

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

May 11, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)

Company name: NIPPON RIETEC CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 1938
 URL: <https://www.j-rietec.co.jp/>
 Representative: Shigeru Egusa, Representative Director and President
 Inquiries: Masaaki Sawamura, Director and General Manager of Finance Department
 Telephone: +81-3-6880-2710
 Scheduled date of annual general meeting of shareholders: June 27, 2023
 Scheduled date to commence dividend payments: June 28, 2023
 Scheduled date to file annual securities report: June 27, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	53,745	1.0	2,688	(12.4)	3,081	(6.7)	2,137	(11.1)
March 31, 2022	53,231	(3.6)	3,068	(27.3)	3,304	(30.7)	2,403	(26.7)

Note: Comprehensive income For the fiscal year ended March 31, 2023 ¥2,133 million [18.8%]
 For the fiscal year ended March 31, 2022 ¥1,795 million [(47.7)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	85.07	—	3.8	3.8	5.0
March 31, 2022	95.55	—	4.4	4.1	5.8

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2023 ¥270 million
 For the fiscal year ended March 31, 2022 ¥65 million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	82,853	56,783	68.5	2,275.78
March 31, 2022	79,857	55,504	69.5	2,206.82

Reference: Equity

As of March 31, 2023: ¥56,783 million

As of March 31, 2022: ¥55,504 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	2,168	(830)	(1,327)	7,838
March 31, 2022	2,625	(455)	(1,088)	7,828

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended March 31, 2022	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	–	–	–	27.00	27.00	679	28.3	1.2
Fiscal year ended March 31, 2023	–	–	–	27.00	27.00	673	31.7	1.2
Fiscal year ending March 31, 2024 (Forecast)	–	–	–	30.00	30.00		32.5	

Breakdown of the year-end dividend for the fiscal year ended March 31, 2022: Ordinary dividend of ¥27.00

Breakdown of the year-end dividend for the fiscal year ended March 31, 2023: Ordinary dividend of ¥27.00

Breakdown of the year-end dividend forecast for the fiscal year ending March 31, 2024: Ordinary dividend of ¥30.00

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	58,000	7.9	2,960	10.1	3,300	7.1	2,300	7.6	92.18

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: – companies

Excluded: – companies

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2023	25,617,717 shares
As of March 31, 2022	25,617,717 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2023	666,465 shares
As of March 31, 2022	466,416 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	25,120,520 shares
Fiscal year ended March 31, 2022	25,151,316 shares

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2023	47,197	(0.1)	2,293	(17.2)	2,466	(17.5)	1,678	(24.1)
March 31, 2022	47,250	(2.2)	2,770	(22.5)	2,990	(22.0)	2,209	(14.5)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2023	66.80	–
March 31, 2022	87.86	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	67,274	43,328	64.4	1,736.53
March 31, 2022	64,824	42,438	65.5	1,687.32

Reference: Equity

As of March 31, 2023

¥43,328 million

As of March 31, 2022

¥42,438 million

2. Non-consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	50,600	7.2	2,770	12.3	1,920	14.4	76.95

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Forward-looking statements, including the consolidated forecasts, stated in these materials are based on information currently available to the Company and certain assumptions deemed reasonable.

Consolidated financial statements**(1) Consolidated balance sheet**

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	7,841,834	7,851,390
Notes receivable, accounts receivable from completed construction contracts and other	35,052,626	37,238,887
Costs on construction contracts in progress	667,010	725,214
Merchandise and finished goods	85,021	91,445
Work in process	7,728	7,158
Raw materials and supplies	250,867	278,813
Other	199,692	337,487
Total current assets	44,104,781	46,530,397
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,493,262	15,775,565
Machinery, vehicles, tools, furniture and fixtures	4,522,550	4,713,529
Land	8,132,696	8,132,764
Leased assets	2,657,473	3,236,932
Construction in progress	112,402	53,133
Accumulated depreciation	(11,048,109)	(11,860,158)
Total property, plant and equipment	19,870,274	20,051,767
Intangible assets	605,945	581,609
Investments and other assets		
Investment securities	14,397,294	14,664,222
Deferred tax assets	501,475	623,585
Other	382,325	406,666
Allowance for doubtful accounts	(4,425)	(4,425)
Total investments and other assets	15,276,669	15,690,050
Total non-current assets	35,752,889	36,323,427
Total assets	79,857,670	82,853,824

