

Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



August 5, 2022

Company name: Nichireki Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 5011
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 Scheduled date of filing quarterly securities report: August 8, 2022
 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, 2022 (April 1, 2022 to June 30, 2022)

(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	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2022	14,773	4.5	643	(4.0)	997	30.8	1,685	338.8
June 30, 2021	14,133	10.6	671	(35.3)	762	(43.3)	384	(57.8)

(Note) Comprehensive income: Three months ended June 30, 2022: ¥1,477 million [164.3%]

Three months ended June 30, 2021: ¥559 million [(50.2)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	55.14	-
June 30, 2021	12.58	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	83,640	68,268	81.6
As of March 31, 2022	88,425	68,075	77.0

(Reference) Equity: As of June 30, 2022: ¥68,268 million

As of March 31, 2022: ¥68,075 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2022	Yen -	Yen -	Yen -	Yen 42.00	Yen 42.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		-	-	45.00	45.00

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% 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	34,000	4.9	2,900	4.3	3,000	1.8	3,200	59.8
Full year	82,000	5.1	9,000	5.1	9,300	(0.1)	7,200	5.7
								235.54

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

*Notes:

- (1) Changes in significant subsidiaries during the three months ended June 30, 2022 (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 restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Restatement: No
- (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 June 30, 2022: 31,685,955 shares
 - As of March 31, 2022: 31,685,955 shares
 - 2) Total number of treasury shares at the end of the period:
 - As of June 30, 2022: 1,117,380 shares
 - As of March 31, 2022: 1,117,337 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):
 - Three months ended June 30, 2022: 30,568,596 shares
 - Three months ended June 30, 2021: 30,527,704 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).

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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, 2022, the Japanese economy experienced an easing of the severe situation caused by the novel coronavirus disease (COVID-19), and signs of the normalization of economic activities. Nevertheless, the economy continued to lack strength due to increased concerns over negative factors such as further increases in food and raw material prices and restricted supply of parts and materials as a result of the continuing turmoil in Ukraine and restrictions on economic activities in China stemming from that country's zero COVID policy, as well as the effects of monetary tightening in Europe and the U.S.

The business environment surrounding the Nichireki Group (hereinafter referred to as "Group") continues to require a close watch on negative factors for business results, including soaring crude oil prices and the continuing depreciation of the yen despite steady levels of public investment against the backdrop of growing construction demand for preventing and mitigating disasters, national resilience measures, etc.

In this environment, the Group 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 second year of its Medium-term Management Plan "Resilience 2025 (Shinayaka 2025)."

In the three months ended June 30, 2022, the Group posted net sales of ¥14,773 million (up 4.5% year on year), operating profit of ¥643 million (down 4.0% year on year), and ordinary profit of ¥997 million (up 30.8% year on year). Profit attributable to owners of the parent company increased by 338.8% to ¥1,685 million due to gain on revision of retirement benefit plan of ¥1,202 million recorded as extraordinary income.

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 life and higher performance of paved roads" and "reduction of environmental load."

Net sales for the segment were ¥5,797 million (up 20.9% year on year) and segment profit was ¥1,198 million (up 29.3% year on year) in the three months ended June 30, 2022.

Road Paving Business

In the Road Paving Business, in addition to marketing activities by providing proposals on construction methods for ordered properties, including preventing and mitigating disasters and national resilience measures and the steady execution of construction work, we pushed forward with passing price increases on to order prices and further improving cost management in response to soaring prices of materials, etc.

Net sales for the segment were ¥8,898 million (down 3.9% year on year) and segment profit was ¥237 million (down 53.7% year on year) in the three months ended June 30, 2022.

Other Business

In the Other Business, net sales for the segment were ¥77 million (up 2.0% year on year) and segment profit was ¥58 million (down 1.1% year on year) mainly due to real estate lease revenue.

(2) Explanation of Financial Position

Total assets decreased by ¥4,785 million from the end of the previous fiscal year to ¥83,640 million. This is attributable mainly to a decrease in notes and accounts receivable - trade, and contract assets by ¥7,056 million despite increases in income taxes refund receivable by ¥587 million and retirement benefit asset by ¥1,015 million.

Liabilities decreased by ¥4,978 million from the end of the previous fiscal year to ¥15,371 million. This is attributable mainly to decreases in accounts payable - trade by ¥2,828 million and income taxes payable by ¥1,905 million.

Net assets increased by ¥193 million from the end of the previous fiscal year to ¥68,268 million. This is attributable mainly to a decrease in remeasurements of defined benefit plans by ¥191 million despite an increase in retained earnings by ¥401 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, 2023, no change has been made to the consolidated financial results forecast, which was announced on July 28, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	29,001	29,062
Notes and accounts receivable - trade, and contract assets	20,797	13,740
Electronically recorded monetary claims - operating	2,225	2,416
Merchandise and finished goods	1,420	1,441
Costs on construction contracts in progress	256	448
Raw materials and supplies	1,198	1,401
Income taxes refund receivable	14	602
Current portion of long-term loans receivable from subsidiaries and associates	167	-
Derivatives	956	1,005
Other	580	683
Allowance for doubtful accounts	(59)	(57)
Total current assets	56,561	50,743
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,732	7,109
Machinery, equipment and vehicles, net	3,338	3,298
Land	10,846	10,846
Leased assets, net	274	252
Construction in progress	601	501
Other, net	591	607
Total property, plant and equipment	22,384	22,615
Intangible assets		
Other	685	610
Total intangible assets	685	610
Investments and other assets		
Investment securities	4,476	4,328
Investments in capital of subsidiaries and associates	715	740
Long-term loans receivable from subsidiaries and associates	390	390
Retirement benefit asset	-	1,015
Deferred tax assets	335	257
Long-term time deposits	2,620	2,620
Other	700	761
Allowance for doubtful accounts	(444)	(444)
Total investments and other assets	8,794	9,670
Total non-current assets	31,864	32,896
Total assets	88,425	83,640

