

Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]



November 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: November 14, 2023

Scheduled date of commencing dividend payments: December 4, 2023

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 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	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2023	32,285	(4.1)	1,918	(11.9)	2,351	(3.7)	1,430	(46.0)
September 30, 2022	33,677	3.9	2,178	(21.6)	2,441	(17.2)	2,646	32.2

(Note) Comprehensive income: Six months ended September 30, 2023: ¥2,518 million [7.6%]

Six months ended September 30, 2022: ¥2,341 million [2.1%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	48.53	-
September 30, 2022	86.57	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	88,643	70,940	80.0
As of March 31, 2023	91,474	72,470	79.2

(Reference) Equity: As of September 30, 2023: ¥70,940 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	-	35.00			
Fiscal year ending March 31, 2024 (Forecast)			-	35.00	70.00

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

(Note) Interim dividend for the six months ended September 30, 2023 includes a commemorative dividend of ¥10.00.

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
Full year	80,000	2.0	8,200	8.4	8,400	3.6	5,500 (12.5)	186.63

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

*Notes:

(1) Changes in significant subsidiaries during the six months ended September 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 September 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 September 30, 2023: 2,790,653 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)

Six months ended September 30, 2023: 29,469,746 shares

Six months ended September 30, 2022: 30,568,552 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 Wednesday, November 29, 2023. 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, 2023, the Japanese economy continuously experienced a recovery trend due to the easing of issues regarding restricted supply of semiconductors, etc., and also due to a recovery of business confidence on the back of factors such as increased inbound tourism demand and consumer spending, and progress in shifting raised costs to product prices, as well as an increase in capital investment in digital transformation-related areas and measures to tackle labor shortages. Meanwhile, elements that would raise economic uncertainty remain, such as a hike in long-term interest rates in consideration of a revision to the monetary easing policy and concerns over business slowdowns in China and other countries.

With regard to the business environment surrounding the Nichireki Group (hereinafter referred to as the “Group”), levels of public investment were steady against the backdrop of growing construction demand for preventing and mitigating disasters, national resilience measures, etc. However, a close watch is continuously required on trends in crude oil prices and the exchange rate, etc., as raw material prices remain high due to continued high prices caused by an increase in labor costs, etc., as well as continuing depreciation of the yen.

In this environment, the Group has implemented various measures stated in the Medium-term Management Plan “Resilience 2025 (Shinayaka 2025),” which is in its third year, aiming to grow 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, 2023, the Group posted net sales of ¥32,285 million (down 4.1% year on year), operating profit of ¥1,918 million (down 11.9% year on year), and ordinary profit of ¥2,351 million (down 3.7% year on year). Profit attributable to owners of the parent company decreased by 46.0% to ¥1,430 million.

Results by business segment were as follows.

Applied and Processed Asphalt Products Business

In the Applied and Processed Asphalt Products Business, we worked on increasing sales by promoting design and marketing activities for high value-added products aiming for “longer life and higher performance of paved roads” and “reduction of environmental load,” and also on coping with raw material prices that continued to remain in the high range.

Net sales for the segment were ¥12,296 million (down 3.6% year on year) and segment profit was ¥2,387 million (down 14.3% year on year) in the six months ended September 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 ¥19,834 million (down 4.5% year on year) and segment profit was ¥1,265 million (up 30.2% year on year) in the six months ended September 30, 2023.

Other Business

In the Other Business, net sales for the segment were ¥154 million (up 0.3% year on year) and segment profit was ¥116 million (up 0.8% year on year) mainly due to real estate lease revenue.

(2) Explanation of Financial Position

Total assets decreased by ¥2,830 million from the end of the previous fiscal year to ¥88,643 million. This is attributable mainly to decreases in cash and deposits of ¥3,058 million and notes and accounts receivable - trade, and contract assets of ¥3,532 million, despite increases in investment securities of ¥1,735 million, buildings and structures of ¥1,112 million, and long-term time deposits of ¥1,000 million.

Liabilities decreased by ¥1,301 million from the end of the previous fiscal year to ¥17,702 million. This is attributable mainly to decreases in accounts payable - trade of ¥1,025 million and income taxes payable of ¥829 million.

Net assets decreased by ¥1,529 million from the end of the previous fiscal year to ¥70,940 million. This is attributable mainly to an increase in treasury shares of ¥2,535 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 September 30, 2023
Assets		
Current assets		
Cash and deposits	27,319	24,261
Notes and accounts receivable - trade, and contract assets	20,218	16,685
Electronically recorded monetary claims - operating	2,696	2,576
Merchandise and finished goods	1,139	1,247
Costs on construction contracts in progress	238	663
Raw materials and supplies	1,335	1,337
Income taxes refund receivable	88	305
Derivatives	175	-
Other	1,714	776
Allowance for doubtful accounts	(58)	(57)
Total current assets	54,867	47,795
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,981	8,093
Machinery, equipment and vehicles, net	3,159	3,250
Land	10,859	10,938
Leased assets, net	215	167
Construction in progress	1,250	1,037
Other, net	610	653
Total property, plant and equipment	23,077	24,142
Intangible assets		
Other	704	762
Total intangible assets	704	762
Investments and other assets		
Investment securities	5,990	7,725
Investments in capital of subsidiaries and associates	794	1,068
Retirement benefit asset	1,492	1,618
Deferred tax assets	128	147
Long-term time deposits	3,720	4,720
Other	752	717
Allowance for doubtful accounts	(54)	(55)
Total investments and other assets	12,823	15,942
Total non-current assets	36,606	40,847
Total assets	91,474	88,643