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	6,750,303	7,365,237
Electronically recorded obligations - operating	2,719,159	2,902,158
Income taxes payable	825,223	1,081,965
Advances received on construction contracts in progress	110,265	227,737
Provision for warranties for completed construction	7,708	2,645
Provision for bonuses	1,205,657	1,423,803
Provision for bonuses for directors (and other officers)	55,654	70,255
Other	5,459,709	5,277,102
Total current liabilities	17,133,682	18,350,905
Non-current liabilities		
Lease liabilities	1,489,875	1,788,888
Provision for retirement benefits for directors (and other officers)	31,387	32,025
Retirement benefit liability	5,317,423	5,526,060
Other	380,956	372,322
Total non-current liabilities	7,219,642	7,719,297
Total liabilities	24,353,325	26,070,202
Net assets		
Shareholders' equity		
Share capital	1,430,962	1,430,962
Capital surplus	3,205,423	3,205,423
Retained earnings	49,567,246	51,025,267
Treasury shares	(343,500)	(518,943)
Total shareholders' equity	53,860,131	55,142,709
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,660,479	1,721,278
Remeasurements of defined benefit plans	(16,265)	(80,365)
Total accumulated other comprehensive income	1,644,213	1,640,912
Total net assets	55,504,345	56,783,621
Total liabilities and net assets	79,857,670	82,853,824

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales		
Net sales of completed construction contracts	50,380,940	50,525,222
Net sales in sideline businesses	2,461,173	2,824,691
Net sales in real estate business	389,209	395,232
Total net sales	53,231,323	53,745,147
Cost of sales		
Cost of sales of completed construction contracts	43,363,910	43,673,500
Cost of sales in sideline businesses	1,965,154	2,176,094
Cost of sales in real estate business	191,646	194,331
Total cost of sales	45,520,712	46,043,925
Gross profit		
Gross profit on completed construction contracts	7,017,029	6,851,722
Gross profit on sideline business	496,018	648,597
Gross profit on real estate business	197,562	200,901
Total gross profit	7,710,610	7,701,221
Selling, general and administrative expenses	4,641,973	5,012,892
Operating profit	3,068,637	2,688,328
Non-operating income		
Interest income	574	761
Dividend income	136,127	129,183
Gain on sale of goods	49,213	13,686
Share of profit of entities accounted for using equity method	65,831	270,284
Miscellaneous income	78,745	77,893
Total non-operating income	330,491	491,809
Non-operating expenses		
Interest expenses	63,841	60,279
Miscellaneous expenses	30,611	38,146
Total non-operating expenses	94,452	98,426
Ordinary profit	3,304,676	3,081,712
Extraordinary income		
Gain on sale of non-current assets	40,383	2,174
Gain on sale of investment securities	184,826	46,038
National subsidies	27,473	1,273
Total extraordinary income	252,683	49,486
Extraordinary losses		
Loss on sale and retirement of non-current assets	18,187	58,828
Total extraordinary losses	18,187	58,828
Profit before income taxes	3,539,172	3,072,370
Income taxes - current	805,014	1,058,550
Income taxes - deferred	331,004	(123,285)
Total income taxes	1,136,018	935,264
Profit	2,403,153	2,137,106
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	2,403,153	2,137,106

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	2,403,153	2,137,106
Other comprehensive income		
Valuation difference on available-for-sale securities	(483,319)	66,562
Remeasurements of defined benefit plans, net of tax	(110,761)	(64,099)
Share of other comprehensive income of entities accounted for using equity method	(13,383)	(5,764)
Total other comprehensive income	(607,463)	(3,301)
Comprehensive income	1,795,689	2,133,804
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,795,689	2,133,804
Comprehensive income attributable to non- controlling interests	—	—

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,430,962	3,205,423	48,092,631	(343,434)	52,385,582
Cumulative effects of changes in accounting policies			(249,452)		(249,452)
Restated balance	1,430,962	3,205,423	47,843,179	(343,434)	52,136,130
Changes during period					
Dividends of surplus			(679,086)		(679,086)
Profit attributable to owners of parent			2,403,153		2,403,153
Purchase of treasury shares				(65)	(65)
Net changes in items other than shareholders' equity					
Total changes during period			1,724,066	(65)	1,724,001
Balance at end of period	1,430,962	3,205,423	49,567,246	(343,500)	53,860,131