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	10,077	7,249
Electronically recorded obligations - operating	1,787	1,963
Short-term borrowings	1,300	1,300
Accounts payable - other	1,469	1,104
Income taxes payable	1,985	80
Contract liabilities	211	301
Provision for bonuses	1,081	523
Other provisions	205	56
Other	1,322	1,732
Total current liabilities	19,441	14,312
Non-current liabilities		
Long-term accounts payable - other	5	0
Lease liabilities	193	169
Long-term deposits received	48	48
Deferred tax liabilities	517	685
Retirement benefit liability	4	-
Asset retirement obligations	138	154
Total non-current liabilities	908	1,058
Total liabilities	20,349	15,371
Net assets		
Shareholders' equity		
Share capital	2,919	2,919
Capital surplus	3,681	3,681
Retained earnings	59,235	59,637
Treasury shares	(659)	(659)
Total shareholders' equity	65,177	65,579
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,889	1,882
Deferred gains or losses on hedges	332	266
Foreign currency translation adjustment	109	165
Remeasurements of defined benefit plans	566	375
Total accumulated other comprehensive income	2,897	2,689
Total net assets	68,075	68,268
Total liabilities and net assets	88,425	83,640

(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, 2021	For the three months ended June 30, 2022
Net sales	14,133	14,773
Cost of sales	11,098	11,622
Gross profit	3,034	3,150
Selling, general and administrative expenses	2,363	2,506
Operating profit	671	643
Non-operating income		
Interest income	1	1
Dividend income	87	61
Foreign exchange gains	57	93
Derivative income	-	66
Gain on valuation of derivatives	-	144
Other	8	5
Total non-operating income	155	372
Non-operating expenses		
Interest expenses	1	1
Share of loss of entities accounted for using equity method	58	14
Other	3	3
Total non-operating expenses	63	19
Ordinary profit	762	997
Extraordinary income		
Gain on sale of non-current assets	1	6
Compensation income	37	-
Gain on revision of retirement benefit plan	-	1,202
Other	9	10
Total extraordinary income	49	1,219
Extraordinary losses		
Loss on retirement of non-current assets	4	17
Loss on disaster	1	8
Special repairs expenses	37	-
Other	0	-
Total extraordinary losses	43	26
Profit before income taxes	768	2,191
Income taxes - current	118	134
Income taxes - deferred	265	371
Total income taxes	384	505
Profit	384	1,685
Profit attributable to owners of the parent company	384	1,685

Consolidated Statements of Comprehensive Income
For the Three-Month Period

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	384	1,685
Other comprehensive income		
Valuation difference on available-for-sale securities	20	(6)
Deferred gains or losses on hedges	128	(66)
Foreign currency translation adjustment	7	11
Remeasurements of defined benefit plans, net of tax	(16)	(191)
Share of other comprehensive income of entities accounted for using equity method	35	44
Total other comprehensive income	174	(208)
Comprehensive income	559	1,477
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent company	559	1,477

(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, 2022 (From April 1, 2022 to June 30, 2022)

There is no relevant information.

(Additional Information)

(Revision of the retirement benefit plan)

As of April 1, 2022, the Company and some of its consolidated subsidiaries have transitioned part of the retirement benefit plans to a defined contribution pension plan.

Regarding the accounting treatment associated with the transition to this plan, the Company has applied "Accounting for Transfer between Retirement Benefit Plans" (ASBJ Implementation Guidance No. 1, December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (ASBJ PITF No. 2, February 7, 2007). As a result of this transition, gain on revision of retirement benefit plan of ¥1,202 million was recorded as extraordinary income in the first quarter under review.

(Segment Information, etc.)

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

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	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.

For the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

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	5,797	8,898	14,695	77	14,773	-	14,773
Inter-segment net sales or transfers	2,172	-	2,172	20	2,192	(2,192)	-
Total	7,969	8,898	16,868	98	16,966	(2,192)	14,773
Segment profit	1,198	237	1,436	58	1,494	(850)	643

- (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 ¥(850) million includes elimination of inter-segment transactions of ¥(41) million and corporate expenses of ¥(808) 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.

(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 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.

For the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

(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	5,797	-	5,797	6	5,803
Goods to be transferred over a certain period	-	8,898	8,898	-	8,898
Revenue from contracts with customers	5,797	8,898	14,695	6	14,701
Other revenue	-	-	-	71	71
Net sales to outside customers	5,797	8,898	14,695	77	14,773

(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.