

Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]



August 8, 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: August 10, 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 Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(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, 2023	13,670	(7.5)	116	(81.9)	535	(46.4)	288	(82.9)
June 30, 2022	14,773	4.5	643	(4.0)	997	30.8	1,685	338.8

(Note) Comprehensive income: Three months ended June 30, 2023: ¥1,022 million [(30.8)%]

Three months ended June 30, 2022: ¥1,477 million [164.3%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	9.66	—
June 30, 2022	55.14	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	85,569	70,705	82.6
As of March 31, 2023	91,474	72,470	79.2

(Reference) Equity: As of June 30, 2023: ¥70,705 million

As of March 31, 2023: ¥72,470 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2023	Yen —	Yen —	Yen —	Yen 50.00	Yen 50.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (Forecast)		35.00	—	35.00	70.00

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% 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	1.0	2,500	14.8	2,600	6.5	1,700 (35.8)	55.65
Full year	80,000	2.0	8,200	8.4	8,400	3.6	5,500 (12.5)	180.04

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

*Notes:

- (1) Changes in significant subsidiaries during the three months ended June 30, 2023 (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
Notes to the Accounting policies adopted specially for the preparation of quarterly consolidated financial statements
- (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, 2023: 31,685,955 shares
As of March 31, 2023: 31,685,955 shares
 - 2) Total number of treasury shares at the end of the period:
As of June 30, 2023: 2,174,933 shares
As of March 31, 2023: 1,423,907 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)
Three months ended June 30, 2023: 29,867,454 shares
Three months ended June 30, 2022: 30,568,596 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, 2023, the Japanese economy experienced a gradual recovery trend due to increased inbound tourism demand accompanied by the growing number of foreign visitors to Japan, increased consumer spending on passenger cars, eating out, etc. and increased capital investment in digital transformation-related and other areas.

The business environment surrounding the Nichireki Group (hereinafter referred to as the “Group”) saw some areas where the business progress was slow due to the impact of the nationwide local elections and unseasonable weather, etc. despite generally steady levels of public investment against the backdrop of growing construction demand for preventing and mitigating disasters, national resilience measures, etc. In addition, as raw material prices remain in the high range due to factors such as continuing depreciation of the yen, a close watch is continuously required on trends in crude oil prices and the exchange rate, 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 third year of its Medium-term Management Plan “Resilience 2025 (Shinayaka 2025).”

In the three months ended June 30, 2023, the Group posted net sales of ¥13,670 million (down 7.5% year on year), operating profit of ¥116 million (down 81.9% year on year), and ordinary profit of ¥535 million (down 46.4% year on year). Profit attributable to owners of the parent company decreased by 82.9% to ¥288 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 raw material prices that continue to remain in the high range, we worked on increasing sales by further strengthening design and marketing activities for high value-added products aiming for “longer life and higher performance of paved roads” and “reduction of environmental load.”

Net sales for the segment were ¥5,538 million (down 4.5% year on year) and segment profit was ¥901 million (down 24.8% year on year) in the three months ended June 30, 2023.

Road Paving Business

In the Road Paving Business, we worked on 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.

Net sales for the segment were ¥8,053 million (down 9.5% year on year) and segment profit was ¥81 million (down 65.8% year on year) in the three months ended June 30, 2023.

Other Business

In the Other Business, net sales for the segment were ¥78 million (up 0.9% year on year) and segment profit was ¥58 million (up 0.3% year on year) mainly due to real estate lease revenue.

(2) Explanation of Financial Position

Total assets decreased by ¥5,904 million from the end of the previous fiscal year to ¥85,569 million. This is attributable mainly to a decrease in notes and accounts receivable - trade, and contract assets of ¥7,171 million despite an increase in income taxes refund receivable of ¥560 million.

Liabilities decreased by ¥4,138 million from the end of the previous fiscal year to ¥14,864 million. This is attributable mainly to decreases in accounts payable - trade of ¥3,230 million and income taxes payable of ¥1,197 million.

