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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]

February 14, 2023

Company name: NIPPON CONCRETE INDUSTRIES CO., LTD.
 Stock exchange listing: Tokyo
 Code number: 5269
 URL: <https://www.ncic.co.jp/>
 Representative: TSUKAMOTO Hiroshi, Representative Director and President
 Contact: SUGITA Yoshihiko, Director and Executive Officer
 Phone: 03-3452-1025
 Scheduled date of filing quarterly securities report: February 14, 2023
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: No
 Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 01, 2022 to December 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2022	38,093	9.4	230	(78.3)	522	(64.0)	(71)	-
December 31, 2021	34,830	(2.2)	1,062	(48.3)	1,452	(41.1)	1,190	(16.1)

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥ (255) million [-%]
 Nine months ended December 31, 2021: ¥ 72 million [(96.2)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	(1.32)	-
December 31, 2021	21.15	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of December 31, 2022	78,657	37,916	44.7
March 31, 2022	75,003	38,672	48.1

(Reference) Equity: As of December 31, 2022: ¥ 35,180 million
 As of March 31, 2022: ¥ 36,054 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, 2022	-	4.50	-	4.50	9.00
Fiscal year ending March 31, 2023	-	0.00	-		
Fiscal year ending March 31, 2023 (Forecast)				0.00	0.00

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

(Note) Breakdown of the 3rd quarter dividend for the fiscal year ending March 31, 2023 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023(April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	51,000	7.6	100	(91.9)	500	(67.9)	20	(97.7)	0.37

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2022

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(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

(4) Total number of issued shares (common shares)

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

December 31, 2022: 57,777,432 shares

March 31, 2022: 57,777,432 shares

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

December 31, 2022: 3,483,945 shares

March 31, 2022: 2,644,746 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 54,434,682 shares

Nine months ended December 31, 2021: 56,266,992 shares

* Quarterly financial results are not required to be subjected to quarterly reviews.

* Explanation for appropriate use of financial forecasts and other special notes.

The forecasts given in this document are based on the current available information in the company and certain reasonable assumptions to the company. Actual results may differ from these forecasts by a variety of reasons.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Business Results

In the nine months ended December 31, 2022, although the economic environment saw movement toward recovery from the impact of the spread of COVID-19 infections, the outlook remained uncertain due to the prolonged situation in Ukraine and significant depreciation of the yen, in addition to repeated increases in energy, raw material and logistics expenses.

Regarding the business environment in which the Group operates, expectations continued to rise for concrete products that contribute to disaster prevention and mitigation, maintenance of social infrastructure, disaster recovery, the shortening of construction periods and labor saving, as well as for the Company-developed environmental technology for carbon capture and CCUS (carbon dioxide capture, utilization and storage) products, and low-carbon type concrete products. On the other hand, conditions were severe, buffeted by the rising prices of raw material and energy for concrete secondary products, and the time required to pass on these rising prices to sales prices.

In these circumstances, the Group has been working under our corporate philosophy: “We contribute to a safe, secure, and affluent society through concrete,” and aiming to achieve sustained growth through the basic policy of our Medium-Term Management Plan, namely, to “Contribute to reinforcement of national resilience and the global environment by boosting competitiveness and expanding business through promotion of Group management.” Meanwhile, we are striving to secure profits by further responding to increases in raw material and other prices by passing these on to selling prices and reducing expenses as measures to improve current business performance.

Trends by business segment for the period under review are as follows.

1) Foundation Business

The demand for concrete piles across Japan during the nine months ended December 31, 2022 rose by approximately 15% from a year earlier, while the Group also had a rebound in orders received and shipment volume. Net sales were 20,213 million yen (up 41.1% year-on-year).

As for profit, segment income was 386 million yen (up 218.8% year-on-year) due to a significant improvement in plant utilization rates, despite time being required to pass on rising raw material prices to selling prices.

