

Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]



November 12, 2024

Company name: NICHIREKI GROUP CO., LTD.

Stock exchange listing: Tokyo Stock Exchange (Prime Market)

Code number: 5011

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

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Scheduled date of filing semi-annual securities report: November 14, 2024

Scheduled date of commencing dividend payments: December 3, 2024

Availability of supplementary briefing material on financial results: Available

Schedule of 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, 2024 (April 1, 2024 to September 30, 2024)

(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, 2024	32,012	(0.8)	1,329	(30.7)	1,438	(38.8)	890	(37.8)
September 30, 2023	32,285	(4.1)	1,918	(11.9)	2,351	(3.7)	1,430	(46.0)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥368 million [(85.4)%]

Six months ended September 30, 2023: ¥2,518 million [7.6%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	30.28	-
September 30, 2023	48.53	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	90,456	74,231	82.1
As of March 31, 2024	95,094	74,836	78.7

(Reference) Equity: As of September 30, 2024: ¥74,231 million

As of March 31, 2024: ¥74,836 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2024	Yen -	Yen 35.00	Yen -	Yen 35.00	Yen 70.00
Fiscal year ending March 31, 2025	-	35.00			
Fiscal year ending March 31, 2025 (Forecast)			-	40.00	75.00

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

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% 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	8.4	7,000	16.3	7,200	12.7	4,600	2.5
								156.46

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

*Notes:

(1) Significant changes in the scope of consolidation during the period: No

(2) Accounting policies adopted specially for the preparation of semi-annual 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: Yes

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting estimates: No

4) Restatement: No

(Note) For detail information, please refer to “(4) Notes to the Semi-annual Consolidated Financial Statements (Notes to changes in accounting policies)” in “2. Semi-annual Consolidated Financial Statements and Primary Notes” on page 10 of these semi-annual consolidated financial results (Appendix).

(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, 2024: 31,685,955 shares

As of March 31, 2024: 31,685,955 shares

2) Total number of treasury shares at the end of the period:

As of September 30, 2024: 2,271,858 shares

As of March 31, 2024: 2,293,658 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Six months ended September 30, 2024: 29,400,278 shares

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

*Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

*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 Semi-annual Financial Results for the Period under Review” on page 3 of these semi-annual consolidated financial results (Appendix).

(How to obtain the supplementary briefing material on financial results)

The Company will hold the annual financial results briefing session for institutional investors and analysts on Thursday, November 28, 2024. 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 Semi-annual Financial Results for the Period Under Review

(1) Explanation of Operating Results

In the six months ended September 30, 2024, the Japanese economy experienced a gradual recovery trend due to improvements in employment and income environment, with implementation of pay increase by many companies. Meanwhile, there remained risks that a downturn in overseas economies, such as the impact of continuing high interest rates in Europe and the U.S. and the sluggish real estate market in China, will put downward pressure on the economy.

With regard to the business environment surrounding the Nichireki Group (hereinafter referred to as the “Group”), levels of public investment were steady as a whole against the backdrop of growing construction demand for preventing and mitigating disasters, national resilience measures, etc. However, the business environment was harsh mainly due to construction material prices remaining high and an increase in labor costs. In addition, with an increase in commodity prices and fluctuations in financial and capital markets, as well as increasing concern over geopolitical risks such as the prolonged situation in Ukraine and growing tension in the Middle East and other factors, a close watch is continuously required on trends in crude oil prices and foreign exchange rates.

In this business environment, the Group has implemented various measures, aiming to grow into a sustainable corporate group with the entire organization working as one under quick and accurate decision-making as we enter the fourth year of the Medium-term Management Plan “Resilience 2025 (Shinayaka 2025).”

In the six months ended September 30, 2024, the Group posted net sales of ¥32,012 million (down 0.8% year on year), operating profit of ¥1,329 million (down 30.7% year on year), and ordinary profit of ¥1,438 million (down 38.8% year on year). Profit attributable to owners of the parent company decreased by 37.8% year on year to ¥890 million.