Net assets decreased by ¥1,765 million from the end of the previous fiscal year to ¥70,705 million. This is attributable mainly to a decrease in retained earnings of ¥1,224 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, 2024, no change has been made to the consolidated financial results forecast, which was announced on May 10, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	27,319	26,080
Notes and accounts receivable - trade, and contract assets	20,218	13,047
Electronically recorded monetary claims - operating	2,696	2,579
Merchandise and finished goods	1,139	1,284
Costs on construction contracts in progress	238	412
Raw materials and supplies	1,335	1,233
Income taxes refund receivable	88	649
Derivatives	175	—
Other	1,714	1,852
Allowance for doubtful accounts	(58)	(57)
Total current assets	54,867	47,082
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,981	7,671
Machinery, equipment and vehicles, net	3,159	3,183
Land	10,859	10,938
Leased assets, net	215	191
Construction in progress	1,250	935
Other, net	610	620
Total property, plant and equipment	23,077	23,541
Intangible assets		
Other	704	761
Total intangible assets	704	761
Investments and other assets		
Investment securities	5,990	7,131
Investments in capital of subsidiaries and associates	794	1,028
Retirement benefit asset	1,492	1,486
Deferred tax assets	128	139
Long-term time deposits	3,720	3,720
Other	752	732
Allowance for doubtful accounts	(54)	(55)
Total investments and other assets	12,823	14,183
Total non-current assets	36,606	38,487
Total assets	91,474	85,569

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	9,460	6,230
Electronically recorded obligations - operating	1,501	1,915
Short-term borrowings	1,300	1,300
Accounts payable - other	1,278	857
Income taxes payable	1,250	53
Contract liabilities	305	487
Provision for bonuses	959	508
Other provisions	179	66
Other	1,414	1,729
Total current liabilities	17,650	13,148
Non-current liabilities		
Long-term accounts payable - other	0	0
Lease liabilities	130	109
Long-term deposits received	48	48
Deferred tax liabilities	1,039	1,423
Asset retirement obligations	134	135
Total non-current liabilities	1,353	1,716
Total liabilities	19,003	14,864
Net assets		
Shareholders' equity		
Share capital	2,919	2,919
Capital surplus	3,681	3,681
Retained earnings	64,236	63,012
Treasury shares	(1,124)	(2,399)
Total shareholders' equity	69,713	67,214
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,127	2,922
Deferred gains or losses on hedges	66	—
Foreign currency translation adjustment	152	175
Remeasurements of defined benefit plans	409	393
Total accumulated other comprehensive income	2,756	3,490
Total net assets	72,470	70,705
Total liabilities and net assets	91,474	85,569

(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, 2022	For the three months ended June 30, 2023
Net sales	14,773	13,670
Cost of sales	11,622	10,934
Gross profit	3,150	2,736
Selling, general and administrative expenses	2,506	2,619
Operating profit	643	116
Non-operating income		
Interest income	1	4
Dividend income	61	120
Share of profit of entities accounted for using equity method	—	220
Foreign exchange gains	93	66
Derivative income	66	107
Gain on valuation of derivatives	144	—
Other	5	6
Total non-operating income	372	524
Non-operating expenses		
Interest expenses	1	1
Share of loss of entities accounted for using equity method	14	—
Loss on valuation of derivatives	—	79
Other	3	25
Total non-operating expenses	19	105
Ordinary profit	997	535
Extraordinary income		
Gain on sale of non-current assets	6	8
Gain on revision of retirement benefit plan	1,202	—
Other	10	1
Total extraordinary income	1,219	9
Extraordinary losses		
Loss on retirement of non-current assets	17	0
Loss on disaster	8	—
Other	—	0
Total extraordinary losses	26	0
Profit before income taxes	2,191	544
Income taxes - current	134	82
Income taxes - deferred	371	173
Total income taxes	505	255
Profit	1,685	288
Profit attributable to owners of the parent company	1,685	288

Consolidated Statements of Comprehensive Income
For the Three-Month Period

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	1,685	288
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	794
Deferred gains or losses on hedges	(66)	(66)
Foreign currency translation adjustment	11	5
Remeasurements of defined benefit plans, net of tax	(191)	(16)
Share of other comprehensive income of entities accounted for using equity method	44	17
Total other comprehensive income	(208)	734
Comprehensive income	1,477	1,022
Comprehensive income attributable to Comprehensive income attributable to owners of the parent company	1,477	1,022

(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, 2023 (From April 1, 2023 to June 30, 2023)

There is no relevant information.

(Segment Information, etc.)

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

For the three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

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	5,538	8,053	13,592	78	13,670	—	13,670
Inter-segment net sales or transfers	1,584	—	1,584	20	1,605	(1,605)	—
Total	7,123	8,053	15,176	99	15,275	(1,605)	13,670
Segment profit	901	81	982	58	1,040	(924)	116

- (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 ¥(924) million includes elimination of inter-segment transactions of ¥(37) million and corporate expenses of ¥(887) 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, 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.

For the three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

(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	5,538	—	5,538	5	5,544
Goods to be transferred over a certain period	—	8,053	8,053	—	8,053
Revenue from contracts with customers	5,538	8,053	13,592	5	13,597
Other revenue	—	—	—	72	72
Net sales to outside customers	5,538	8,053	13,592	78	13,670

(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.