

Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]



February 10, 2023

Company name: Nichireki Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 5011

URL: <https://www.nichireki.co.jp/english/>

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Scheduled date of filing quarterly securities report: February 13, 2023

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 Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 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	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2022	57,283	1.7	5,554	(17.7)	5,964	(15.1)	5,047	(0.3)
December 31, 2021	56,325	13.1	6,752	1.2	7,027	(1.6)	5,060	2.8

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥4,841 million [(2.4)%]

Nine months ended December 31, 2021: ¥4,961 million [(7.8)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	165.12	-
December 31, 2021	165.63	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	90,911	71,632	78.8
As of March 31, 2022	88,425	68,075	77.0

(Reference) Equity: As of December 31, 2022: ¥71,632 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)				50.00	50.00

(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
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 nine months ended December 31, 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 December 31, 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 December 31, 2022: 1,117,507 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):

Nine months ended December 31, 2022: 30,568,520 shares

Nine months ended December 31, 2021: 30,555,107 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 nine months ended December 31, 2022, the Japanese economy experienced a gradual recovery owing mainly to the effects of measures to combat the novel coronavirus disease (COVID-19) and a raft of government policies put in place to support economic activity, even amid continued rising prices and the restricted supply of parts and materials. Nevertheless, the outlook remains uncertain due to the prolonged situation in Ukraine and ongoing global monetary tightening, fluctuations in the exchange rate due to the widening gap between domestic and overseas interest rates and the downturn in overseas economies, and moreover, growing concerns of infection trends in China.

The business environment surrounding the Nichireki Group (hereinafter referred to as “Group”) continues to require a close watch on trends in crude oil prices and the exchange rate, etc., which have a significant impact on business performance, 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 nine months ended December 31, 2022, the Group posted net sales of ¥57,283 million (up 1.7% year on year), operating profit of ¥5,554 million (down 17.7% year on year), and ordinary profit of ¥5,964 million (down 15.1% year on year). Profit attributable to owners of the parent company decreased by 0.3% to ¥5,047 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 ¥20,834 million (up 10.1% year on year) and segment profit was ¥4,930 million (down 10.7% year on year) in the nine months ended December 31, 2022.

Road Paving Business

In the Road Paving Business, 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. However, there were delays to construction progress due to unseasonable weather conditions, including earlier-than-usual snowfall in some areas.

Net sales for the segment were ¥36,216 million (down 2.6% year on year) and segment profit was ¥2,880 million (down 17.2% year on year) in the nine months ended December 31, 2022.

Other Business

In the Other Business, net sales for the segment were ¥232 million (up 1.3% year on year) and segment profit was ¥167 million (down 1.3% year on year) mainly due to real estate lease revenue.

(2) Explanation of Financial Position

Total assets increased by ¥2,485 million from the end of the previous fiscal year to ¥90,911 million. This is attributable mainly to increases in retirement benefit asset by ¥1,176 million, electronically recorded monetary claims – operating by ¥947 million, and investment securities by ¥909 million.

Liabilities decreased by ¥1,071 million from the end of the previous fiscal year to ¥19,278 million. This is attributable mainly to a decrease in income taxes payable by ¥1,490 million.

Net assets increased by ¥3,557 million from the end of the previous fiscal year to ¥71,632 million. This is attributable mainly to an increase in retained earnings by ¥3,763 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 November 8, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	29,001	27,528
Notes and accounts receivable - trade, and contract assets	20,797	21,035
Electronically recorded monetary claims - operating	2,225	3,173
Merchandise and finished goods	1,420	1,153
Costs on construction contracts in progress	256	528
Raw materials and supplies	1,198	1,184
Income taxes refund receivable	14	231
Current portion of long-term loans receivable from subsidiaries and associates	167	-
Derivatives	956	431
Other	580	527
Allowance for doubtful accounts	(59)	(58)
Total current assets	56,561	55,735
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,732	7,068
Machinery, equipment and vehicles, net	3,338	3,177
Land	10,846	10,859
Leased assets, net	274	240
Construction in progress	601	799
Other, net	591	625
Total property, plant and equipment	22,384	22,770
Intangible assets		
Other	685	618
Total intangible assets	685	618
Investments and other assets		
Investment securities	4,476	5,386
Investments in capital of subsidiaries and associates	715	770
Long-term loans receivable from subsidiaries and associates	390	-
Retirement benefit asset	-	1,176
Deferred tax assets	335	232
Long-term time deposits	2,620	3,520
Other	700	753
Allowance for doubtful accounts	(444)	(54)
Total investments and other assets	8,794	11,786
Total non-current assets	31,864	35,175
Total assets	88,425	90,911