Results by business segment were as follows.

Applied and Processed Asphalt Products Business

In the Applied and Processed Asphalt Products Business, we worked to increase 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 to cope with raw material prices that remained in the high range.

Net sales for the segment were ¥12,156 million (down 1.1% year on year) and segment profit was ¥2,055 million (down 13.9% year on year) in the six months ended September 30, 2024.

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 as well as the steady execution of construction work.

Net sales for the segment were ¥19,689 million (down 0.7% year on year) and segment profit was ¥1,056 million (down 16.5% year on year) in the six months ended September 30, 2024.

Other Business

In the Other Business, net sales for the segment were ¥166 million (up 7.9% year on year) and segment profit was ¥120 million (up 3.5% year on year) mainly due to real estate lease revenue.

(2) Explanation of Financial Position

Total assets decreased by ¥4,638 million from the end of the previous fiscal year to ¥90,456 million. This is attributable mainly to decreases in cash and deposits of ¥6,765 million, and notes and accounts receivable - trade, and contract assets of ¥3,071 million, despite increases in construction in progress of ¥4,680 million and costs on construction contracts in progress of ¥621 million.

Liabilities decreased by ¥4,032 million from the end of the previous fiscal year to ¥16,225 million. This is attributable mainly to decreases in notes and accounts payable - trade of ¥1,881 million, accounts payable – other of ¥848 million, and income taxes payable of ¥725 million.

Net assets decreased by ¥605 million from the end of the previous fiscal year to ¥74,231 million. This is attributable mainly to a decrease in valuation difference on available-for-sale securities of ¥594 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Information

The consolidated financial results for the six months ended September 30, 2024 progressed as initially expected and no significant changes in the business environment are expected at this moment. Accordingly, no change has been made to the consolidated financial results forecast for the fiscal year ending March 31, 2025, which was announced on May 10, 2024.

2. Semi-annual Consolidated Financial Statements and Primary Notes

(1) Semi-annual Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	25,745	18,979
Notes and accounts receivable - trade, and contract assets	17,880	14,808
Electronically recorded monetary claims - operating	2,385	2,405
Merchandise and finished goods	1,431	1,254
Costs on construction contracts in progress	142	764
Raw materials and supplies	1,317	1,202
Other	720	1,070
Allowance for doubtful accounts	(57)	(6)
Total current assets	49,564	40,478
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,925	8,659
Machinery, equipment and vehicles, net	4,026	4,416
Land	11,145	11,124
Leased assets, net	188	156
Construction in progress	769	5,450
Other, net	676	793
Total property, plant and equipment	25,731	30,600
Intangible assets		
Other	1,202	1,246
Total intangible assets	1,202	1,246
Investments and other assets		
Investment securities	9,753	8,889
Investments in capital of subsidiaries and associates	917	906
Retirement benefit asset	2,773	3,130
Deferred tax assets	76	86
Long-term time deposits	4,420	4,420
Other	712	753
Allowance for doubtful accounts	(58)	(56)
Total investments and other assets	18,595	18,129
Total non-current assets	45,529	49,977
Total assets	95,094	90,456

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,664	6,782
Electronically recorded obligations - operating	1,521	1,522
Short-term borrowings	1,300	1,300
Current portion of long-term borrowings	1	-
Accounts payable - other	2,020	1,171
Income taxes payable	1,123	397
Contract liabilities	493	434
Provision for bonuses	1,060	928
Other provisions	169	48
Other	1,510	1,332
Total current liabilities	17,865	13,917
Non-current liabilities		
Long-term accounts payable - other	0	0
Lease liabilities	105	92
Long-term deposits received	48	48
Deferred tax liabilities	2,048	1,954
Retirement benefit liability	-	75
Asset retirement obligations	135	135
Long-term borrowings	55	-
Total non-current liabilities	2,392	2,307
Total liabilities	20,258	16,225
Net assets		
Shareholders' equity		
Share capital	2,919	2,919
Capital surplus	4,028	4,054
Retained earnings	66,200	66,062
Treasury shares	(3,008)	(2,979)
Total shareholders' equity	70,140	70,057
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,565	2,970
Foreign currency translation adjustment	202	329
Remeasurements of defined benefit plans	927	873
Total accumulated other comprehensive income	4,695	4,173
Total net assets	74,836	74,231
Total liabilities and net assets	95,094	90,456

