

Consolidated Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]



August 5, 2021

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 5011
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 Scheduled date of filing quarterly securities report: August 6, 2021
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Not available
 Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of the parent company | |
|--------------------|-------------|-----|------------------|--------|-----------------|--------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended | | | | | | | | |
| June 30, 2021 | 14,133 | - | 671 | (35.3) | 762 | (43.3) | 384 | (57.8) |
| June 30, 2020 | 12,772 | 8.9 | 1,036 | - | 1,345 | - | 910 | - |

(Note) Comprehensive income: Three months ended June 30, 2021: ¥559 million [(50.2)%]
 Three months ended June 30, 2020: ¥1,121 million [-%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Three months ended | | |
| June 30, 2021 | 12.58 | - |
| June 30, 2020 | 31.75 | - |

(Note) As the Company has implemented the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and such since the beginning of the first quarter of the consolidated fiscal year under review, the figures presented for the three months ended June 30, 2021, are those after the implementation of the said standard and such. Changes in net sales from the previous corresponding period are not presented.

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|----------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of June 30, 2021 | 77,613 | 61,833 | 79.7 |
| As of March 31, 2021 | 82,732 | 62,010 | 74.9 |

(Reference) Equity: As of June 30, 2021: ¥61,833 million
 As of March 31, 2021: ¥61,997 million

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|--------------|--------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended March 31, 2021 | Yen - | Yen - | Yen - | Yen 38.00 | Yen 38.00 |
| Fiscal year ending March 31, 2022 | - | | | | |
| Fiscal year ending March 31, 2022 (Forecast) | | - | - | 38.00 | 38.00 |

(Note) Revision to the dividends forecast announced most recently: No

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

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of the parent company | | Basic earnings per share |
|------------|-------------|---|------------------|--------|-----------------|--------|---|--------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| First half | 27,000 | - | 1,300 | (55.4) | 1,400 | (56.9) | 900 | (57.4) | 29.48 |
| Full year | 73,000 | - | 7,000 | (23.4) | 7,200 | (24.8) | 4,400 | (30.8) | 144.13 |

(Note) Revision to the financial results forecast announced most recently: No

(Note) As the Company has implemented the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and such since the beginning of the first quarter of the consolidated fiscal year under review, forecasts of consolidated financial results for the first half are those after the implementation of the said standard and such. Changes in net sales from the previous corresponding period are not presented.

*Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2021 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

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

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(Note) For more details, please refer to “(3) Notes to the Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” in “2. Quarterly Consolidated Financial Statements and Primary Notes” on page 8 of the Appendix.

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

1) Total number of issued shares at the end of the fiscal year (including treasury shares):

As of June 30, 2021: 31,685,955 shares

As of March 31, 2021: 31,685,955 shares

2) Total number of treasury shares at the end of the fiscal year:

As of June 30, 2021: 1,117,287 shares

As of March 31, 2021: 1,414,587 shares

3) Average number of shares during the fiscal year:

Three months ended June 30, 2021: 30,527,704 shares

Three months ended June 30, 2020: 28,671,651 shares

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

*Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable as of the date of publication of this document. Actual results may differ significantly from these forecasts due to a wide range of factors.

For assumptions of the forecasts of the financial results and precautions in using the forecasts, please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information” in “1. Qualitative Information on Quarterly Financial Results for the Period under Review” on page 2 of these quarterly consolidated financial results (Appendix).

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

In the three months ended June 30, 2021, the Japanese economy was on a gradual recovery trend as corporate earnings and business confidence improved mainly thanks to an increase in exports while economic activities were restricted due to the effects of novel coronavirus disease (COVID-19). Although moves of recovery are expected to continue due in part to effects of various policies as vaccination is progressing, the outlook of the economy remains uncertain as the number of new cases of COVID-19 started increasing again in July and because of some other factors.

The business environment surrounding the Group requires close watch on negative factors for business results, including soaring crude oil prices, while construction demand is growing for preventing and mitigating disasters, national resilience measures, etc.