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	2,157,182	94,495	2,251,677	54,637,260
Cumulative effects of changes in accounting policies				(249,452)
Restated balance	2,157,182	94,495	2,251,677	54,387,808
Changes during period				
Dividends of surplus				(679,086)
Profit attributable to owners of parent				2,403,153
Purchase of treasury shares				(65)
Net changes in items other than shareholders' equity	(496,702)	(110,761)	(607,463)	(607,463)
Total changes during period	(496,702)	(110,761)	(607,463)	1,116,537
Balance at end of period	1,660,479	(16,265)	1,644,213	55,504,345

Fiscal year ended March 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,430,962	3,205,423	49,567,246	(343,500)	53,860,131
Cumulative effects of changes in accounting policies					
Restated balance	1,430,962	3,205,423	49,567,246	(343,500)	53,860,131
Changes during period					
Dividends of surplus			(679,085)		(679,085)
Profit attributable to owners of parent			2,137,106		2,137,106
Purchase of treasury shares				(175,443)	(175,443)
Net changes in items other than shareholders' equity					
Total changes during period			1,458,020	(175,443)	1,282,577
Balance at end of period	1,430,962	3,205,423	51,025,267	(518,943)	55,142,709

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	1,660,479	(16,265)	1,644,213	55,504,345
Cumulative effects of changes in accounting policies				
Restated balance	1,660,479	(16,265)	1,644,213	55,504,345
Changes during period				
Dividends of surplus				(679,085)
Profit attributable to owners of parent				2,137,106
Purchase of treasury shares				(175,443)
Net changes in items other than shareholders' equity	60,798	(64,099)	(3,301)	(3,301)
Total changes during period	60,798	(64,099)	(3,301)	1,279,276
Balance at end of period	1,721,278	(80,365)	1,640,912	56,783,621

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,539,172	3,072,370
Depreciation	1,246,689	1,377,314
Increase (decrease) in provision for bonuses	(664,793)	218,145
Increase (decrease) in provision for bonuses for directors (and other officers)	(10,574)	14,600
Increase (decrease) in provision for warranties for completed construction	(1,277)	(5,062)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(1,334)	638
Increase (decrease) in retirement benefit liability	(8,059)	116,273
Interest and dividend income	(136,702)	(129,945)
Interest expenses	63,841	60,279
Share of loss (profit) of entities accounted for using equity method	(65,831)	(270,284)
Loss (gain) on sale and retirement of property, plant and equipment	(22,196)	56,653
Loss (gain) on sale of investment securities	(184,826)	(46,038)
National subsidies	(27,473)	(1,273)
Decrease (increase) in trade receivables	771,191	(2,186,260)
Decrease (increase) in costs on construction contracts in progress	55,345	(58,203)
Decrease (increase) in other assets	229,998	(189,249)
Increase (decrease) in trade payables	(897,271)	798,614
Increase (decrease) in accrued expenses	(15,759)	(8,832)
Increase (decrease) in advances received on construction contracts in progress	(26,014)	117,472
Increase (decrease) in other liabilities	36,288	(94,972)
Subtotal	3,880,411	2,842,238
Interest and dividends received	196,624	188,943
Interest paid	(64,096)	(60,279)
Income taxes paid	(1,387,523)	(802,681)
Net cash provided by (used in) operating activities	2,625,416	2,168,220
Cash flows from investing activities		
Payments into time deposits	(13,007)	(13,007)
Proceeds from withdrawal of time deposits	13,007	13,007
Purchase of property, plant and equipment	(537,927)	(743,333)
Proceeds from sale of property, plant and equipment	168,156	2,174
Proceeds from deposits for sale of property, plant and equipment	-	7,700
Payments for retirement of property, plant and equipment	(14,292)	(29,995)
Purchase of intangible assets	(308,771)	(142,615)
Purchase of investment securities	(1,572)	-
Proceeds from sale of investment securities	210,250	80,622
Loan advances	(19,417)	(74,900)
Proceeds from collection of loans receivable	20,560	68,324
Proceeds from national subsidies	27,473	1,273
Other	500	(100)
Net cash provided by (used in) investing activities	(455,039)	(830,850)

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Repayments of finance lease liabilities	(411,194)	(473,801)
Purchase of treasury shares	(65)	(175,443)
Dividends paid	(677,584)	(678,570)
Net cash provided by (used in) financing activities	(1,088,844)	(1,327,814)
Effect of exchange rate change on cash and cash equivalents	–	–
Net increase (decrease) in cash and cash equivalents	1,081,531	9,555
Cash and cash equivalents at beginning of period	6,747,295	7,828,827
Cash and cash equivalents at end of period	7,828,827	7,838,382