(2) Semi-annual 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, 2023	For the six months ended September 30, 2024
Net sales	32,285	32,012
Cost of sales	25,161	25,187
Gross profit	7,123	6,824
Selling, general and administrative expenses	5,205	5,495
Operating profit	1,918	1,329
Non-operating income		
Interest income	8	10
Dividend income	120	131
Share of profit of entities accounted for using equity method	231	-
Foreign exchange gains	94	47
Derivative income	107	-
Other	19	22
Total non-operating income	582	212
Non-operating expenses		
Interest expenses	4	3
Share of loss of entities accounted for using equity method	-	96
Loss on valuation of derivatives	79	-
Other	65	3
Total non-operating expenses	149	103
Ordinary profit	2,351	1,438
Extraordinary income		
Gain on sale of non-current assets	15	36
Insurance claim income	9	14
Compensation income	235	-
Total extraordinary income	260	50
Extraordinary losses		
Loss on retirement of non-current assets	1	5
Loss on disaster	11	10
Special repairs expenses	252	-
Other	0	6
Total extraordinary losses	265	22
Profit before income taxes	2,345	1,466
Income taxes - current	680	381
Income taxes - deferred	234	194
Total income taxes	915	576
Profit	1,430	890
Profit attributable to owners of the parent company	1,430	890

Consolidated Statements of Comprehensive Income for the Six-Month Period

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	1,430	890
Other comprehensive income		
Valuation difference on available-for-sale securities	1,132	(594)
Deferred gains or losses on hedges	(66)	-
Foreign currency translation adjustment	12	38
Remeasurements of defined benefit plans, net of tax	(32)	(53)
Share of other comprehensive income of entities accounted for using equity method	43	88
Total other comprehensive income	1,088	(521)
Comprehensive income	2,518	368
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent company	2,518	368

(3) Semi-annual Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	2,345	1,466
Depreciation	1,066	1,237
Share-based payment expenses	-	12
Increase (decrease) in allowance for doubtful accounts	(0)	(53)
Increase (decrease) in provision for bonuses	49	(132)
Increase (decrease) in retirement benefit liability	(287)	(361)
Increase (decrease) in other provisions	(118)	(121)
Interest and dividend income	(129)	(142)
Interest expenses	4	3
Foreign exchange losses (gains)	(16)	3
Loss (gain) on sale of non-current assets	(15)	(32)
Loss on retirement of non-current assets	1	5
Compensation income	(235)	-
Special repairs expenses	252	-
Decrease (increase) in trade receivables	3,810	2,987
Decrease (increase) in inventories	(532)	(319)
Decrease (increase) in other current assets	(372)	(338)
Decrease (increase) in other non-current assets	(0)	54
Increase (decrease) in trade payables	(1,169)	(2,323)
Increase (decrease) in other current liabilities	118	61
Increase (decrease) in accrued consumption taxes	(277)	(89)
Share of loss (profit) of entities accounted for using equity method	(231)	96
Other, net	255	5
Subtotal	4,517	2,020
Interest and dividends received	129	142
Interest paid	(4)	(3)
Income taxes paid	(1,766)	(1,148)
Proceeds from compensation	235	-
Payments provision for special repairs	(252)	-
Other, net	0	3
Net cash provided by (used in) operating activities	2,858	1,014
Cash flows from investing activities		
Payments into time deposits	(1,006)	(6)
Proceeds from withdrawal of time deposits	1,006	6
Purchase of property, plant and equipment	(1,936)	(6,389)
Proceeds from sale of property, plant and equipment	15	50
Payments for retirement of property, plant and equipment	(4)	(33)
Purchase of intangible assets	(151)	(301)
Purchase of investment securities	(100)	(100)
Proceeds from sale of investment securities	-	100
Loan advances	(3)	(6)
Proceeds from collection of loans receivable	1	6
Other, net	(0)	(0)
Net cash provided by (used in) investing activities	(2,180)	(6,674)

