts payable - other	1,324	773
Lease obligations	6,592	5,675
Deferred tax liabilities	1,139	940
Deferred tax liabilities for land revaluation	41	41
Provision for retirement benefits for directors (and other officers)	122	76
Provision for share-based compensation	310	359
Retirement benefit liability	13,974	15,258
Asset retirement obligations	189	202
Other	714	552
Total non-current liabilities	24,409	23,881
Total liabilities	127,428	99,780
Net assets		
Shareholders' equity		
Share capital	7,000	7,000
Capital surplus	69,571	69,638
Retained earnings	155,239	165,930
Treasury shares	(10,888)	(13,843)
Total shareholders' equity	220,922	228,725
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,660	2,512
Revaluation reserve for land	(98)	(98)
Foreign currency translation adjustment	(1,126)	(253)
Remeasurements of defined benefit plans	2,031	1,984
Total accumulated other comprehensive income	5,466	4,144
Non-controlling interests	4,934	5,025
Total net assets	231,323	237,895
Total liabilities and net assets	358,751	337,675

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

Nine Months Ended December 31, 2021

(Millions of yen)

	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2021
Net sales of completed construction contracts	304,459	324,598
Cost of sales of completed construction contracts	266,916	281,038
Gross profit on completed construction contracts	37,542	43,560
Selling, general and administrative expenses	22,107	24,454
Operating profit	15,434	19,105
Non-operating income		
Interest income	42	35
Dividend income	970	622
Foreign exchange gains	284	—
Surrender value of insurance policies	102	54
Share of profit of entities accounted for using equity method	—	154
Other	329	375
Total non-operating income	1,729	1,241
Non-operating expenses		
Interest expenses	32	39
Share of loss of entities accounted for using equity method	59	—
Foreign exchange losses	—	11
Infectious disease control costs	—	56
Other	73	85
Total non-operating expenses	165	192
Ordinary profit	16,998	20,154
Extraordinary income		
Gain on sale of non-current assets	16	643
Gain on sale of investment securities	4,277	2,973
Gain on revision of retirement benefit plan	271	—
Other	3	34
Total extraordinary income	4,569	3,652
Extraordinary losses		
Loss on sale of non-current assets	0	28
Loss on retirement of non-current assets	105	80
Loss on sale of investment securities	5	—
Loss on valuation of investment securities	59	0
Loss on revision of retirement benefit plan	—	34
Business restructuring expenses	—	70
Other	73	71
Total extraordinary losses	244	285
Profit before income taxes	21,323	23,521
Income taxes	7,161	8,089
Profit	14,161	15,432
Profit attributable to		
Profit attributable to owners of parent	13,934	15,279
Profit attributable to non-controlling interests	227	152

(Millions of yen)

	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2021
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,190)	(2,149)
Foreign currency translation adjustment	(921)	875
Remeasurements of defined benefit plans, net of tax	216	(47)
Share of other comprehensive income of entities accounted for using equity method	0	3
Total other comprehensive income	(1,894)	(1,317)
Comprehensive income	12,267	14,114
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,038	13,956
Comprehensive income attributable to non-controlling interests	229	157

(3) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes to shareholders' equity)

On May 14, 2021, the Board of Directors of the Company resolved to repurchase its own shares in the market pursuant to Article 156 of the Companies Act of Japan, applied pursuant to Paragraph 3, Article 165 of the Companies Act, following which the Company purchased 1,457,800 shares of its common stock of an amount of 2,999 million yen. As a result, the Company's treasury stock increased by the same amount.

(Changes in accounting principles)

(Application of Accounting Standard for Revenue Recognition)

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 dated March 31, 2020) and other relevant standards from the beginning of the first quarter of the current consolidated fiscal period. Under the new accounting policy, revenue is recognized as the amount expected to be received in exchange for promised goods or services when the control of such goods or services is transferred to the customer.

Major changes resulting from the application of the "Accounting Standard for Revenue Recognition", etc., are described below.

(1) Performance obligations satisfied over a certain period of time

The Company previously applied the percentage-of-completion method for construction contracts in which the outcome of the portion of the construction to be completed at the end of the consolidated fiscal year was deemed to be certain. The completed contract method was applied for other construction contracts.

Under the new accounting policy, revenue is recognized over a certain period in accordance with the progress on satisfaction of performance obligations, with the exception of small and short-term construction work. If the progress on satisfaction of performance obligations cannot be reasonably estimated, but costs incurred to satisfy such performance obligations is expected to be recovered, revenue is recognized within the scope of actual costs incurred.

(2) Transactions deemed to be agency transactions

The Company previously recognized the total amount received from customers in exchange for goods for certain sales transactions. Under the new accounting policy, revenue for sales transactions in which the Company acts as an agent is recognized as the net amount after deducting the amount that is paid to the supplier of such goods from the amount received from customers.

In accordance with the transitional treatment stipulated in the proviso of Article 84 of the "Accounting Standard for Revenue Recognition", retained earnings as of the beginning of the first quarter of the current consolidated fiscal period has been adjusted to reflect the cumulative effects of retrospectively applying the new accounting policy to periods prior to the beginning of the first quarter of the current consolidated fiscal period, and the new accounting policy is applied from the said balance.

As a result of the application of the new accounting policy, net sales for the first nine months increased by 7,080 million yen, cost of sales by 6,740 million yen, and operating income, ordinary income and profit before income taxes by 340 million yen. Retained earnings at the beginning of the period under review increased by 63 million yen.

In accordance with the transitional treatment stipulated in Article 89-2 of the "Accounting Standard for Revenue Recognition", the Company has not reclassified the statements for the previous consolidated fiscal year to conform to the new accounting policy.

(Application of Accounting Standard for Fair Value Measurement)

The Company has adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 dated July 4, 2019) and other relevant standards, from the beginning of the first quarter of the current consolidated fiscal period. In accordance with the transitional treatment stipulated in Article 19 of the "Accounting Standard for Fair Value Measurement" and Article 44-2 of the "Accounting Standard for Financial Instruments (ASBJ Statement No. 10 dated July 4, 2019), the new accounting policy set forth in the "Accounting Standard for Fair Value Measurement", etc., is applied into the future. This has no effect on the quarterly consolidated financial statements.