2) Concrete Secondary Product Business

In the Pole-related Business, which is part of the Concrete Secondary Product Business, concrete pole shipments throughout Japan fell roughly 17% year-on-year. In this severe environment, shipments of poles for mobile phone base stations declined substantially due to the impact of semiconductor shortages and other factors, and net sales amounted to 10,132 million yen (down 20.0% year-on-year).

In the Civil Engineering Product Business, while sales of revetment wall repair products (soldier pile panels, named “Oyagui-panel”) rose, there was a delay to the posting of inspection sales, although production was brisk for RC segments intended for the Linear Chuo Shinkansen. Net sales were 7,531 million yen (down 0.9% year-on-year).

As a result, net sales in the Concrete Secondary Product Business amounted to 17,663 million yen (down 12.9% year-on-year). As for profit, segment income was 962 million yen (down 55.4% year-on-year) on account of a substantial decline in pole shipments in addition to the impact of rising raw material prices.

3) Real Estate and Solar Power Generation Business

The Company reported steady rental income, and generated and sold electricity for net sales that amounted to 215 million yen (down 5.6% year-on-year) and segment income was 134 million yen (up 1.2% year-on-year).

As a result of the above, the Group's net sales for the nine months ended December 31, 2022 were 38,093 million yen (up 9.4% year-on-year), operating profit was 230 million yen (down 78.3% year-on-year), ordinary profit was 522 million yen (down 64.0% year-on-year), and loss attributable to owners of parent from tax burden of subsidiaries was 71 million yen (a profit attributable to owners of parent of 1,190 million in the same period of the previous fiscal year).

As for future initiatives, first, as stated above, we will strive to further pass on costs to sales prices as a measure to cope with rising raw material prices, and will also work to reduce costs to secure profits.

In the Foundation Business, we will focus on securing orders by incorporating our products into designs and endeavor to enhance plant utilization rates, while improving the profit margin on construction projects. We will make steady efforts to expand sales of our unique piles with reduced environmental load (green-ONA pile) which can reduce CO₂ emissions derived from concrete by approximately 40% over the Company's existing product.

The Pole-related Business will strive to capture demand for the replacement of existing poles, while also making concerted efforts in the Pole Solutions Business, expanding the scope of orders to include pole construction works. In addition, we will keep an eye on demand for poles for mobile phone base stations and will work to develop sales in view of increased pole installation for 5G and 6G.

In the Civil Engineering Product Business, while steadily producing segments for the Linear Chuo Shinkansen, and responding to increasing inquiries for revetment wall repair products ("Oyagui-panel"), we will also endeavor to increase sales of precast concrete walls and enter infrastructure maintenance markets to proactively secure orders by means of reinforcement of our sales organization, such as inter-group cooperation and expansion of sales areas.

In the Environment Business, to meet the target of cutting CO₂ emissions by approximately 6,000 tons (equivalent to around 30% of the Group's total emissions) in FY2023 set under the Medium-Term Management Plan, besides the abovementioned green-ONA pile, we are moving forward with the development of environment-friendly products, such as manufacturing poles and civil engineering products utilizing concrete with reduced environmental load, and working to expand production volume of such products as PAdeCS® and Eco Tankaru®. Furthermore, we are also continuing efforts on pole recycling to contribute to the establishment of a recycling-oriented society.

Looking ahead, the Group will continue to play a role in strengthening social infrastructure and contribute to society through offering technology and products to reduce environmental loads. In addition, we will utilize the Group's synergy effect to keep enhancing our corporate value through sustainable growth.

(2) Explanation of Financial Position

The Group's financial policies are to reduce total assets so as to improve ROA through measures such as early collection of accounts receivable, optimization of product inventories, and efficient capital investment strategies; and to reduce interest-bearing debts by improving the efficiency of the Group's funds and assets.

Total assets at the end of the third quarter of the fiscal year under review were 78,657 million yen, up 3,653 million yen from the end of the previous fiscal year.

Current assets were 36,505 million yen, up 4,536 million yen from the end of the previous fiscal year, and non-current assets were 42,151 million yen, down 882 million yen from the end of the previous fiscal year.

