

# Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]



November 8, 2022

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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 10, 2022  
 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, 2022 (April 1, 2022 to September 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 |       |
|--------------------|-------------|------|------------------|--------|-----------------|--------|---|-------|
| Six months ended   | Million yen | %    | Million yen      | %      | Million yen     | %      | Million yen   | %     |
| September 30, 2022 | 33,677      | 3.9  | 2,178            | (21.6) | 2,441           | (17.2) | 2,646   | 32.2  |
| September 30, 2021 | 32,416      | 13.5 | 2,779            | (4.6)  | 2,947           | (9.2)  | 2,002   | (5.2) |

(Note) Comprehensive income: Six months ended September 30, 2022: ¥2,341 million [2.1%]

Six months ended September 30, 2021: ¥2,292 million [(1.8)%]

|                    | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Six months ended   | Yen                      | Yen                        |
| September 30, 2022 | 86.57                    | -                          |
| September 30, 2021 | 65.54                    | -                          |

## (2) Consolidated Financial Position

|                          | Total assets | Net assets  | Equity ratio |
|--------------------------|--------------|-------------|--------------|
|                          | Million yen  | Million yen | %            |
| As of September 30, 2022 | 86,418       | 69,132      | 80.0         |
| As of March 31, 2022     | 88,425       | 68,075      | 77.0         |

(Reference) Equity: As of September 30, 2022: ¥69,132 million

As of March 31, 2022: ¥68,075 million

## 2. Dividends

|   | Annual dividends   |                    |                    |              |              |
|---|--------------------|--------------------|--------------------|--------------|--------------|
|   | 1st<br>quarter-end | 2nd<br>quarter-end | 3rd<br>quarter-end | Year-end     | Total        |
| Fiscal year ended<br>March 31, 2022             | Yen<br>-           | Yen<br>-           | Yen<br>-           | Yen<br>42.00 | Yen<br>42.00 |
| Fiscal year ending<br>March 31, 2023            | -                  | -                  |                    |              |              |
| Fiscal year ending<br>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<br>to owners of the<br>parent company | Basic earnings<br>per share |
|-----------|-------------|-----|------------------|-----|-----------------|-------|---|-----------------------------|
|           | Million yen | %   | Million yen      | %   | Million yen     | %     | Million yen   | Yen                         |
| 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 six months ended September 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 September 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 September 30, 2022: 1,117,490 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):

Six months ended September 30, 2022: 30,568,552 shares

Six months ended September 30, 2021: 30,548,297 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).

(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 Wednesday, November 30, 2022. 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, 2022, the Japanese economy continued to experience a gradual recovery overall as restrictions on movement were further eased in light of progress with measures to combat the novel coronavirus disease (COVID-19), despite downward pressure on the economy due to factors such as rising prices and the restricted supply of parts and materials. Nevertheless, the outlook remains uncertain as the risks from fluctuations in the exchange rate due to the widening gap between domestic and overseas interest rates as well as the downturn in overseas economies are growing as a result of the ongoing global monetary tightening against the backdrop of concerns that inflation will not easily be contained, amid the prolonged turmoil in Ukraine.

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 six months ended September 30, 2022, the Group posted net sales of ¥33,677 million (up 3.9% year on year), operating profit of ¥2,178 million (down 21.6% year on year), and ordinary profit of ¥2,441 million (down 17.2% year on year). Profit attributable to owners of the parent company increased by 32.2% to ¥2,646 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 ¥12,760 million (up 15.5% year on year) and segment profit was ¥2,785 million (up 3.0% year on year) in the six months ended September 30, 2022.

#### **Road Paving Business**

In the Road Paving Business, despite construction delays in some regions, in addition to marketing activities by providing proposals on construction methods related to preventing and mitigating disasters and national resilience measures and the steady execution of construction work, we pushed forward with our response to soaring prices of materials, etc.

Net sales for the segment were ¥20,763 million (down 2.1% year on year) and segment profit was ¥972 million (down 39.2% year on year) in the six months ended September 30, 2022.