In this environment, the Group implemented various measures aimed at growing into a sustainable corporate group by taking resilient measures, with the entire organization working in a body, under quick and accurate decision-making, in the first year of its Medium-term Management Plan “Resilience 2025 (Shinayaka 2025).”

In the three months ended June 30, 2021, the Group posted net sales of ¥14,133 million (net sales of ¥12,772 million in the previous corresponding period), operating profit of ¥671 million (down 35.3% year on year), ordinary profit of ¥762 million (down 43.3% year on year), and profit attributable to owners of the parent company of ¥384 million (down 57.8% year on year). With the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., net sales decreased by ¥181 million.

Results by business segment were as follows.

Applied and Processed Asphalt Products Business

In the Applied and Processed Asphalt Products Business, we worked on design and marketing activities for high value-added products contributing to “longer pavement life and higher performance” and “reduction of environmental load” as well as on cost reduction, in addition to measures to cope with soaring prices of raw materials.

Net sales for the segment were ¥4,793 million (net sales of ¥4,089 million in the previous corresponding period) and segment profit was ¥927 million (down 17.1% year on year) in the three months ended June 30, 2021. With the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., net sales decreased by ¥181 million.

Road Paving Business

In the Road Paving Business, in addition to steady execution of construction work carried forward from the previous fiscal year and strengthened cost management, we pushed forward with marketing activities by providing proposals on construction methods for ordered properties, including preventing and mitigating disasters and national resilience measures.

Net sales for the segment were ¥9,263 million (up 7.6% year on year) and segment profit was ¥512 million (up 9.1% year on year) in the three months ended June 30, 2021.

Other Business

In the Other Business, net sales for the segment were ¥76 million (up 0.9% year on year) and segment profit was ¥58 million (up 8.2% year on year) mainly due to real estate lease revenue.

(2) Explanation of Financial Position

Total assets decreased by ¥5,119 million from the end of the previous fiscal year to ¥77,613 million. This is attributable mainly to a decrease in notes and accounts receivable – trade by ¥20,305 million despite increases in notes and accounts receivable – trade, and contract assets by ¥14,230 million and income taxes receivable by ¥530 million.

Liabilities decreased by ¥4,943 million from the end of the previous fiscal year to ¥15,779 million. This is attributable mainly to decreases in accounts payable – trade by ¥2,099 million and income taxes payable by ¥1,948 million.

Net assets decreased by ¥176 million from the end of the previous fiscal year to ¥61,833 million. This is attributable mainly to a decrease in retained earnings by ¥766 million despite an increase in capital surplus by ¥251 million.

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

With regard to the forecast for the fiscal year ending March 31, 2022, no change has been made to the full-year consolidated financial results forecast, which was announced on May 7, 2021.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2021 | As of June 30, 2021 |
|--|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 25,920 | 26,109 |
| Notes and accounts receivable - trade, and contract assets | - | 14,230 |
| Notes and accounts receivable - trade | 20,305 | - |
| Electronically recorded monetary claims - operating | 2,922 | 2,473 |
| Merchandise and finished goods | 1,101 | 1,155 |
| Costs on construction contracts in progress | 328 | 583 |
| Raw materials and supplies | 730 | 1,003 |
| Income taxes receivable | 10 | 540 |
| Current portion of long-term loans receivable from subsidiaries and associates | 67 | 67 |
| Derivatives | 458 | 644 |
| Other | 310 | 438 |
| Allowance for doubtful accounts | (79) | (77) |
| Total current assets | 52,076 | 47,168 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,123 | 6,223 |
| Machinery, equipment and vehicles, net | 3,291 | 3,236 |
| Land | 10,541 | 10,541 |
| Leased assets, net | 295 | 279 |
| Construction in progress | 293 | 186 |
| Other, net | 591 | 588 |
| Total property, plant and equipment | 21,136 | 21,057 |
| Intangible assets | | |
| Other | 728 | 686 |
| Total intangible assets | 728 | 686 |
| Investments and other assets | | |
| Investment securities | 5,143 | 5,162 |
| Investments in capital of subsidiaries and associates | 671 | 630 |
| Long-term loans receivable from subsidiaries and associates | 490 | 490 |
| Deferred tax assets | 408 | 344 |
| Long-term time deposits | 1,920 | 1,920 |
| Other | 593 | 590 |
| Allowance for doubtful accounts | (438) | (438) |
| Total investments and other assets | 8,791 | 8,701 |
| Total non-current assets | 30,656 | 30,444 |
| Total assets | 82,732 | 77,613 |