The increase in current assets was mainly due to increases in electronically recorded monetary claims – operating and merchandise and finished goods, and the decrease in non-current assets was mainly due to a decrease in property, plant and equipment on account of depreciation.

Total liabilities were 40,740 million yen, up 4,409 million yen from the end of the previous fiscal year.

Current liabilities were 26,588 million yen, up 3,699 million yen from the end of the previous fiscal year, and non-current liabilities were 14,151 million yen, up 709 million yen from the end of the previous fiscal year.

The increase in current liabilities was mainly due to increases in notes and accounts payable – trade and electronically recorded obligations - operating, while the increase in non-current liabilities was mainly due to an increase in long-term borrowings.

Total net assets were 37,916 million yen, down 756 million yen from the end of the previous fiscal year.

The main factor was a decrease in retained earnings.

As a result of the above, the equity ratio came to 44.7%, down from 48.1% at the end of the previous consolidated fiscal year.

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

There is no change in the consolidated financial results forecast for the fiscal year ending March 31, 2023 announced on November 14, 2022.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31,2022	As of December 31,2022
Assets		
Current assets		
Cash and deposits	8,599,733	8,557,448
Notes and accounts receivable - trade, and contract assets	11,819,939	11,953,197
Electronically recorded monetary claims - operating	1,526,162	3,249,883
Merchandise and finished goods	6,311,250	8,180,177
Work in process	476,576	613,566
Raw materials and supplies	1,898,836	2,294,643
Expenditure on contracts in process	269,218	365,118
Other	1,103,198	1,325,209
Allowance for doubtful accounts	(35,280)	(33,403)
Total current assets	31,969,634	36,505,841
Non-current assets		
Property, plant and equipment		
Land	17,237,062	17,237,062
Other, net	9,638,185	9,311,094
Total property, plant and equipment	26,875,248	26,548,156
Intangible assets	444,132	433,102
Investments and other assets		
Investment securities	12,241,800	12,023,031
Other	3,709,276	3,281,760
Allowance for doubtful accounts	(236,696)	(134,813)
Total investments and other assets	15,714,380	15,169,978
Total non-current assets	43,033,760	42,151,238
Total assets	75,003,395	78,657,079

(Thousand yen)

	As of March 31,2022	As of December 31,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,983,962	6,181,078
Electronically recorded obligations - operating	7,792,309	10,340,642
Short-term borrowings	4,000,000	4,403,520
Current portion of long-term borrowings	2,389,054	2,239,141
Income taxes payable	203,887	287,845
Provisions	752,042	407,061
Other	2,767,675	2,729,612
Total current liabilities	22,888,930	26,588,900
Non-current liabilities		
Bonds payable	80,000	70,000
Long-term borrowings	6,378,494	7,056,344
Retirement benefit liability	1,193,732	1,225,356
Other	5,789,445	5,799,824
Total non-current liabilities	13,441,671	14,151,525
Total liabilities	36,330,602	40,740,426
Net assets		
Shareholders' equity		
Share capital	5,111,583	5,111,583
Capital surplus	3,894,910	3,854,962
Retained earnings	19,181,307	18,850,759
Treasury shares	(818,520)	(1,010,996)
Total shareholders' equity	27,369,281	26,806,308
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,547,540	3,331,233
Revaluation reserve for land	5,312,368	5,312,368
Foreign currency translation adjustment	(147,543)	(183,519)
Remeasurements of defined benefit plans	(27,616)	(86,137)
Total accumulated other comprehensive income	8,684,749	8,373,945
Non-controlling interests	2,618,762	2,736,399
Total net assets	38,672,793	37,916,653
Total liabilities and net assets	75,003,395	78,657,079

