

Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]



February 7, 2022

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 5011
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 Scheduled date of filing quarterly securities report: February 9, 2022
 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, 2021 (April 1, 2021 to December 31, 2021)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2021	56,325	-	6,752	1.2	7,027	(1.6)	5,060	2.8
December 31, 2020	49,801	7.6	6,669	71.7	7,139	77.1	4,922	-

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥4,961 million [(7.8)%]
 Nine months ended December 31, 2020: ¥5,378 million [830.9%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2021	165.63	-
December 31, 2020	171.52	171.39

(Note) As the Company has implemented the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and such since the beginning of the first quarter of the consolidated fiscal year, the figures presented for the nine months ended December 31, 2021 are those after the implementation of the said standard and such. Accordingly, changes in net sales from the previous corresponding period are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2021	86,530	66,236	76.5
As of March 31, 2021	82,732	62,010	74.9

(Reference) Equity: As of December 31, 2021: ¥66,236 million
 As of March 31, 2021: ¥61,997 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	-	-	-	38.00	38.00
Fiscal year ending March 31, 2022	-	-	-		
Fiscal year ending March 31, 2022 (Forecast)				42.00	42.00

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

3. Forecasts of Consolidated Financial Results in the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% 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	78,000	-	8,000	(12.5)	8,200	(14.4)	5,300	173.50

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

(Note) As the Company has implemented the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and such since the beginning of the first quarter of the consolidated fiscal year, forecasts of consolidated financial results shown above are those after the implementation of the said standard and such. Accordingly, changes in net sales from the previous corresponding period are not presented.

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2021 (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 retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(Note) For more details, please refer to “(3) Notes to the Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” in “2. Quarterly Consolidated Financial Statements and Primary Notes” on page 8 of the 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 December 31, 2021: 31,685,955 shares

As of March 31, 2021: 31,685,955 shares

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

As of December 31, 2021: 1,117,337 shares

As of March 31, 2021: 1,414,587 shares

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

Nine months ended December 31, 2021: 30,555,107 shares

Nine months ended December 31, 2020: 28,701,344 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, 2021, the Japanese economy saw an overall trend towards recovery due to a rise in personal consumption as the effects of the novel coronavirus disease (COVID-19) gradually eased and an increase in global demand for digital products, including 5G-related products. In terms of future prospects, while economic recovery is expected to continue due to the effects of government economic measures, attention must still be paid to the impact of the renewed spread of COVID-19, as well as to downside risk due to global inflation trends and rising resource prices.

The business environment surrounding the Group continues to require close watch on negative factors for business results, including soaring crude oil prices, while a high level of public investment is expected against the backdrop of growing construction demand for preventing and mitigating disasters, national resilience measures, etc. In such a business environment, the Group established its new Medium-term Management Plan “Resilience 2025 (Shinayaka 2025),” which commenced in this fiscal year, and 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 nine months ended December 31, 2021, the Group posted net sales of ¥56,325 million (net sales of ¥49,801 million in the previous corresponding period), operating profit of ¥6,752 million (up 1.2% year on year), ordinary profit of ¥7,027 million (down 1.6% year on year), and profit attributable to owners of the parent company of ¥5,060 million (up 2.8% year on year). With the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) etc., net sales decreased by ¥299 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 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 pavement life and higher performance” and “reduction of environmental load.”

Net sales for the segment were ¥18,915 million (net sales of ¥14,633 million in the previous corresponding period) and segment profit was ¥5,519 million (up 6.5% year on year) in the nine months ended December 31, 2021. With the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., net sales decreased by ¥299 million.

Road Paving Business

In the Road Paving Business, in addition to steady progress of construction works including those for preventing and mitigating disasters and national resilience measures, we worked on improving cost management.

Net sales for the segment were ¥37,180 million (up 6.4% year on year) and segment profit was ¥3,478 million (up 5.4% year on year) in the nine months ended December 31, 2021.

Other Business

In the Other Business, net sales for the segment were ¥229 million (up 0.9% year on year) and segment profit was ¥170 million (up 2.3% year on year) mainly due to real estate lease revenue.

(2) Explanation of Financial Position

Total assets increased by ¥3,797 million from the end of the previous fiscal year to ¥86,530 million. This is attributable mainly to increases in notes and accounts receivable - trade, and contract assets by ¥20,294 million, cash and deposits by ¥1,708 million, long-term time deposits by ¥700 million, and buildings and structures, net by ¥681 million despite a decrease in notes and accounts receivable - trade by ¥20,305 million.