(Million yen)

| | As of March 31, 2021 | As of June 30, 2021 |
|---|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 8,761 | 6,662 |
| Electronically recorded obligations - operating | 1,485 | 1,902 |
| Short-term borrowings | 1,900 | 1,900 |
| Accounts payable - other | 1,438 | 862 |
| Income taxes payable | 2,022 | 73 |
| Contract liabilities | - | 163 |
| Provision for bonuses | 961 | 540 |
| Other provisions | 198 | 59 |
| Other | 2,159 | 1,693 |
| Total current liabilities | 18,926 | 13,858 |
| Non-current liabilities | | |
| Long-term accounts payable - other | 5 | 5 |
| Lease obligations | 230 | 211 |
| Long-term deposits received | 48 | 48 |
| Deferred tax liabilities | 533 | 784 |
| Provision for environmental measures | 287 | 287 |
| Retirement benefit liability | 557 | 450 |
| Asset retirement obligations | 133 | 133 |
| Total non-current liabilities | 1,796 | 1,920 |
| Total liabilities | 20,722 | 15,779 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,919 | 2,919 |
| Capital surplus | 3,430 | 3,681 |
| Retained earnings | 53,574 | 52,808 |
| Treasury shares | (835) | (659) |
| Total shareholders' equity | 59,088 | 58,750 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,093 | 2,113 |
| Deferred gains or losses on hedges | 318 | 446 |
| Foreign currency translation adjustment | 6 | 49 |
| Remeasurements of defined benefit plans | 490 | 473 |
| Total accumulated other comprehensive income | 2,908 | 3,083 |
| Share acquisition rights | 12 | - |
| Total net assets | 62,010 | 61,833 |
| Total liabilities and net assets | 82,732 | 77,613 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income
For the Three-Month Period

(Million yen)

| | For the three months ended June 30, 2020 | For the three months ended June 30, 2021 |
|---|---|---|
| Net sales | 12,772 | 14,133 |
| Cost of sales | 9,600 | 11,098 |
| Gross profit | 3,172 | 3,034 |
| Selling, general and administrative expenses | 2,135 | 2,363 |
| Operating profit | 1,036 | 671 |
| Non-operating income | | |
| Interest income | 12 | 1 |
| Dividend income | 315 | 87 |
| Foreign exchange gains | 16 | 57 |
| Other | 3 | 8 |
| Total non-operating income | 348 | 155 |
| Non-operating expenses | | |
| Interest expenses | 0 | 1 |
| Share of loss of entities accounted for using equity method | 36 | 58 |
| Other | 2 | 3 |
| Total non-operating expenses | 39 | 63 |
| Ordinary profit | 1,345 | 762 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 5 | 1 |
| Compensation income | - | 37 |
| Other | 4 | 9 |
| Total extraordinary income | 9 | 49 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 0 | 4 |
| Loss on disaster | 30 | 1 |
| Special repairs expenses | - | 37 |
| Other | - | 0 |
| Total extraordinary losses | 31 | 43 |
| Profit before income taxes | 1,323 | 768 |
| Income taxes - current | 180 | 118 |
| Income taxes - deferred | 233 | 265 |
| Total income taxes | 413 | 384 |
| Profit | 910 | 384 |
| Profit attributable to owners of the parent company | 910 | 384 |

Consolidated Statements of Comprehensive Income
For the Three-Month Period

(Million yen)

| | For the three months ended June 30, 2020 | For the three months ended June 30, 2021 |
|--|---|---|
| Profit | 910 | 384 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 167 | 20 |
| Deferred gains or losses on hedges | 71 | 128 |
| Foreign currency translation adjustment | (2) | 7 |
| Remeasurements of defined benefit plans, net of tax | (11) | (16) |
| Share of other comprehensive income of entities accounted for using equity method | (12) | 35 |
| Total other comprehensive income | 211 | 174 |
| Comprehensive income | 1,121 | 559 |
| Comprehensive income attributable to Comprehensive income attributable to owners of the parent company | 1,121 | 559 |

(3) Notes to the Quarterly Consolidated Financial Statements
(Notes on Going Concern Assumption)

There is no relevant information.