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Thousand yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Net sales	34,830,087	38,093,198
Cost of sales	28,876,895	32,906,235
Gross profit	5,953,192	5,186,963
Selling, general and administrative expenses	4,890,355	4,956,691
Operating profit	1,062,837	230,272
Non-operating income		
Interest income	6,730	4,021
Dividend income	198,816	186,000
Share of profit of entities accounted for using equity method	175,869	111,426
Other	127,480	188,998
Total non-operating income	508,897	490,447
Non-operating expenses		
Interest expenses	40,174	45,771
Loss on claims	-	80,000
Loss from suspension of plant operations assets	26,150	14,956
Other	52,789	57,036
Total non-operating expenses	119,114	197,765
Ordinary profit	1,452,620	522,954
Extraordinary income		
Gain on sale of non-current assets	299	18,315
Gain on sale of investment securities	164,036	-
Gain on step acquisitions	433,716	-
Total extraordinary income	598,052	18,315
Extraordinary losses		
Loss on retirement of non-current assets	4,800	29,486
Impairment losses	26,741	-
Total extraordinary losses	31,541	29,486
Profit before income taxes	2,019,132	511,784
Income taxes - current	465,423	333,272
Income taxes - deferred	228,289	118,879
Total income taxes	693,713	452,151
Profit	1,325,419	59,632
Profit attributable to non-controlling interests	135,259	131,352
Profit (loss) attributable to owners of parent	1,190,159	(71,720)

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Thousand yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Profit	1,325,419	59,632
Other comprehensive income		
Valuation difference on available-for-sale securities	(971,151)	(210,636)
Foreign currency translation adjustment	(220,054)	(41,190)
Remeasurements of defined benefit plans, net of tax	(62,079)	(58,631)
Share of other comprehensive income of entities accounted for using equity method	170	(4,536)
Total other comprehensive income	(1,253,114)	(314,994)
Comprehensive income	72,304	(255,362)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(32,370)	(382,524)
Comprehensive income attributable to non-controlling interests	104,675	127,161

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

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

For the nine months ended December 31, 2021

1. Dividends paid

Resolution	Type of shares	Total amount of dividends paid (Thousand yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
June 4, 2021 Board of Directors' Meeting	Common shares	368,280	6.50	March 31, 2021	June 15, 2021	Retained earnings
November 12, 2021 Board of Directors' Meeting	Common shares	254,963	4.50	September 30, 2021	December 1, 2021	Retained earnings

(Note) The total amount of dividends based on the resolution of the Board of Directors' Meeting held on November 12, 2021 includes dividend of 627 thousand yen for the Board Incentive Plan Trust (BIP) and dividend of 496 thousand yen for the Stock Granting Trust (J-ESOP).

2. Dividends with a record date in the nine months ended December 31, 2021 but with an effective date after the end of the period

There is no relevant information.

3. Significant changes in shareholders' equity

There is no relevant information.

For the nine months ended December 31, 2022

1. Dividends paid

Resolution	Type of shares	Total amount of dividends paid (Thousand yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
May 30, 2022 Board of Directors' Meeting	Common shares	250,588	4.50	March 31, 2022	June 14, 2022	Retained earnings

(Note) The total amount of dividends based on the resolution of the Board of Directors' Meeting held on May 30, 2022 includes dividend of 627 thousand yen for the Board Incentive Plan Trust (BIP) and dividend of 496 thousand yen for the Stock Granting Trust (J-ESOP).

2. Dividends with a record date in the nine months ended December 31, 2022 but with an effective date after the end of the period

There is no relevant information.

3. Significant changes in shareholders' equity

There is no relevant information.

(Changes in Accounting Policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective from the beginning of the first quarter of the fiscal year, the Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance"), and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. There has been no impact on quarterly consolidated financial statements.

(Additional Information)

(A transaction in which the Company's shares are delivered to its employees, etc. through a trust)

(1) Summary of the transaction

As for the Board Incentive Plan Trust (hereinafter referred to as the "BIP Trust") and the Stock Granting Trust (J-ESOP) (hereinafter referred to as the "J-ESOP Trust") introduced in August 2015, the Company resolved at the Board of Directors' Meeting held on August 11, 2021 to continue the BIP Trust and the J-ESOP Trust for a new three-year period (from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2024) and reintroduced them by entering into an agreement to extend their terms, for the purpose of increasing motivation to improve the Company's medium- to long-term performance and raising awareness toward the contribution to an increase in shareholder value.

