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November 8, 2023

Consolidated Financial Results for the Six Months Ended September 30, 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
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 Telephone: +81-3-6880-2710
 Scheduled date to file quarterly securities report: November 10, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes (in Japanese only)
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(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	%
Six months ended September 30, 2023	21,717	8.5	(149)	–	(36)	–	(78)	–
September 30, 2022	20,010	(5.0)	(1,055)	–	(927)	–	(714)	–

Note: Comprehensive income For the six months ended September 30, 2023 ¥667 million [–%]
 For the six months ended September 30, 2022 ¥(610) million [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	(3.15)	–
September 30, 2022	(28.41)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	79,461	56,777	71.5
March 31, 2023	82,853	56,783	68.5

Reference: Equity
 As of September 30, 2023: ¥56,777 million
 As of March 31, 2023: ¥56,783 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	–	–	27.00	27.00
Fiscal year ending March 31, 2024	–	–			
Fiscal year ending March 31, 2024 (Forecast)			–	30.00	30.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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

Note: Revisions to the earnings forecasts most recently announced: None

*** 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) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) 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

(4) Number of issued shares (common shares)

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

As of September 30, 2023	25,617,717 shares
As of March 31, 2023	25,617,717 shares

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

As of September 30, 2023	666,465 shares
As of March 31, 2023	666,465 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2023	24,951,252 shares
Six months ended September 30, 2022	25,151,301 shares

* Quarterly financial results reports are exempt from quarterly review 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. Results may differ from the consolidated forecasts due to various factors.

Quarterly consolidated financial statements**(1) Quarterly consolidated balance sheet**

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	7,851,390	6,574,351
Notes receivable, accounts receivable from completed construction contracts and other	37,238,887	32,086,375
Costs on construction contracts in progress	725,214	2,875,015
Merchandise and finished goods	91,445	80,769
Work in process	7,158	7,659
Raw materials and supplies	278,813	288,903
Other	337,487	794,266
Total current assets	46,530,397	42,707,341
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,318,230	9,158,634
Machinery and vehicles, net	282,767	244,595
Tools, furniture and fixtures, net	261,335	258,578
Land	8,132,764	8,080,474
Leased assets, net	2,003,535	1,884,770
Construction in progress	53,133	348,422
Total property, plant and equipment	20,051,767	19,975,475
Intangible assets	581,609	506,107
Investments and other assets		
Investment securities	14,664,222	15,526,646
Other	1,030,252	750,101
Allowance for doubtful accounts	(4,425)	(4,425)
Total investments and other assets	15,690,050	16,272,323
Total non-current assets	36,323,427	36,753,906
Total assets	82,853,824	79,461,247

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	7,365,237	5,020,262
Electronically recorded obligations - operating	2,902,158	2,365,106
Short-term borrowings	–	1,500,000
Income taxes payable	1,081,965	94,798
Advances received on construction contracts in progress	227,737	267,572
Provision for warranties for completed construction	2,645	286
Provision for bonuses	1,423,803	1,004,729
Other	5,347,357	4,815,672
Total current liabilities	18,350,905	15,068,427
Non-current liabilities		
Retirement benefit liability	5,526,060	5,532,135
Provision for retirement benefits for directors (and other officers)	32,025	19,123
Other	2,161,211	2,064,215
Total non-current liabilities	7,719,297	7,615,475
Total liabilities	26,070,202	22,683,902
Net assets		
Shareholders' equity		
Share capital	1,430,962	1,430,962
Capital surplus	3,205,423	3,205,423
Retained earnings	51,025,267	50,273,018
Treasury shares	(518,943)	(518,943)
Total shareholders' equity	55,142,709	54,390,460
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,721,278	2,427,066
Remeasurements of defined benefit plans	(80,365)	(40,182)
Total accumulated other comprehensive income	1,640,912	2,386,884
Total net assets	56,783,621	56,777,344
Total liabilities and net assets	82,853,824	79,461,247