Liabilities decreased by ¥428 million from the end of the previous fiscal year to ¥20,294 million. This is attributable mainly to decreases in income taxes payable by ¥1,144 million, short-term borrowings by ¥600 million, and accounts payable - other by ¥464 million despite an increase in accounts payable - trade by ¥1,982 million.

Net assets increased by ¥4,225 million from the end of the previous fiscal year to ¥66,236 million. This is attributable mainly to increases in retained earnings by ¥3,910 million and capital surplus by ¥251 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, 2022, no change has been made to the full-year consolidated financial results forecast, which was announced on October 28, 2021.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	25,920	27,629
Notes and accounts receivable - trade, and contract assets	-	20,294
Notes and accounts receivable - trade	20,305	-
Electronically recorded monetary claims - operating	2,922	2,608
Merchandise and finished goods	1,101	1,125
Costs on construction contracts in progress	328	715
Raw materials and supplies	730	981
Income taxes receivable	10	46
Current portion of long-term loans receivable from subsidiaries and associates	67	67
Derivatives	458	669
Other	310	919
Allowance for doubtful accounts	(79)	(65)
Total current assets	52,076	54,991
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,123	6,804
Machinery, equipment and vehicles, net	3,291	3,392
Land	10,541	10,646
Leased assets, net	295	297
Construction in progress	293	287
Other, net	591	583
Total property, plant and equipment	21,136	22,012
Intangible assets		
Other	728	686
Total intangible assets	728	686
Investments and other assets		
Investment securities	5,143	4,612
Investments in capital of subsidiaries and associates	671	709
Long-term loans receivable from subsidiaries and associates	490	490
Deferred tax assets	408	242
Long-term time deposits	1,920	2,620
Other	593	601
Allowance for doubtful accounts	(438)	(438)
Total investments and other assets	8,791	8,839
Total non-current assets	30,656	31,538
Total assets	82,732	86,530

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	8,761	10,743
Electronically recorded obligations - operating	1,485	2,441
Short-term borrowings	1,900	1,300
Accounts payable - other	1,438	974
Income taxes payable	2,022	878
Contract liabilities	-	248
Provision for bonuses	961	543
Other provisions	198	75
Other	2,159	1,686
Total current liabilities	18,926	18,891
Non-current liabilities		
Long-term accounts payable - other	5	5
Lease obligations	230	218
Long-term deposits received	48	48
Deferred tax liabilities	533	759
Provision for environmental measures	287	-
Retirement benefit liability	557	235
Asset retirement obligations	133	135
Total non-current liabilities	1,796	1,402
Total liabilities	20,722	20,294
Net assets		
Shareholders' equity		
Share capital	2,919	2,919
Capital surplus	3,430	3,681
Retained earnings	53,574	57,484
Treasury shares	(835)	(659)
Total shareholders' equity	59,088	63,426
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,093	1,894
Deferred gains or losses on hedges	318	399
Foreign currency translation adjustment	6	74
Remeasurements of defined benefit plans	490	440
Total accumulated other comprehensive income	2,908	2,809
Share acquisition rights	12	-
Total net assets	62,010	66,236
Total liabilities and net assets	82,732	86,530

(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, 2020	For the nine months ended December 31, 2021
Net sales	49,801	56,325
Cost of sales	36,423	42,523
Gross profit	13,378	13,802
Selling, general and administrative expenses	6,708	7,050
Operating profit	6,669	6,752
Non-operating income		
Interest income	16	5
Dividend income	367	138
Share of profit of entities accounted for using equity method	95	15
Foreign exchange gains	-	5
Gain on valuation of derivatives	-	94
Other	15	33
Total non-operating income	495	292
Non-operating expenses		
Interest expenses	10	7
Share acquisition rights issuance costs	7	-
Other	8	9
Total non-operating expenses	26	17
Ordinary profit	7,139	7,027
Extraordinary income		
Gain on sale of non-current assets	20	11
Gain on sale of investment securities	63	296
Compensation income	54	119
Other	7	68
Total extraordinary income	145	496
Extraordinary losses		
Loss on retirement of non-current assets	8	15
Loss on disaster	39	10
Special repairs expenses	78	119
Other	0	3
Total extraordinary losses	127	148
Profit before income taxes	7,157	7,375
Income taxes - current	1,980	1,852
Income taxes - deferred	254	461
Total income taxes	2,234	2,314
Profit	4,922	5,060
Profit attributable to owners of the parent company	4,922	5,060

Consolidated Statements of Comprehensive Income
For the Nine-Month Period

(Million yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Profit	4,922	5,060
Other comprehensive income		
Valuation difference on available-for-sale securities	323	(198)
Deferred gains or losses on hedges	171	80
Foreign currency translation adjustment	(0)	13
Remeasurements of defined benefit plans, net of tax	(34)	(50)
Share of other comprehensive income of entities accounted for using equity method	(3)	55
Total other comprehensive income	455	(99)
Comprehensive income	5,378	4,961
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent company	5,378	4,961

(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, 2021 (From April 1, 2021 to December 31, 2021)

There is no relevant information.

