

# Consolidated Financial Results for the Six Months Ended September 30, 2021 [Japanese GAAP]



November 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: November 9, 2021  
 Scheduled date of commencing dividend payments: -  
 Availability of supplementary briefing material on quarterly financial results: Available  
 Schedule of quarterly financial results briefing session: Scheduled

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

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 1, 2021 to September 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	%
Six months ended September 30, 2021	32,416	-	2,779	(4.6)	2,947	(9.2)	2,002	(5.2)
September 30, 2020	28,555	4.9	2,915	128.2	3,246	133.8	2,111	-

(Note) Comprehensive income: Six months ended September 30, 2021: ¥2,292 million [(1.8)%]  
 Six months ended September 30, 2020: ¥2,333 million (-%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2021	65.54	-
September 30, 2020	73.66	-

(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, the figures presented for the six months ended September 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 September 30, 2021	81,105	63,566	78.4
As of March 31, 2021	82,732	62,010	74.9

(Reference) Equity: As of September 30, 2021: ¥63,566 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	-	-	-	38.00	38.00
Fiscal year ending March 31, 2022	-	-			
Fiscal year ending March 31, 2022 (Forecast)			-	40.00	40.00

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

## 3. Forecasts of Consolidated Financial Results in 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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	78,000	-	8,000	(12.5)	8,200	(14.4)	5,300	(16.6)	173.50

(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, forecasts of consolidated financial results shown above 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 six months ended September 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 period (including treasury shares):

As of September 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 period:

As of September 30, 2021: 1,117,297 shares

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

3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Six months ended September 30, 2021: 30,548,297 shares

Six months ended September 30, 2020: 28,671,563 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 3 of these quarterly consolidated financial results (Appendix).

(How to obtain the supplementary briefing material on quarterly financial results)

The Company will hold the quarterly financial results briefing session for institutional investors and analysts on Tuesday, November 30, 2021. Materials for the briefing session will be posted on the Company’s website after the briefing session.

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

### (1) Explanation of Operating Results

In the six months ended September 30, 2021, the Japanese economy continued to face ongoing severe situations such as delays in the recovery of business conditions of some non-manufacturing companies against the backdrop of weak consumer spending due to the effects of novel coronavirus disease (COVID-19). Overall, however, it remained on a moderate recovery trend as production and corporate earnings continued to recover mainly in the manufacturing industry, with signs of further improvement in business confidence, due to factors including increases in exports and capital expenditures and recovery in housing investment. In terms of future prospects, the trend towards recovery is expected to become more evident due to progress in vaccination efforts and the complete lifting of the declaration of a state of emergency and priority measures to prevent the spread of COVID-19 as of the end of September as well as the expected effects of government economic measures and others.

The business environment surrounding the Group continues to require close watch on negative factors for business results, including soaring crude oil prices, while a high level of public investment is expected against the backdrop of growing construction demand for preventing and mitigating disasters, national resilience measures, etc. Despite such a business environment that is not necessarily favorable, the Group established its new Medium-term Management Plan “Resilience 2025 (Shinayaka 2025),” which commenced in this fiscal year, and has implemented various measures aimed at growing into a sustainable corporate group with the entire organization working as one under quick and accurate decision making.

In the six months ended September 30, 2021, the Group posted net sales of ¥32,416 million (net sales of ¥28,555 million in the previous corresponding period), operating profit of ¥2,779 million (down 4.6% year on year), ordinary profit of ¥2,947 million (down 9.2% year on year), and profit attributable to owners of the parent company of ¥2,002 million (down 5.2% 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 ¥401 million.

Results by business segment were as follows.

#### **Applied and Processed Asphalt Products Business**

In the Applied and Processed Asphalt Products Business, in addition to coping with hikes in the prices of raw materials, we worked on increasing sales by promoting design and marketing activities for high value-added products contributing to “longer pavement life and higher performance” and “reduction of environmental load.”

Net sales for the segment were ¥11,051 million (net sales of ¥8,358 million in the previous corresponding period) and segment profit was ¥2,705 million (up 3.2% year on year) in the six months ended September 30, 2021. With the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., net sales decreased by ¥401 million.