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from financing activities		
Proceeds from short-term borrowings	1,500	1,800
Repayments of short-term borrowings	(1,500)	(1,800)
Repayments of long-term borrowings	-	56
Repayments of lease liabilities	(53)	(50)
Purchase of treasury shares	(2,535)	-
Decrease (increase) in deposits for purchase of treasury shares	1,331	-
Dividends paid	(1,501)	(1,020)
Net cash provided by (used in) financing activities	(2,759)	(1,127)
Effect of exchange rate change on cash and cash equivalents	23	12
Net increase (decrease) in cash and cash equivalents	(2,058)	(6,775)
Cash and cash equivalents at beginning of period	24,709	25,445
Cash and cash equivalents at end of period	22,651	18,669

(4) Notes to the Semi-annual Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes in the Case of Significant Changes in Shareholders' Equity)

There is no relevant information.

(Notes to Changes in Accounting Policies)

(Change in inventory valuation method)

Effective from the beginning of the six months ended September 30, 2024, the Company has changed its inventory valuation method for merchandise and finished goods from the cost method based on the first-in first-out method to the cost method based on the weighted average method.

The purpose of this change in valuation method is to calculate periodic profit and loss more promptly and appropriately in conjunction with the introduction of a new core system.

Since it is practically impossible to calculate the cumulative effect of retrospective application of the weighted average method for past fiscal years, the book value at the end of the previous fiscal year is deemed to be the balance at the beginning of the six months ended September 30, 2024.

The effect of this change in accounting policy is immaterial.

(Application of the "Accounting Standard for Current Income Taxes", etc.)

Effective from the beginning of the six months ended September 30, 2024, the Company has applied "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standard") and other standards.

With regard to revisions related to the classification of income taxes, etc. (taxes imposed on other comprehensive income), the Company follows the transitional treatment prescribed in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso to paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "2022 Revised Guidance"). Note that this change in accounting policy has no impact on the semi-annual financial statements.

In addition, with regard to revisions related to the review of the treatment of gains or losses on sales of subsidiaries' shares, etc. between consolidated companies in consolidated financial statements when they are deferred for tax purposes, the Company has applied the 2022 Revised Guidance from the beginning of the six months ended September 30, 2024. This change in accounting policy has been applied retrospectively. The semi-annual consolidated financial statements and consolidated financial statements for the previous fiscal year presented herein are those after the retrospective application of the change. Note that this change in accounting policy has no impact on the semi-annual consolidated financial statements and consolidated financial statements for the previous fiscal year.

(Additional information)

(Disposal of treasury stock as Restricted Stock Compensation)

As stated below, on July 26, 2024, the Company completed the payment for the disposal of treasury stock as restricted stock compensation, which was resolved at the meeting of Board of Directors held on June 27, 2024.

1. Overview of Disposal of Treasury Stock

(1) Restricted stock compensation for eligible Directors

1) Date of Payment	July 26, 2024
2) Type and Numbers of Shares to be Disposed	Common Stock of the Company: 21,800 shares
3) Disposal Price	¥2,507 per share
4) Total Disposal Price	¥54,652,600
5) Allottees	Directors of the Company (*): 10 persons, 18,200 shares Directors who are members of the Audit and Supervisory Committee of the Company: 3 persons, 2,500 shares Director of a subsidiary of the Company: 1 person, 1,100 shares *Excluding directors who are members of the Audit and Supervisory Committee)

2. Purpose and Reason for Disposal

At a meeting of the Board of Directors held on June 27, 2024, the Company resolved the disposal of treasury stock, in accordance with the restricted stock compensation plan which was introduced at a meeting of the Board of Directors held on May 17, 2024, with the aim of providing incentives for eligible Directors, including Directors to be elected in the future, to continuously improve the Company's corporate value, and promoting further value sharing with shareholders.