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	10,077	10,302
Electronically recorded obligations - operating	1,787	2,135
Short-term borrowings	1,300	1,300
Accounts payable - other	1,469	1,015
Income taxes payable	1,985	495
Contract liabilities	211	368
Provision for bonuses	1,081	487
Other provisions	205	75
Other	1,322	1,705
Total current liabilities	19,441	17,886
Non-current liabilities		
Long-term accounts payable - other	5	0
Lease liabilities	193	153
Long-term deposits received	48	48
Deferred tax liabilities	517	1,055
Retirement benefit liability	4	-
Asset retirement obligations	138	134
Total non-current liabilities	908	1,392
Total liabilities	20,349	19,278
Net assets		
Shareholders' equity		
Share capital	2,919	2,919
Capital surplus	3,681	3,681
Retained earnings	59,235	62,999
Treasury shares	(659)	(660)
Total shareholders' equity	65,177	68,940
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,889	1,989
Deferred gains or losses on hedges	332	133
Foreign currency translation adjustment	109	223
Remeasurements of defined benefit plans	566	345
Total accumulated other comprehensive income	2,897	2,691
Total net assets	68,075	71,632
Total liabilities and net assets	88,425	90,911

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

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	56,325	57,283
Cost of sales	42,523	44,377
Gross profit	13,802	12,906
Selling, general and administrative expenses	7,050	7,352
Operating profit	6,752	5,554
Non-operating income		
Interest income	5	3
Dividend income	138	117
Share of profit of entities accounted for using equity method	15	-
Foreign exchange gains	5	101
Derivative income	-	446
Gain on valuation of derivatives	94	-
Other	33	19
Total non-operating income	292	687
Non-operating expenses		
Interest expenses	7	5
Share of loss of entities accounted for using equity method	-	26
Loss on valuation of derivatives	-	237
Other	9	8
Total non-operating expenses	17	277
Ordinary profit	7,027	5,964
Extraordinary income		
Gain on sale of non-current assets	11	20
Gain on sale of investment securities	296	-
Gain on sale of investment in affiliated companies	-	27
Compensation income	119	18
Gain on revision of retirement benefit plan	-	1,202
Other	68	103
Total extraordinary income	496	1,372
Extraordinary losses		
Loss on retirement of non-current assets	15	213
Loss on disaster	10	16
Special repairs expenses	119	-
Other	3	4
Total extraordinary losses	148	234
Profit before income taxes	7,375	7,102
Income taxes - current	1,852	1,264
Income taxes - deferred	461	791
Total income taxes	2,314	2,055
Profit	5,060	5,047
Profit attributable to owners of the parent company	5,060	5,047

Consolidated Statements of Comprehensive Income
For the Nine-Month Period

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	5,060	5,047
Other comprehensive income		
Valuation difference on available-for-sale securities	(198)	99
Deferred gains or losses on hedges	80	(199)
Foreign currency translation adjustment	13	28
Remeasurements of defined benefit plans, net of tax	(50)	(220)
Share of other comprehensive income of entities accounted for using equity method	55	85
Total other comprehensive income	(99)	(205)
Comprehensive income	4,961	4,841
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent company	4,961	4,841

(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 Nine Months Ended December 31, 2022 (From April 1, 2022 to December 31, 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 third quarter (cumulative) under review.

(Segment Information, etc.)

For the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 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	18,915	37,180	56,096	229	56,325	-	56,325
Inter-segment net sales or transfers	8,754	0	8,755	52	8,807	(8,807)	-
Total	27,670	37,180	64,851	282	65,133	(8,807)	56,325
Segment profit	5,519	3,478	8,997	170	9,167	(2,415)	6,752

- (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 ¥(2,415) million includes elimination of inter-segment transactions of ¥(186) million and corporate expenses of ¥(2,228) 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 nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

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	20,834	36,216	57,051	232	57,283	-	57,283
Inter-segment net sales or transfers	7,813	-	7,813	60	7,873	(7,873)	-
Total	28,648	36,216	64,864	292	65,157	(7,873)	57,283
Segment profit	4,930	2,880	7,811	167	7,978	(2,424)	5,554

- (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 ¥(2,424) million includes elimination of inter-segment transactions of ¥(71) million and corporate expenses of ¥(2,353) 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 nine months ended December 31, 2021 (From April 1, 2021 to December 31, 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	18,915	-	18,915	17	18,933
Goods to be transferred over a certain period	-	37,180	37,180	-	37,180
Revenue from contracts with customers	18,915	37,180	56,096	17	56,113
Other revenue	-	-	-	212	212
Net sales to outside customers	18,915	37,180	56,096	229	56,325

(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 nine months ended December 31, 2022 (From April 1, 2022 to December 31, 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	20,834	-	20,834	18	20,853
Goods to be transferred over a certain period	-	36,216	36,216	-	36,216
Revenue from contracts with customers	20,834	36,216	57,051	18	57,069
Other revenue	-	-	-	214	214
Net sales to outside customers	20,834	36,216	57,051	232	57,283

(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.