

# Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]



August 13, 2024

Company name: Nichireki Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 5011  
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 Scheduled date of commencing dividend payments: -  
 Availability of supplementary briefing material on financial results: Not available  
 Schedule of financial results briefing session: Not scheduled

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

## 1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
June 30, 2024	13,527	(1.0)	76	(34.3)	164	(69.2)	54	(81.0)
June 30, 2023	13,670	7.5	116	(81.9)	535	(46.4)	288	(82.9)

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ (112) million [-%]

Three months ended June 30, 2023: ¥1,022 million [(30.8)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2024	1.87	-
June 30, 2023	9.66	-

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	93,845	73,694	78.5
As of March 31, 2024	95,094	74,836	78.7

(Reference) Equity: As of June 30, 2024: ¥73,694 million

As of June 30, 2023: ¥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	-				
Fiscal year ending March 31, 2025 (Forecast)		35.00	-	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
First half	32,000	(0.9)	1,300	(32.2)	1,400	(40.5)	900	(37.1)	30.63
Full year	80,000	8.4	7,000	16.3	7,200	12.7	4,600	(2.5)	156.53

(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 quarterly 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 “(3) Notes to the Quarterly Consolidated Financial Statements (Notes to changes in accounting policies)” in “2. Quarterly Consolidated Financial Statements and Primary Notes” on page 8 of these quarterly 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 June 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 June 30, 2024: 2,293,658 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):

Three months ended June 30, 2024: 29,392,297 shares

Three months ended June 30, 2023: 29,867,454 shares

\*Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

\*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. Overview of Business Results, etc.” on page 3 of these quarterly consolidated financial results (Appendix).

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## 1. Overview of Business Results, etc.

### (1) Overview of Business Results for the Current Quarter under Review

In the three months ended June 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 remains a risk that a downturn in overseas economies, such as the impact of continuing high interest rates in Europe and the U.S. and concerns about the future of the Chinese economy, 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, there is a need to address the issues of an increase in labor costs due to labor shortages caused by a declining and aging population, as well as long working hours. In addition, raw material prices remain in the high range due to the continuing depreciation of the yen, and consequently a close watch is continuously required on trends in crude oil prices and 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 three months ended June 30, 2024, the Group posted net sales of ¥13,527 million (down 1.0% year on year), operating profit of ¥76 million (down 34.3% year on year), and ordinary profit of ¥164 million (down 69.2% year on year). Profit attributable to owners of the parent company decreased by 81.0% to ¥54 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 further strengthening design and marketing activities for high value-added products aiming for “longer life and higher performance of paved roads” and “reduction of environmental load,” in addition to coping with raw material prices that continued to remain in the high range.

Net sales for the segment were ¥5,475 million (down 1.1% year on year) and segment profit was ¥841 million (down 6.6% year on year) in the three months ended June 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 ¥7,970 million (down 1.0% year on year) and segment profit was ¥127 million (up 57.2% year on year) in the three months ended June 30, 2024.

#### **Other Business**

In the Other Business, net sales for the segment were ¥81 million (up 3.6% year on year) and segment profit was ¥59 million (up 1.9% year on year) mainly due to real estate lease revenue.

(2) Overview of Financial Position for the Current Quarter Under Review

Total assets decreased by ¥1,249 million from the end of the previous fiscal year to ¥93,845 million. This is attributable mainly to an increase in construction in progress of ¥4,631 million, despite a decrease in notes and accounts receivable - trade, and contract assets of ¥6,342 million.

Liabilities decreased by ¥107 million from the end of the previous fiscal year to ¥20,150 million. This is attributable mainly to an increase in accounts payable - other of ¥4,197 million, despite a decrease in notes and accounts payable - trade of ¥2,606 million.

Net assets decreased by ¥1,141 million from the end of the previous fiscal year to ¥73,694 million. This is attributable mainly to a decrease in retained earnings of ¥973 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, 2025, no change has been made to the consolidated financial results forecast, which was announced on May 10, 2024.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of June 30, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	25,745	25,921
Notes and accounts receivable - trade, and contract assets	17,880	11,537
Electronically recorded monetary claims - operating	2,385	2,229
Merchandise and finished goods	1,431	1,281
Costs on construction contracts in progress	142	514
Raw materials and supplies	1,317	1,346
Other	720	1,081
Allowance for doubtful accounts	(57)	(59)
<b>Total current assets</b>	<b>49,564</b>	<b>43,853</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,925	8,796
Machinery, equipment and vehicles, net	4,026	4,166
Land	11,145	11,145
Leased assets, net	188	164
Construction in progress	769	5,400
Other, net	676	764
<b>Total property, plant and equipment</b>	<b>25,731</b>	<b>30,437</b>
Intangible assets		
Other	1,202	1,206
<b>Total intangible assets</b>	<b>1,202</b>	<b>1,206</b>
Investments and other assets		
Investment securities	9,753	9,364
Investments in capital of subsidiaries and associates	917	881
Retirement benefit asset	2,773	2,923
Deferred tax assets	76	102
Long-term time deposits	4,420	4,420
Other	712	710
Allowance for doubtful accounts	(58)	(56)
<b>Total investments and other assets</b>	<b>18,595</b>	<b>18,347</b>
<b>Total non-current assets</b>	<b>45,529</b>	<b>49,991</b>
<b>Total assets</b>	<b>95,094</b>	<b>93,845</b>