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	9,460	8,435
Electronically recorded obligations - operating	1,501	1,727
Short-term borrowings	1,300	1,300
Accounts payable - other	1,278	1,071
Income taxes payable	1,250	420
Contract liabilities	305	459
Provision for bonuses	959	1,009
Other provisions	179	61
Other	1,414	1,299
Total current liabilities	17,650	15,784
Non-current liabilities		
Long-term accounts payable - other	0	0
Lease liabilities	130	89
Long-term deposits received	48	48
Deferred tax liabilities	1,039	1,644
Asset retirement obligations	134	135
Total non-current liabilities	1,353	1,918
Total liabilities	19,003	17,702
Net assets		
Shareholders' equity		
Share capital	2,919	2,919
Capital surplus	3,681	3,681
Retained earnings	64,236	64,153
Treasury shares	(1,124)	(3,660)
Total shareholders' equity	69,713	67,095
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,127	3,260
Deferred gains or losses on hedges	66	-
Foreign currency translation adjustment	152	208
Remeasurements of defined benefit plans	409	376
Total accumulated other comprehensive income	2,756	3,845
Total net assets	72,470	70,940
Total liabilities and net assets	91,474	88,643

(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, 2022	For the six months ended September 30, 2023
Net sales	33,677	32,285
Cost of sales	26,507	25,161
Gross profit	7,170	7,123
Selling, general and administrative expenses	4,992	5,205
Operating profit	2,178	1,918
Non-operating income		
Interest income	2	8
Dividend income	61	120
Share of profit of entities accounted for using equity method	-	231
Foreign exchange gains	73	94
Derivative income	238	107
Other	15	19
Total non-operating income	391	582
Non-operating expenses		
Interest expenses	4	4
Share of loss of entities accounted for using equity method	16	-
Loss on valuation of derivatives	101	79
Other	6	65
Total non-operating expenses	128	149
Ordinary profit	2,441	2,351
Extraordinary income		
Gain on sale of non-current assets	12	15
Gain on sale of investment in affiliated companies	27	-
Compensation income	-	235
Gain on revision of retirement benefit plan	1,202	-
Other	100	9
Total extraordinary income	1,343	260
Extraordinary losses		
Loss on retirement of non-current assets	116	1
Loss on disaster	8	11
Special repairs expenses	-	252
Other	0	0
Total extraordinary losses	125	265
Profit before income taxes	3,659	2,345
Income taxes - current	481	680
Income taxes - deferred	531	234
Total income taxes	1,013	915
Profit	2,646	1,430
Profit attributable to owners of the parent company	2,646	1,430

Consolidated Statements of Comprehensive Income
For the Six-Month Period

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	2,646	1,430
Other comprehensive income		
Valuation difference on available-for-sale securities	(80)	1,132
Deferred gains or losses on hedges	(133)	(66)
Foreign currency translation adjustment	28	12
Remeasurements of defined benefit plans, net of tax	(205)	(32)
Share of other comprehensive income of entities accounted for using equity method	86	43
Total other comprehensive income	(305)	1,088
Comprehensive income	2,341	2,518
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent company	2,341	2,518

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

There is no relevant information.

(Segment Information, etc.)

For the six months ended September 30, 2022 (From April 1, 2022 to September 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	12,760	20,763	33,523	153	33,677	-	33,677
Inter-segment net sales 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.

For the six months ended September 30, 2023 (From April 1, 2023 to September 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	12,296	19,834	32,131	154	32,285	-	32,285
Inter-segment net sales or transfers	3,936	-	3,936	45	3,982	(3,982)	-
Total	16,233	19,834	36,067	199	36,267	(3,982)	32,285
Segment profit	2,387	1,265	3,652	116	3,768	(1,850)	1,918

- (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 ¥(1,850) million includes elimination of inter-segment transactions of ¥(85) million and corporate expenses of ¥(1,764) 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, 2022 (From April 1, 2022 to September 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	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.

For the six months ended September 30, 2023 (From April 1, 2023 to September 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	12,296	-	12,296	9	12,305
Goods to be transferred over a certain period	-	19,834	19,834	-	19,834
Revenue from contracts with customers	12,296	19,834	32,131	9	32,140
Other revenue	-	-	-	145	145
Net sales to outside customers	12,296	19,834	32,131	154	32,285

(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.

(Significant Subsequent Events)

Formation of capital and business alliance with ITOCHU ENEX CO., LTD. and disposal of treasury stock through third-party allotment

At the meeting of the Board of Directors held on October 16, 2023, the Company resolved to form a capital and business alliance with ITOCHU ENEX CO., LTD. (hereinafter referred to as “ITOCHU ENEX”) and dispose of treasury stock through a third-party allotment to ITOCHU ENEX (hereinafter referred to as the “Disposal of Treasury Stock.”)

Outline of the acquisition of the shares of ITOCHU ENEX

The Company will acquire the shares of ITOCHU ENEX through market purchases or other reasonable methods. The acquisition cost will be approximately equal to the total amount to be paid by ITOCHU ENEX for the Disposal of Treasury Stock.

Outline of the disposal of treasury stock to be allocated to ITOCHU ENEX

(1) Date of disposal	November 2, 2023
(2) Type and number of shares to be disposed of	Common shares 497,000 shares
(3) Disposal value	2,009 yen per share
(4) Total amount of disposal value	998,473,000 yen
(5) Ownership ratio of ITOCHU ENEX after disposal	1.64% of the total number of issued shares of the Company