(Changes in Accounting Policies)

1. Application of the Accounting Standard for Revenue Recognition, etc.

With the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc., effective from the beginning of the first quarter, revenue is recognized when the control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for the said promised goods or services.

Major changes resulting from the application of the Revenue Recognition Accounting Standard, etc. are as follows.

(1) Revenue recognition on transactions through agent

Though revenue mainly from the domestic distribution business in the Applied and Processed Asphalt Products Business was previously recognized as the total amount of consideration received from customers, revenue from transactions, in which the role of the Company falls under an agent in providing merchandise to customers, is now recognized in the net value obtained by subtracting the amount to be paid to suppliers of the merchandise from the amount received from customers.

(2) Revenue recognition on construction contracts

Concerning construction contracts in the Road Paving Business, previously the percentage-of-completion method was applied to construction works whose outcome in the degree of completion is deemed certain, while the completed-contract method was applied to construction works whose construction periods were very short. Now, revenue is recognized over a certain period as performance obligations are being fulfilled. In addition, percentage of completion regarding the fulfillment of performance obligations is estimated by the input method based on incurred cost. As for construction contracts under which the term from the transaction commencement date to the time when performance obligations are expected to be fulfilled completely is quite short, revenue is not recognized for a certain period but recognized at the time when performance obligations are completely fulfilled, by applying the alternative treatment.

The Revenue Recognition Accounting Standard, etc. are applied according to the transitional treatment specified in the proviso in Paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, the accumulated amount in a case where the new accounting policy is retroactively applied before the beginning of the first quarter is adjusted on retained earnings at the beginning of the first quarter, with the new accounting policy being applied to the said balance at the beginning of the first quarter. However, as a result of the application of the method specified in Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy is not retroactively applied to the contracts for which amounts of almost all revenues had been

recognized under the previous treatment before the beginning of the first quarter. In addition, concerning contract changes made before the beginning of the first quarter, accounting treatment was conducted under the contract terms that reflected all contract changes, and the accumulated amount is adjusted on retained earnings at the beginning of the first quarter, by applying the method specified in (1) of Paragraph 86 of the Revenue Recognition Accounting Standard.

As a result, net sales of the nine months ended December 31, 2021 decreased by ¥299 million and cost of sales decreased by ¥299 million. There was no impact on the balance of retained earnings at the beginning of the period.

Following the application of the Revenue Recognition Accounting Standard, etc., “notes and accounts receivable - trade,” which was presented under “current assets” in the quarterly consolidated balance sheets in the previous fiscal year, is included in “notes and accounts receivable - trade, and contract assets,” effective from the first quarter. According to the transitional treatment specified in Paragraph 89-2 of the Revenue Recognition Accounting Standard, rearrangement based on the new presentation method is not conducted for the previous fiscal year. In addition, according to the transitional treatment specified in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on analyses of revenue from contracts with customers for the nine months ended December 31, 2020, is not stated.

2. Application of the Accounting Standard for Fair Value Measurement, etc.

With the application of the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, the “Fair Value Measurement Accounting Standard”), etc., effective from the beginning of the first quarter, the new accounting policy specified in the Fair Value Measurement Accounting Standard, etc. will be applied throughout the future, according to the transitional treatment specified in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The change in accounting policies has no impact on the quarterly consolidated financial statements.

(Segment Information, etc.)

For the nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

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	14,633	34,941	49,574	227	49,801	-	49,801
Inter-segment net sales or transfers	9,318	-	9,318	48	9,366	(9,366)	-
Total	23,951	34,941	58,892	275	59,168	(9,366)	49,801
Segment profit	5,184	3,300	8,485	166	8,651	(1,981)	6,669

- (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 ¥(1,981) million includes elimination of inter-segment transactions of ¥(67) million and corporate expenses of ¥(1,914) 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, 2021 (From April 1, 2021 to December 31, 2021)

1. 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.

2. Matters pertaining to changes, etc. in reportable segments

As stated in “Changes in Accounting Policies,” the Revenue Recognition Accounting Standard, etc. are applied, effective from the beginning of the first quarter, and the accounting treatment method concerning revenue recognition is changed. Accordingly, the calculation method of profit or loss of segments is also changed.

As a result of the change, net sales of the Applied and Processed Asphalt Products Business for the nine months ended December 31, 2021, decreased by ¥299 million compared with net sales calculated under the previous method.

(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.