(Notes to Segment Information, etc.)

[Segment Information]

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 Semi-annual 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 semi-annual consolidated statements of income.

For the six months ended September 30, 2024 (From April 1, 2024 to September 30, 2024)

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

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Semi-annual Consolidated Statements of Income (Note 3)
	Applied and Processed Asphalt Products Business	Road Paving Business	Total				
Net sales							
Net sales to outside customers	12,156	19,689	31,845	166	32,012	-	32,012
Inter-segment net sales or transfers	4,155	-	4,155	44	4,200	(4,200)	-
Total	16,311	19,689	36,001	211	36,212	(4,200)	32,012
Segment profit	2,055	1,056	3,112	120	3,232	(1,902)	1,329

- (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 ¥(1,902) million includes elimination of inter-segment transactions of ¥(43) million and corporate expenses of ¥(1,859) 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 semi-annual consolidated statements of income.

(Revenue Recognition)

Information on analyses of revenue that occurs from contracts with customers

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.

For the six months ended September 30, 2024 (From April 1, 2024 to September 30, 2024)

(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	12,156	-	12,156	12	12,168
Goods to be transferred over a certain period	-	19,689	19,689	-	19,689
Revenue from contracts with customers	12,156	19,689	31,845	12	31,857
Other revenue	-	-	-	154	154
Net sales to outside customers	12,156	19,689	31,845	166	32,012

(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)

At a meeting of the Board of Directors held on May 17, 2024, the Company resolved to make its 100%-owned subsidiary Nichireki Split Preparation Co., Ltd. succeed the Applied and Processed Asphalt Products Business and the Road Paving Business of the Company, and transition to a holding company structure. Based on the absorption-type company split agreement concluded on the same date, the Company transitioned to the holding company structure, implementing the company split on October 1, 2024.

With the transition to the holding company structure, the Company changed its trade name to “NICHIREKI GROUP CO., LTD.” and its business purpose to be consistent with business after the transition to the holding company structure on October 1, 2024.

(1) Purpose of the transition to the holding company structure

We are aiming to further accelerate our growth and expand our business by shifting to the holding company structure, and at the same time to build a strong management foundation.

(2) Summary of the transition to the holding company structure

1) Schedule of the company split

Effective Date of the Absorption-type Company Split: October 1, 2024

2) Method of the company split

The company split took the form of an absorption-type split in which the Company is the splitting company and its wholly owned subsidiary, Nichireki Split Preparation Co. Ltd., is the successor company to succeed rights and obligations the Company held in relation to its Applied and Processed Asphalt Products Business and Road Paving Business.

(3) Overview of the companies involved in the company split

	Splitting Company	Successor Company
1) Company Name	Nichireki Co., Ltd. (The trade name was changed to NICHIREKI GROUP CO., LTD. on October 1, 2024)	Nichireki Split Preparation Co., Ltd. (The trade name was changed to Nichireki Co., Ltd. on October 1, 2024)
2) Net assets	¥54,331 million (As of September 30, 2024)	¥296 million (As of September 30, 2024)
3) Total assets	¥74,828 million (As of September 30, 2024)	¥296 million (As of September 30, 2024)
4) No. of employees	101 (As of October 1, 2024)	538 (As of October 1, 2024)

(4) Overview of the business division to be split

1) Description of the business to be split

The Applied and Processed Asphalt Products Business and The Road Paving Business

2) Operating results of the business to be split

Net sales of the business to be split: ¥36,013 million (result for the fiscal year ended March 31, 2024)

(5) Outline of accounting treatment

In accordance with the Accounting Standard for Business Combinations and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures, the company split has been treated as a transaction under common control.