#### **Other Business**

In the Other Business, net sales for the segment were ¥153 million (up 2.2% year on year) and segment profit was ¥115 million (up 1.9% year on year) mainly due to real estate lease revenue.

(2) Explanation of Financial Position

Total assets decreased by ¥2,006 million from the end of the previous fiscal year to ¥86,418 million. This is attributable mainly to a decrease in notes and accounts receivable - trade, and contract assets by ¥4,009 million despite increases in retirement benefit asset by ¥1,097 million, electronically recorded monetary claims – operating by ¥505 million, and buildings and structures by ¥381 million.

Liabilities decreased by ¥3,063 million from the end of the previous fiscal year to ¥17,286 million. This is attributable mainly to decreases in accounts payable - trade by ¥1,241 million and income taxes payable by ¥1,651 million.

Net assets increased by ¥1,057 million from the end of the previous fiscal year to ¥69,132 million. This is attributable mainly to an increase in retained earnings by ¥1,362 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 September 30, 2022 |
|--|----------------------|--------------------------|
| <b>Assets</b>  |                      |                          |
| Current assets   |                      |                          |
| Cash and deposits  | 29,001               | 28,692                   |
| Notes and accounts receivable - trade, and contract assets                     | 20,797               | 16,788                   |
| Electronically recorded monetary claims - operating                            | 2,225                | 2,731                    |
| Merchandise and finished goods   | 1,420                | 1,407                    |
| Costs on construction contracts in progress                                    | 256                  | 586                      |
| Raw materials and supplies   | 1,198                | 1,176                    |
| Income taxes refund receivable   | 14                   | 485                      |
| Current portion of long-term loans receivable from subsidiaries and associates | 167                  | -                        |
| Derivatives  | 956                  | 663                      |
| Other  | 580                  | 564                      |
| Allowance for doubtful accounts  | (59)                 | (58)                     |
| Total current assets   | 56,561               | 53,037                   |
| Non-current assets   |                      |                          |
| Property, plant and equipment  |                      |                          |
| Buildings and structures, net  | 6,732                | 7,113                    |
| Machinery, equipment and vehicles, net   | 3,338                | 3,202                    |
| Land   | 10,846               | 10,846                   |
| Leased assets, net   | 274                  | 233                      |
| Construction in progress   | 601                  | 764                      |
| Other, net   | 591                  | 614                      |
| Total property, plant and equipment  | 22,384               | 22,773                   |
| Intangible assets  |                      |                          |
| Other  | 685                  | 589                      |
| Total intangible assets  | 685                  | 589                      |
| Investments and other assets   |                      |                          |
| Investment securities  | 4,476                | 4,416                    |
| Investments in capital of subsidiaries and associates                          | 715                  | 779                      |
| Long-term loans receivable from subsidiaries and associates                    | 390                  | -                        |
| Retirement benefit asset   | -                    | 1,097                    |
| Deferred tax assets  | 335                  | 368                      |
| Long-term time deposits  | 2,620                | 2,620                    |
| Other  | 700                  | 790                      |
| Allowance for doubtful accounts  | (444)                | (54)                     |
| Total investments and other assets   | 8,794                | 10,017                   |
| Total non-current assets   | 31,864               | 33,381                   |
| Total assets   | 88,425               | 86,418                   |

(Million yen)

