



Notice Concerning Conclusion of Absorption-Type Company Split Agreement in connection with Transition to Holding Company Structure through Company Split

May 17, 2024

Company name: Nichireki Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange (Prime Market)
Code number: 5011
Representative: Manabu Obata, President and Representative Director
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NICHIREKI CO., LTD. (hereinafter, the Company) announced in the “Notice Concerning Commencement of Consideration of Transition to a Holding Company Structure” dated October 30, 2023 and the “Notice Concerning Establishment of Split Preparation Company for Transition to Holding Company Structure, and Transition to a Company with an Audit and Supervisory Committee” dated March 27, 2024, that it would transition to a holding company structure through a company split effective October 1, 2024 (scheduled).

At a meeting of the Board of Directors held today, the Company resolved to enter into an absorption-type company split agreement with Nichireki Split Preparation Co., Ltd. (hereinafter referred to as “the Split Preparation Co.”) as specified below. (The aforementioned company split is hereinafter referred to as the “Company Split”.)

After the Company Split, the Company will become a holding company as of October 1, 2024, and is scheduled to change its trade name to “NICHIREKI GROUP CO., LTD.” and its business purpose to management and supervision of group companies. The partial amendment to the Articles of Incorporation to implement this change (please refer to the “Notice of Partial Amendments to the Articles of Incorporation (Change of Trade Name, Business Purpose, Organizational Design, etc.)” announced today) and the Company Split are subject to the approval at the Company’s 80th Annual General Meeting of Shareholders scheduled to be held on June 27, 2024, and to the approval of the competent government agencies as necessary.

Since the Company Split is an absorption-type company split in which the business will be taken over by a wholly owned subsidiary of the Company, certain disclosure items and details are omitted from this notice.

I. Transition to a Holding Company Structure through Company Split

1. Background and purpose of transition to a Holding Company Structure

Based on our basic philosophy of “Sowing the seeds, giving them water, letting them flower, and reaping the fruits” (“Spirit of sowing the seeds”) and our management philosophy of “contributing to society by creating roads,” we are developing our business to provide a wide range of products, construction work, and technology related to road pavement.

Thanks to the support of our business partners, shareholders, and many other stakeholders, our group celebrated its 80th anniversary on October 26th last year. In the future, the business environment is expected to progress on a larger scale and at a faster pace than ever before. In order to achieve sustainable growth toward our 100th anniversary, we will further accelerate our growth and expand our business by shifting to a holding company structure, and at the same time, we will build a strong management foundation.

2. Summary of Transition to Holding Company Structure

(1) Schedule of the Company Split

May 17, 2024	Board of Directors Meetings to Approve the Agreement Regarding Absorption-type Company Split
May 17, 2024	Execution of the Agreement Regarding Absorption-type Company Split
June 27, 2024 (tentative)	General Meeting of Shareholders to Approve the Agreement Regarding Absorption-type Company Split
October 1, 2024 (tentative)	Effective Date of the Absorption-type Company Split

*As the Split Preparation Co. is subject to a summary form absorption-type company split pursuant to the provisions of Article 796 of the Companies Act, the Split Preparation Co. is planning to carry out procedures that do not require an approval resolution at a General Meeting of Shareholders.

(2) Method of the Company Split

The Company Split will take the form of an absorption-type split in which the Company will be the splitting company (the “Splitting Company”) and its wholly owned subsidiary, the Split Preparation Co., will be the successor company (the “Successor Company”). The Company will continue to be listed as a holding company.

(3) Details of the Allotment in Relation to the Company Split

Since the Company owns all of the outstanding shares of the Successor Company, there is no plan for the Successor Company to deliver money, etc. to the Company in lieu of the rights and obligations to be succeeded to by the Successor Company upon the Company Split.

(4) Treatment of Stock Acquisition Rights and Bonds with Stock Acquisition Rights upon the Company Split

Not applicable.

(5) Increase or Decrease in Capital, etc. due to the Company Split

There will be no increase or decrease in the Company's capital as a result of the Company Split.

(6) Rights and Obligations to be Succeeded to by the Successor Company

The rights and obligations to be succeeded to by the Successor Company from the Company shall, as of the effective date of the Company Split, be assets, liabilities, and other rights and obligations (except as otherwise provided) related to the Applied and Processed Asphalt Products Business and the Road Paving Business (all businesses operated by the Company, excluding the group business management and the business related to real estate management and leasing), as provided in the absorption-type company split agreement related to the Company Split. The obligations to be assumed by the Successor Company from the Company shall be assumed by the method of superimposed assumption of obligations.

(7) Prospects for Fulfillment of Obligations

The Company and the Successor Company expect that the amount of assets of the Company and the Successor Company will continue to exceed the amount of liabilities after the Company Split, and no situation that would hinder the fulfillment of obligations to be borne by the Company and the Successor Company is currently anticipated. Therefore, the Company has determined that there are no problems with the prospects for fulfillment of obligations to be borne by the Company and the Successor Company in the Company Split.