(Notes in the Case of Significant Changes in Shareholders' Equity)

For the Three Months Ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

There is no relevant information.

(Changes in Accounting Policies)

1. Application of the Accounting Standard for Revenue Recognition, etc.

With the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc., effective from the beginning of the first quarter under review, revenue is recognized when the control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for the said promised goods or services.

Major changes resulting from the application of the Revenue Recognition Accounting Standard, etc. are as follows.

(1) Revenue recognition on transactions through agent

Though revenue mainly from the domestic distribution business in the Applied and Processed Asphalt Products Business was previously recognized as the total amount of consideration received from customers, revenue from transactions, in which the role of the Company falls under an agent in providing merchandise to customers, is now recognized in the net value obtained by subtracting the amount to be paid to suppliers of the merchandise from the amount received from customers.

(2) Revenue recognition on construction contracts

Concerning construction contracts in the Road Paving Business, previously the percentage-of-completion method was applied to construction works whose outcome in the degree of completion is deemed certain, while the completed-contract method was applied to construction works whose construction periods were very short. Now, revenue is recognized over a certain period as performance obligations are being fulfilled. In addition, percentage of completion regarding the fulfillment of performance obligations is estimated by the input method based on incurred cost. As for construction contracts under which the term from the transaction commencement date to the time when performance obligations are expected to be fulfilled completely is quite short, revenue is not recognized for a certain period but recognized at the time when performance obligations are completely fulfilled, by applying the alternative treatment.

The Revenue Recognition Accounting Standard, etc. are applied according to the transitional treatment specified in the proviso in Paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, the accumulated amount in a case where the new accounting policy is retroactively applied before the beginning of the first quarter under review is adjusted on retained earnings at the beginning of the first quarter under review, with the new accounting policy being applied to the said balance at the beginning of the first quarter under review. However, as a result of the application of the method specified in Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy is not retroactively applied to the contracts for

which amounts of almost all revenues had been recognized under the previous treatment before the beginning of the first quarter under review. In addition, concerning contract changes made before the beginning of the first quarter under review, accounting treatment was conducted under the contract terms that reflected all contract changes, and the accumulated amount is adjusted on retained earnings at the beginning of the first quarter under review, by applying the method specified in (1) of Paragraph 86 of the Revenue Recognition Accounting Standard.

As a result, net sales for the three months ended June 30, 2021 decreased by ¥181 million and cost of sales decreased by ¥181 million.

Following the application of the Revenue Recognition Accounting Standard, etc., “notes and accounts receivable – trade,” which was presented under “current assets” in the quarterly consolidated balance sheets in the previous fiscal year, is included in “notes and accounts receivable – trade, and contract assets,” effective from the first quarter under review. According to the transitional treatment specified in Paragraph 89-2 of the Revenue Recognition Accounting Standard, rearrangement based on the new presentation method is not conducted for the previous fiscal year. In addition, according to the transitional treatment specified in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No.12, March 31, 2020), information on analyses of revenue from contracts with customers for the three months ended June 30, 2020, is not stated.

2. Application of the Accounting Standard for Fair Value Measurement, etc.

With the application of the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, the “Fair Value Measurement Accounting Standard”), etc., effective from the beginning of the first quarter under review, the new accounting policy specified in the Fair Value Measurement Accounting Standard, etc. will be applied throughout the future, according to the transitional treatment specified in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The change in accounting policies has no impact on the quarterly consolidated financial statements.

(Segment Information, etc.)