|   | As of March 31, 2022 | As of September 30, 2022 |
|---|----------------------|--------------------------|
| <b>Liabilities</b>                                    |                      |                          |
| Current liabilities                                   |                      |                          |
| Accounts payable - trade                              | 10,077               | 8,835                    |
| Electronically recorded obligations - operating       | 1,787                | 1,822                    |
| Short-term borrowings                                 | 1,300                | 1,300                    |
| Accounts payable - other                              | 1,469                | 1,438                    |
| Income taxes payable                                  | 1,985                | 333                      |
| Contract liabilities                                  | 211                  | 158                      |
| Provision for bonuses                                 | 1,081                | 1,045                    |
| Other provisions                                      | 205                  | 59                       |
| Other   | 1,322                | 1,070                    |
| Total current liabilities                             | 19,441               | 16,064                   |
| Non-current liabilities                               |                      |                          |
| Long-term accounts payable - other                    | 5                    | 0                        |
| Lease liabilities                                     | 193                  | 150                      |
| Long-term deposits received                           | 48                   | 48                       |
| Deferred tax liabilities                              | 517                  | 888                      |
| Retirement benefit liability                          | 4                    | -                        |
| Asset retirement obligations                          | 138                  | 134                      |
| Total non-current liabilities                         | 908                  | 1,221                    |
| Total liabilities                                     | 20,349               | 17,286                   |
| <b>Net assets</b>                                     |                      |                          |
| Shareholders' equity                                  |                      |                          |
| Share capital   | 2,919                | 2,919                    |
| Capital surplus                                       | 3,681                | 3,681                    |
| Retained earnings                                     | 59,235               | 60,598                   |
| Treasury shares                                       | (659)                | (659)                    |
| Total shareholders' equity                            | 65,177               | 66,539                   |
| Accumulated other comprehensive income                |                      |                          |
| Valuation difference on available-for-sale securities | 1,889                | 1,808                    |
| Deferred gains or losses on hedges                    | 332                  | 199                      |
| Foreign currency translation adjustment               | 109                  | 224                      |
| Remeasurements of defined benefit plans               | 566                  | 360                      |
| Total accumulated other comprehensive income          | 2,897                | 2,592                    |
| Total net assets                                      | 68,075               | 69,132                   |
| Total liabilities and net assets                      | 88,425               | 86,418                   |



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

(Million yen)

|   | For the six months<br>ended September 30, 2021 | For the six months<br>ended September 30, 2022 |
|---|--|--|
| Net sales   | 32,416   | 33,677   |
| Cost of sales   | 24,951   | 26,507   |
| Gross profit  | 7,464  | 7,170  |
| Selling, general and administrative expenses                  | 4,684  | 4,992  |
| Operating profit  | 2,779  | 2,178  |
| Non-operating income  |  |  |
| Interest income   | 3  | 2  |
| Dividend income   | 88   | 61   |
| Share of profit of entities accounted for using equity method | 24   | -  |
| Foreign exchange gains  | 44   | 73   |
| Derivative income   | -  | 238  |
| Other   | 19   | 15   |
| Total non-operating income                                    | 179  | 391  |
| Non-operating expenses  |  |  |
| Interest expenses   | 5  | 4  |
| Share of loss of entities accounted for using equity method   | -  | 16   |
| Loss on valuation of derivatives                              | -  | 101  |
| Other   | 6  | 6  |
| Total non-operating expenses                                  | 12   | 128  |
| Ordinary profit   | 2,947  | 2,441  |
| Extraordinary income  |  |  |
| Gain on sale of non-current assets                            | 7  | 12   |
| Gain on sale of investment in affiliated companies            | -  | 27   |
| Compensation income   | 119  | -  |
| Gain on revision of retirement benefit plan                   | -  | 1,202  |
| Other   | 39   | 100  |
| Total extraordinary income                                    | 165  | 1,343  |
| Extraordinary losses  |  |  |
| Loss on retirement of non-current assets                      | 11   | 116  |
| Loss on disaster  | 10   | 8  |
| Special repairs expenses                                      | 119  | -  |
| Other   | 2  | 0  |
| Total extraordinary losses                                    | 143  | 125  |
| Profit before income taxes                                    | 2,969  | 3,659  |
| Income taxes - current  | 737  | 481  |
| Income taxes - deferred                                       | 230  | 531  |
| Total income taxes  | 967  | 1,013  |
| Profit  | 2,002  | 2,646  |
| Profit attributable to owners of the parent company           | 2,002  | 2,646  |