#### **Road Paving Business**

In the Road Paving Business, in addition to steady progress of construction works including those for preventing and mitigating disasters and national resilience measures, we worked on improving cost management.

Net sales for the segment were ¥21,214 million (up 5.8% year on year) and segment profit was ¥1,599 million (up 8.6% year on year) in the six months ended September 30, 2021.

#### **Other Business**

In the Other Business, net sales for the segment were ¥ 150 million (down 1.2 % year on year) and segment profit was ¥113 million (down 10.9% year on year) mainly due to real estate lease revenue.

(2) Explanation of Financial Position

Total assets decreased by ¥1,627 million from the end of the previous fiscal year to ¥81,105 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 ¥16,397 million, long-term time deposits by ¥1,000 million, cash and deposits by ¥623 million, and costs on construction contracts in progress by ¥492 million.

Liabilities decreased by ¥3,183 million from the end of the previous fiscal year to ¥17,538 million. This is attributable mainly to decreases in accounts payable - trade by ¥593 million, income taxes payable by ¥1,608 million, and accounts payable - other by ¥381 million.

Net assets increased by ¥1,556 million from the end of the previous fiscal year to ¥63,566 million. This is attributable mainly to increases in capital surplus by ¥251 million and retained earnings by ¥851 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 October 28, 2021.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	25,920	26,543
Notes and accounts receivable - trade, and contract assets	-	16,397
Notes and accounts receivable - trade	20,305	-
Electronically recorded monetary claims - operating	2,922	1,713
Merchandise and finished goods	1,101	1,242
Costs on construction contracts in progress	328	821
Raw materials and supplies	730	784
Income taxes receivable	10	228
Current portion of long-term loans receivable from subsidiaries and associates	67	67
Derivatives	458	671
Other	310	614
Allowance for doubtful accounts	(79)	(78)
<b>Total current assets</b>	<b>52,076</b>	<b>49,007</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,123	6,379
Machinery, equipment and vehicles, net	3,291	3,406
Land	10,541	10,646
Leased assets, net	295	259
Construction in progress	293	290
Other, net	591	592
<b>Total property, plant and equipment</b>	<b>21,136</b>	<b>21,574</b>
Intangible assets		
Other	728	674
<b>Total intangible assets</b>	<b>728</b>	<b>674</b>
Investments and other assets		
Investment securities	5,143	5,218
Investments in capital of subsidiaries and associates	671	706
Long-term loans receivable from subsidiaries and associates	490	490
Deferred tax assets	408	347
Long-term time deposits	1,920	2,920
Other	593	602
Allowance for doubtful accounts	(438)	(438)
<b>Total investments and other assets</b>	<b>8,791</b>	<b>9,849</b>
<b>Total non-current assets</b>	<b>30,656</b>	<b>32,098</b>
<b>Total assets</b>	<b>82,732</b>	<b>81,105</b>

(Million yen)

	As of March 31, 2021	As of September 30, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	8,761	8,167
Electronically recorded obligations - operating	1,485	1,874
Short-term borrowings	1,900	1,900
Accounts payable - other	1,438	1,057
Income taxes payable	2,022	414
Contract liabilities	-	416
Provision for bonuses	961	1,077
Other provisions	198	77
Other	2,159	1,015
Total current liabilities	18,926	16,000
Non-current liabilities		
Long-term accounts payable - other	5	5
Lease obligations	230	188
Long-term deposits received	48	48
Deferred tax liabilities	533	810
Provision for environmental measures	287	-
Retirement benefit liability	557	342
Asset retirement obligations	133	142
Total non-current liabilities	1,796	1,538
Total liabilities	20,722	17,538
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,919	2,919
Capital surplus	3,430	3,681
Retained earnings	53,574	54,426
Treasury shares	(835)	(659)
Total shareholders' equity	59,088	60,367
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,093	2,211
Deferred gains or losses on hedges	318	465
Foreign currency translation adjustment	6	64
Remeasurements of defined benefit plans	490	456
Total accumulated other comprehensive income	2,908	3,198
Share acquisition rights	12	-
Total net assets	62,010	63,566
Total liabilities and net assets	82,732	81,105