(Million yen)

	As of March 31, 2024	As of June 30, 2024
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	8,664	6,057
Electronically recorded obligations - operating	1,521	1,348
Short-term borrowings	1,300	1,300
Current portion of long-term borrowings	1	-
Accounts payable - other	2,020	6,217
Income taxes payable	1,123	65
Contract liabilities	493	321
Provision for bonuses	1,060	462
Other provisions	169	49
Other	1,510	2,003
<b>Total current liabilities</b>	<b>17,865</b>	<b>17,826</b>
Non-current liabilities		
Long-term accounts payable - other	0	0
Lease liabilities	105	126
Long-term deposits received	48	48
Deferred tax liabilities	2,048	2,014
Asset retirement obligations	135	135
Long-term borrowings	55	-
<b>Total non-current liabilities</b>	<b>2,392</b>	<b>2,324</b>
<b>Total liabilities</b>	<b>20,258</b>	<b>20,150</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,919	2,919
Capital surplus	4,028	4,028
Retained earnings	66,200	65,227
Treasury shares	(3,008)	(3,008)
<b>Total shareholders' equity</b>	<b>70,140</b>	<b>69,167</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,565	3,369
Foreign currency translation adjustment	202	256
Remeasurements of defined benefit plans	927	900
<b>Total accumulated other comprehensive income</b>	<b>4,695</b>	<b>4,527</b>
<b>Total net assets</b>	<b>74,836</b>	<b>73,694</b>
<b>Total liabilities and net assets</b>	<b>95,094</b>	<b>93,845</b>



(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Consolidated Statements of Income  
For the Three-Month Period

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	13,670	13,527
Cost of sales	10,934	10,738
Gross profit	2,736	2,789
Selling, general and administrative expenses	2,619	2,712
Operating profit	116	76
Non-operating income		
Interest income	4	3
Dividend income	120	131
Share of profit of entities accounted for using equity method	220	-
Foreign exchange gains	66	26
Derivative income	107	-
Other	6	2
Total non-operating income	524	163
Non-operating expenses		
Interest expenses	1	0
Share of loss of entities accounted for using equity method	-	72
Loss on valuation of derivatives	79	-
Other	25	1
Total non-operating expenses	105	75
Ordinary profit	535	164
Extraordinary income		
Gain on sale of non-current assets	8	10
Insurance claim income	1	12
Total extraordinary income	9	22
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on disaster	-	10
Other	0	2
Total extraordinary losses	0	12
Profit before income taxes	544	174
Income taxes - current	82	80
Income taxes - deferred	173	38
Total income taxes	255	119
Profit	288	54
Profit attributable to owners of the parent company	288	54

Consolidated Statements of Comprehensive Income  
For the Three-Month Period

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	288	54
Other comprehensive income		
Valuation difference on available-for-sale securities	794	(195)
Deferred gains or losses on hedges	(66)	-
Foreign currency translation adjustment	5	15
Remeasurements of defined benefit plans, net of tax	(16)	(26)
Share of other comprehensive income of entities accounted for using equity method	17	39
Total other comprehensive income	734	(167)
Comprehensive income	1,022	(112)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent company	1,022	(112)

(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)

There is no relevant information.

(Notes to changes in accounting policies)

(Change in inventory valuation method)

Effective from the beginning of the three months ended June 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 fiscal year under review.

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 three months ended June 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 quarterly 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 three months ended June 30, 2024. This change in accounting policy has been applied retrospectively. The quarterly 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 quarterly consolidated financial statements and consolidated financial statements for the previous fiscal year.

(Notes to quarterly consolidated statements of cash flows)

Quarterly consolidated statements of cash flows for the three months ended June 30, 2024 are not prepared. Depreciation (including amortization of intangible assets excluding goodwill), and amortization of goodwill for the three months ended June 30 are as follows:

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	521 million yen	602 million yen
Amortization of goodwill	1 million yen	3 million yen

(Notes to segment Information, etc.)

For the three months ended June 30, 2023 (From April 1, 2023 to June 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	5,538	8,053	13,592	78	13,670	-	13,670
Inter-segment net sales or transfers	1,584	—	1,584	20	1,605	(1,605)	-
Total	7,123	8,053	15,176	99	15,275	(1,605)	13,670
Segment profit	901	81	982	58	1,040	(924)	116

- (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 ¥(924) million includes elimination of inter-segment transactions of ¥(37) million and corporate expenses of ¥(887) 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 three months ended June 30, 2024 (From April 1, 2024 to June 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 Quarterly Consolidated Statements of Income (Note 3)
	Applied and Processed Asphalt Products Business	Road Paving Business	Total				
Net sales							
Net sales to outside customers	5,475	7,970	13,446	81	13,527	-	13,527
Inter-segment net sales or transfers	1,764	-	1,764	22	1,787	(1,787)	-
Total	7,240	7,970	15,211	103	15,315	(1,787)	13,527
Segment profit	841	127	969	59	1,028	(951)	76

- (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 ¥(951) million includes elimination of inter-segment transactions of ¥(42) million and corporate expenses of ¥(909) 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.