(2) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury shares in net assets at their book value (excluding incidental expenses) in the trust. The book value and the number of shares of the treasury shares at the end of the third quarter of the fiscal year under review are 43,816 thousand yen and 136,995 shares for the BIP Trust, and 35,117 thousand yen and 107,785 shares for the J-ESOP Trust.

(Segment Information, etc.)

[Segment Information]

I. For the nine months ended December 31, 2021

1. Information on net sales, income by reportable segment

(Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amounts recorded in the quarterly consolidated statements of income (Note 2)
	Foundation Business	Concrete Secondary Product Business	Real Estate and Solar Power Generation Business	Total		
Net sales						
Net sales to outside customers	14,330,611	20,271,102	228,373	34,830,087	—	34,830,087
Inter-segment net sales or transfers	5,481	—	—	5,481	(5,481)	—
Total	14,336,093	20,271,102	228,373	34,835,569	(5,481)	34,830,087
Segment income	121,183	2,159,689	132,927	2,413,799	(1,350,962)	1,062,837

(Notes) The adjustments are as follows:

1. The adjustment for segment income is corporate expenses. Corporate expenses mainly include general and administrative expenses, not attributed to reportable segments.
2. Segment income is adjusted to the operating profit in the quarterly consolidated statements of income.

2. Information on impairment losses of non-current assets and goodwill by reportable segment

(Significant impairment losses pertaining to non-current assets)

In the Foundation Business segment, the Company reduced the book value of assets held for sale to their recoverable value. The amount of the said impairment loss reported during the nine months ended December 31, 2021 was 26,741 thousand yen.

II. For the nine months ended December 31, 2022

1. Information on net sales and income by reportable segment

(Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amounts recorded in the quarterly consolidated statements of income (Note 2)
	Foundation Business	Concrete Secondary Product Business	Real Estate and Solar Power Generation Business	Total		
Net sales						
Net sales to outside customers	20,213,958	17,663,571	215,668	38,093,198	—	38,093,198
Inter-segment net sales or transfers	1,516	—	—	1,516	(1,516)	—
Total	20,215,474	17,663,571	215,668	38,094,714	(1,516)	38,093,198
Segment income	386,279	962,984	134,531	1,483,796	(1,253,523)	230,272

(Notes) The adjustments are as follows:

1. The adjustment for segment income is corporate expenses. Corporate expenses mainly include general and administrative expenses, not attributed to reportable segments.
2. Segment income is adjusted to the operating profit in the quarterly consolidated statements of income.

2. Information on impairment losses of non-current assets and goodwill by reportable segment

There is no relevant information.

(Matters Related to Revenue Recognition)

Information on the breakdown of revenue arising from contracts with customers

For the nine months ended December 31, 2021

(Thousand yen)

	Foundation Business	Concrete Secondary Product Business	Real Estate and Solar Power Generation Business	Total
Product sales	2,153,087	18,216,405	—	20,369,492
Construction contract sales	12,152,143	2,044,897	—	14,197,040
Other sales	10,070	9,798	57,705	77,574
Revenue from contracts with customers	14,315,300	20,271,102	57,705	34,644,107
Other revenue (Note)	15,311	—	170,668	185,980
Net sales to outside customers	14,330,611	20,271,102	228,373	34,830,087

(Note) Other revenue includes revenue from real estate leasing.

For the nine months ended December 31, 2022

(Thousand yen)

	Foundation Business	Concrete Secondary Product Business	Real Estate and Solar Power Generation Business	Total
Product sales	3,895,745	15,560,467	—	19,456,213
Construction contract sales	16,304,454	2,096,872	—	18,401,326
Other sales	7,749	6,231	39,825	53,807
Revenue from contracts with customers	20,207,949	17,663,571	39,825	37,911,347
Other revenue (Note)	6,008	—	175,842	181,851
Net sales to outside customers	20,213,958	17,663,571	215,668	38,093,198

(Note) Other revenue includes revenue from real estate leasing.

(Significant Events after Reporting Period)

There is no relevant information.