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

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Net sales	28,555	32,416
Cost of sales	21,203	24,951
Gross profit	7,351	7,464
Selling, general and administrative expenses	4,435	4,684
Operating profit	2,915	2,779
Non-operating income		
Interest income	14	3
Dividend income	323	88
Share of profit of entities accounted for using equity method	-	24
Foreign exchange gains	48	44
Other	12	19
Total non-operating income	398	179
Non-operating expenses		
Interest expenses	6	5
Share of loss of entities accounted for using equity method	57	-
Other	5	6
Total non-operating expenses	68	12
Ordinary profit	3,246	2,947
Extraordinary income		
Gain on sale of non-current assets	15	7
Compensation income	54	119
Other	4	39
Total extraordinary income	74	165
Extraordinary losses		
Loss on retirement of non-current assets	2	11
Loss on disaster	36	10
Special repairs expenses	53	119
Other	0	2
Total extraordinary losses	93	143
Profit before income taxes	3,226	2,969
Income taxes - current	1,017	737
Income taxes - deferred	97	230
Total income taxes	1,114	967
Profit	2,111	2,002
Profit attributable to owners of the parent company	2,111	2,002

Consolidated Statements of Comprehensive Income  
For the Six-Month Period

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Profit	2,111	2,002
Other comprehensive income		
Valuation difference on available-for-sale securities	190	117
Deferred gains or losses on hedges	73	147
Foreign currency translation adjustment	(2)	9
Remeasurements of defined benefit plans, net of tax	(23)	(33)
Share of other comprehensive income of entities accounted for using equity method	(15)	48
Total other comprehensive income	221	289
Comprehensive income	2,333	2,292
Comprehensive income attributable to Comprehensive income attributable to owners of the parent company	2,333	2,292

(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 Six Months Ended September 30, 2021 (From April 1, 2021 to September 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, 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 is adjusted on retained earnings at the beginning of the first quarter, with the new accounting policy being applied to the said balance at the beginning of the first quarter. 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. In addition, concerning contract changes made before the beginning of the first quarter, 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, by applying the method specified in (1) of Paragraph 86 of the Revenue Recognition Accounting Standard.

As a result, net sales of the six months ended September 30, 2021 decreased by ¥401 million and cost of sales decreased by ¥401 million. There was no impact on the balance of retained earnings at the beginning of the period.

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. 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 six months ended September 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, 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.)

For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

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

(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	8,358	20,043	28,402	152	28,555	-	28,555
Inter-segment net sales or transfers	5,216	-	5,216	31	5,247	(5,247)	-
Total	13,574	20,043	33,618	183	33,802	(5,247)	28,555
Segment profit	2,620	1,472	4,093	126	4,220	(1,304)	2,915

- (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 ¥(1,304) million includes elimination of inter-segment transactions of ¥(55) million and corporate expenses of ¥(1,249) 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.

For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

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

(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	11,051	21,214	32,265	150	32,416	-	32,416
Inter-segment net sales or transfers	4,818	0	4,819	34	4,853	(4,853)	-
Total	15,869	21,214	37,084	184	37,269	(4,853)	32,416
Segment profit	2,705	1,599	4,305	113	4,418	(1,638)	2,779

- (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 ¥(1,638) million includes elimination of inter-segment transactions of ¥(163) million and corporate expenses of ¥(1,474) 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, 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 six months ended September 30, 2021, decreased by ¥401 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 six months ended September 30, 2021 (From April 1, 2021 to September 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	11,051	-	11,051	8	11,060
Goods to be transferred over a certain period	-	21,214	21,214	-	21,214
Revenue to occur from contracts with customers	11,051	21,214	32,265	8	32,274
Other revenue	-	-	-	141	141
Net sales to outside customers	11,051	21,214	32,265	150	32,416

(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.