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

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	20,010,071	21,717,218
Cost of sales	18,565,907	19,329,296
Gross profit	1,444,164	2,387,922
Selling, general and administrative expenses	2,499,823	2,537,358
Operating loss	(1,055,659)	(149,436)
Non-operating income		
Interest income	307	342
Dividend income	90,828	97,486
Gain on sale of goods	95,789	94,565
Other	35,600	33,474
Total non-operating income	222,526	225,868
Non-operating expenses		
Interest expenses	23,774	25,589
Share of loss of entities accounted for using equity method	53,636	80,479
Other	17,000	6,755
Total non-operating expenses	94,411	112,824
Ordinary loss	(927,545)	(36,391)
Extraordinary income		
Gain on sale of non-current assets	–	2,251
Gain on sale of investment securities	100	–
Total extraordinary income	100	2,251
Extraordinary losses		
Loss on sale and retirement of non-current assets	44,783	950
Total extraordinary losses	44,783	950
Loss before income taxes	(972,228)	(35,091)
Income taxes - current	33,619	46,659
Income taxes - deferred	(291,344)	(3,185)
Total income taxes	(257,725)	43,473
Loss	(714,503)	(78,564)
Profit attributable to non-controlling interests	–	–
Loss attributable to owners of parent	(714,503)	(78,564)

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Loss	(714,503)	(78,564)
Other comprehensive income		
Valuation difference on available-for-sale securities	95,339	691,298
Remeasurements of defined benefit plans, net of tax	8,132	40,182
Share of other comprehensive income of entities accounted for using equity method	152	14,490
Total other comprehensive income	103,625	745,971
Comprehensive income	(610,877)	667,406
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(610,877)	667,406
Comprehensive income attributable to non- controlling interests	—	—

(3) Quarterly consolidated statement of cash flows

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Loss before income taxes	(972,228)	(35,091)
Depreciation	654,386	686,835
Increase (decrease) in provision for bonuses	(215,520)	(419,073)
Increase (decrease) in provision for bonuses for directors (and other officers)	(55,654)	(70,255)
Increase (decrease) in provision for warranties for completed construction	(5,116)	(2,359)
Increase (decrease) in retirement benefit liability	57,997	63,975
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(3,160)	(12,901)
Interest and dividend income	(91,135)	(97,828)
Interest expenses	23,774	25,589
Share of loss (profit) of entities accounted for using equity method	53,636	80,479
Loss (gain) on sale and retirement of property, plant and equipment	44,783	(1,300)
Loss (gain) on sale of investment securities	(100)	–
Decrease (increase) in trade receivables	2,922,989	5,152,512
Decrease (increase) in costs on construction contracts in progress	(1,266,984)	(2,149,801)
Decrease (increase) in other assets	(508,354)	(444,564)
Increase (decrease) in trade payables	(2,861,011)	(2,882,027)
Increase (decrease) in accrued expenses	(94,587)	26,733
Increase (decrease) in advances received on construction contracts in progress	217,122	39,834
Increase (decrease) in other liabilities	(772,946)	(532,981)
Subtotal	(2,872,110)	(572,224)
Interest and dividends received	150,133	165,506
Interest paid	(23,774)	(25,589)
Income taxes paid	(718,039)	(980,224)
Net cash provided by (used in) operating activities	(3,463,790)	(1,412,532)
Cash flows from investing activities		
Purchase of property, plant and equipment	(519,866)	(488,047)
Proceeds from sale of property, plant and equipment	–	65,318
Payments for retirement of property, plant and equipment	(8,590)	(600)
Purchase of intangible assets	(2,934)	(10,107)
Proceeds from sale of investment securities	174	–
Loan advances	(62,900)	(7,310)
Proceeds from collection of loans receivable	8,645	10,791
Other	(91)	623
Net cash provided by (used in) investing activities	(585,562)	(429,330)

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,500,000	1,500,000
Repayments of finance lease liabilities	(223,853)	(254,552)
Dividends paid	(677,620)	(680,621)
Net cash provided by (used in) financing activities	2,598,526	564,825
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(1,450,826)	(1,277,038)
Cash and cash equivalents at beginning of period	7,828,827	7,838,382
Cash and cash equivalents at end of period	6,378,001	6,561,344