3. Overview of the Companies Involved in the Company Split

	Splitting Company (As of March 31, 2024)	Successor Company (as of establishment on April 1, 2024)
(1) Company Name	Nichireki Co., Ltd.	Nichireki Split Preparation Co., Ltd.
(2) Location of Head Office	4-3-29, Kudan-kita, Chiyoda-Ko, Tokyo	4-3-29, Kudan-kita, Chiyoda-Ko, Tokyo
(3) Name and Title of Representative	Manabu Obata, President and Representative Director	Manabu Obata, President and Representative Director
(4) Establishment	September 12, 1949	April 1, 2024
(5) Paid-in capital	JPY 2,919 million	JPY 300 million
(6) Main Business	Applied and Processed Asphalt Products Business & Road Paving Business	Applied and Processed Asphalt Products Business & Road Paving Business
(7) Number of shares outstanding	31,685,955 shares	6,000 shares
(8) Fiscal Year End	March 31	March 31
(9) Major shareholders and shareholding ratio	<p>The Master Trust Bank of Japan, Ltd. (Trust Account) 10.27%</p> <p>MAPLES TRUSTEE SERVICES LIMITED 7.66%</p> <p>Nichireki Business Partners Shareholding Association 3.78%</p> <p>Mizuho Bank, Ltd. 3.77%</p> <p>Sumitomo Mitsui Trust Bank, Limited 3.74%</p> <p>The Custody Bank of Japan, Ltd. 3.19%</p> <p>THE SFP VALUE REALIZATION MASTER FUND LTD 3.12%</p> <p>Ikeda 20th Century Museum of Art 2.14%</p> <p>MUFG Bank, Ltd. 1.80%</p> <p>The Custody Bank of Japan, Ltd. (Kajima Road, Ltd. Retirement Benefit Trust Account) 1.78%</p>	Nichireki Co., Ltd. : 100%

(10) Relationship between the Companies, etc.	Capital Relationship	The Company owns 100% of the outstanding shares of the Successor Company.
	Personnel Relationship	The Company dispatches one director to the Successor Company.
	Business Relationship	There is no business relationship with the Company at present because the Successor Company has not yet started its business.
(11) Financial position and operating results for the immediately preceding fiscal year		
Fiscal Year	Fiscal year ending March 31, 2024 (consolidated)	As of establishment on April 1, 2024
Net Asset	JPY 74,836 million	JPY 300 million
Total Asset	JPY 95,094 million	JPY 300 million
Net Asset Per Share	JPY 2,546.12	JPY 50,000
Net Sales	JPY 73,832 million	-
Operating profit	JPY 6,019 million	-
Ordinary Profit	JPY 6,390 million	-
Profit attributable to owners of the parent company	JPY 4,488 million	-
Net income per share	JPY 152.74	-
Dividend per share	JPY 70.00	-

4. Situation after the Company Split (October 1, 2024 (tentative))

	Splitting Company	Successor Company
(1) Company Name	NICHIREKI GROUP CO., LTD. (Trade name will be changed from "Nichireki Co., Ltd." on October 1, 2024)	Nichireki Co., Ltd. (Trade name will be changed from "Nichireki Split Preparation Co., Ltd." on October 1, 2024)
(2) Location of Head Office	4-3-29, Kudan-kita, Chiyoda-Ko, Tokyo	4-3-29, Kudan-kita, Chiyoda-Ko, Tokyo
(3) Name and Title of Representative	Manabu Obata, President and Representative Director	To Be Determined
(4) Paid-in capital	JPY 2,919 million	JPY 300 million

(5) Main Business	Planning and formulation of group management strategies, management and supervision of group companies, common group operations, etc.	Applied and Processed Asphalt Products Business & Road Paving Business
(6) Fiscal Year End	March 31	March 31

5. Overview of the business division to be split

(1) Description of Business Division to be Split

The Applied and Processed Asphalt Products Business and The Road Paving Business (all businesses operated by the Company, excluding the group business management and the business related to real estate management and leasing)

(2) Operating results of the business segment to be split for the fiscal year ending March 31, 2024

	Business to be Split (a)	Result of Company (b)	Ratio (a/b)
Net Sales	JPY36,013 million	JPY36,278 million	99.3%

(3) Items and amounts of assets and liabilities to be split (as of March 31, 2024)

Asset		Liabilities	
Item	Book Value	Item	Book Value
Current Assets	JPY 16,828 million	Current Liabilities	JPY 5,296 million
Non-Current Assets	JPY 4,976 million	Non-Current Liabilities	JPY 125 million
Total	JPY 21,804 million	Total	JPY 5,421 million

(Note)

Since the above amounts are calculated based on the balance sheet as of March 31, 2024, the actual amount to be succeeded will be the above amount adjusted for changes through the effective date.

6. Outline of Accounting Treatment

The Company Split falls under the category of a transaction under common control under the Accounting Standard for Business Combinations. No goodwill will be generated as a result of the Company Split.

7. Future Outlook

Since the operating company that will succeed to the business through the Company Split is a wholly-owned subsidiary of the Company, the impact of the Company Split on the Company's consolidated financial results is expected to be minimal.