Consolidated Statements of Comprehensive Income  
For the Six-Month Period

(Million yen)

|  | For the six months<br>ended September 30, 2021 | For the six months<br>ended September 30, 2022 |
|--|--|--|
| Profit   | 2,002  | 2,646  |
| Other comprehensive income   |  |  |
| Valuation difference on available-for-sale securities                                | 117  | (80)   |
| Deferred gains or losses on hedges   | 147  | (133)  |
| Foreign currency translation adjustment  | 9  | 28   |
| Remeasurements of defined benefit plans, net of tax                                  | (33)   | (205)  |
| Share of other comprehensive income of entities<br>accounted for using equity method | 48   | 86   |
| Total other comprehensive income   | 289  | (305)  |
| Comprehensive income   | 2,292  | 2,341  |
| Comprehensive income attributable to   |  |  |
| Comprehensive income attributable to owners of the<br>parent company                 | 2,292  | 2,341  |

(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, 2022 (From April 1, 2022 to September 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 second quarter under review.

(Segment Information, etc.)

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

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

|   | Reportable segment  |                         |        | Other<br>(Note 1) | Total  | Adjustment<br>(Note 2) | Amount<br>recorded in<br>Quarterly<br>Consolidated<br>Statements of<br>Income<br>(Note 3) |
|---|---|-------------------------|--------|-------------------|--------|------------------------|---|
|   | Applied and<br>Processed<br>Asphalt<br>Products<br>Business | Road Paving<br>Business | Total  |                   |        |                        |   |
| Net sales                               |   |                         |        |                   |        |                        |   |
| Net sales to outside customers          | 11,051  | 21,214                  | 32,265 | 150               | 32,416 | -                      | 32,416  |
| Inter-segment net sales<br>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.

For the six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

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

(Million yen)

|   | Reportable segment  |                         |        | Other<br>(Note 1) | Total  | Adjustment<br>(Note 2) | Amount<br>recorded in<br>Quarterly<br>Consolidated<br>Statements of<br>Income<br>(Note 3) |
|---|---|-------------------------|--------|-------------------|--------|------------------------|---|
|   | Applied and<br>Processed<br>Asphalt<br>Products<br>Business | Road Paving<br>Business | Total  |                   |        |                        |   |
| Net sales                               |   |                         |        |                   |        |                        |   |
| Net sales to outside customers          | 12,760  | 20,763                  | 33,523 | 153               | 33,677 | -                      | 33,677  |
| Inter-segment net sales<br>or transfers | 4,744   | -                       | 4,744  | 40                | 4,784  | (4,784)                | -   |
| Total                                   | 17,504  | 20,763                  | 38,268 | 194               | 38,462 | (4,784)                | 33,677  |
| Segment profit                          | 2,785   | 972                     | 3,757  | 115               | 3,873  | (1,694)                | 2,178   |

- (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 ¥(1,694) million includes elimination of inter-segment transactions of ¥(61) million and corporate expenses of ¥(1,632) 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 six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

(Million yen)

|   | Reportable segment  |                         |        | Other<br>(Note) | Total  |
|---|---|-------------------------|--------|-----------------|--------|
|   | Applied and<br>Processed<br>Asphalt<br>Products<br>Business | Road Paving<br>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 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.

For the six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

(Million yen)

|   | Reportable segment  |                         |        | Other<br>(Note) | Total  |
|---|---|-------------------------|--------|-----------------|--------|
|   | Applied and<br>Processed<br>Asphalt<br>Products<br>Business | Road Paving<br>Business | Total  |                 |        |
| Goods to be transferred at one point of time  | 12,760  | -                       | 12,760 | 11              | 12,772 |
| Goods to be transferred over a certain period | -   | 20,763                  | 20,763 | -               | 20,763 |
| Revenue from contracts with customers         | 12,760  | 20,763                  | 33,523 | 11              | 33,535 |
| Other revenue                                 | -   | -                       | -      | 142             | 142    |
| Net sales to outside customers                | 12,760  | 20,763                  | 33,523 | 153             | 33,677 |

(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.