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

For the three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

(Million yen)

| | Reportable segment | | | Other (Note 1) | Total | Adjustment (Note 2) | Amount recorded in Quarterly Consolidated Statements of Income (Note 3) |
|---|---|-------------------------|--------|-------------------|--------|------------------------|---|
| | Applied and Processed Asphalt Products Business | Road Paving Business | Total | | | | |
| Net sales | | | | | | | |
| Net sales to outside customers | 4,089 | 8,608 | 12,697 | 75 | 12,772 | - | 12,772 |
| Inter-segment net sales or transfers | 2,269 | - | 2,269 | 15 | 2,285 | (2,285) | - |
| Total | 6,358 | 8,608 | 14,966 | 91 | 15,058 | (2,285) | 12,772 |
| Segment profit | 1,119 | 470 | 1,589 | 54 | 1,643 | (606) | 1,036 |

- (Notes)
1. The "Other" category incorporates business segments not included in reportable segments, such as the real estate lease business and the non-life insurance agency business.
 2. Segment profit adjustment of ¥(606) million includes elimination of inter-segment transactions of ¥(0) million and corporate expenses of ¥(606) million that are not allocated to reportable segments. Corporate expenses are comprised primarily of expenses related to the administrative divisions not allocated to reportable segments, such as expenses related to the general affairs division of the Company's head office.
 3. Segment profit is adjusted to the operating profit in the quarterly consolidated statements of income.

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

For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

(Million yen)

| | Reportable segment | | | Other (Note 1) | Total | Adjustment (Note 2) | Amount recorded in Quarterly Consolidated Statements of Income (Note 3) |
|---|---|-------------------------|--------|-------------------|--------|------------------------|---|
| | Applied and Processed Asphalt Products Business | Road Paving Business | Total | | | | |
| Net sales | | | | | | | |
| Net sales to outside customers | 4,793 | 9,263 | 14,056 | 76 | 14,133 | - | 14,133 |
| Inter-segment net sales or transfers | 1,879 | - | 1,879 | 17 | 1,897 | (1,897) | - |
| Total | 6,672 | 9,263 | 15,936 | 93 | 16,030 | (1,897) | 14,133 |
| Segment profit | 927 | 512 | 1,440 | 58 | 1,498 | (827) | 671 |

- (Notes)
1. The "Other" category incorporates business segments not included in reportable segments, such as the real estate lease business and the non-life insurance agency business.
 2. Segment profit adjustment of ¥(827) million includes elimination of inter-segment transactions of ¥(76) million and corporate expenses of ¥(751) million that are not allocated to reportable segments. Corporate expenses are comprised primarily of expenses related to the administrative divisions not allocated to reportable segments, such as expenses related to the general affairs division of the Company's head office.
 3. Segment profit is adjusted to the operating profit in the quarterly consolidated statements of income.

2. Matters pertaining to changes, etc. in reportable segments

As stated in "Changes in Accounting Policies," the Revenue Recognition Accounting Standard, etc. are applied, effective from the beginning of the first quarter under review, and the accounting treatment method concerning revenue recognition is changed. Accordingly, the calculation method of profit or loss of segments is also changed.

As a result of the change, net sales of the Applied and Processed Asphalt Products Business for the three months ended June 30, 2021, decreased by ¥181 million compared with net sales calculated under the previous method.

(Revenue Recognition)

Information on analyses of revenue that occurs from contracts with customers

For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

(Million yen)

| | Reportable segment | | | Other (Note) | Total |
|--|---|-------------------------|--------|-----------------|--------|
| | Applied and Processed Asphalt Products Business | Road Paving Business | Total | | |
| Goods to be transferred at one point of time | 4,793 | - | 4,793 | 5 | 4,798 |
| Goods to be transferred over a certain period | - | 9,263 | 9,263 | - | 9,263 |
| Revenue to occur from contracts with customers | 4,793 | 9,263 | 14,056 | 5 | 14,061 |
| Other revenue | - | - | - | 71 | 71 |
| Net sales to outside customers | 4,793 | 9,263 | 14,056 | 76 | 14,133 |

(Note) The “Other” category incorporates business segments not included in reportable segments, such as the real estate lease business and the non-life insurance agency business.