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January 31, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

Company name: THE NIPPON ROAD CO., LTD.
 Listing: Tokyo Stock Exchange Prime Market
 Securities code: 1884
 URL: <https://www.nipponroad.co.jp/>
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 Scheduled date to file quarterly securities report: January 31, 2024
 Scheduled date of commencing dividend payments: —
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	118,329	3.9	5,396	56.6	5,519	51.5	3,584	(7.2)
December 31, 2022	113,875	(1.2)	3,446	(44.5)	3,642	(44.3)	3,862	(11.5)

Note: Comprehensive income For the nine months ended December 31, 2023: ¥3,867 million [50.8 %]
 For the nine months ended December 31, 2022: ¥2,563 million [(29.9) %]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	81.57	—
December 31, 2022	87.89	—

Note: The Company conducted a share split at a rate of five shares per share of common shares on October 1, 2023. Basic earnings per share has been calculated assuming this stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	154,086	98,311	63.7
March 31, 2023	151,850	96,909	63.7

Reference: Equity
 As of December 31, 2023: ¥98,152 million
 As of March 31, 2023: ¥96,762 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	—	—	280.00	280.00
Fiscal year ending March 31, 2024	—	—	—		
Fiscal year ending March 31, 2024 (Forecast)				60.00	—

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

The Company conducted a share split at a rate of five shares per share of common shares on October 1, 2023. The amount stated for the above annual dividends per share for the fiscal year ending March 31, 2024 (forecast) takes into consideration the impacts of said share split. Please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of future forecast information such as consolidated financial results forecast” on page 2 for more information.

3. Consolidated financial results forecast 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 income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	164,000	5.6	10,000	75.6	10,100	70.6	6,500	14.0	147.91

Note: Revisions to the financial results forecast most recently announced: None

The Company conducted a share split at a rate of five shares per share of common shares on October 1, 2023. The amount stated for the above basic earnings per share for the consolidated financial results forecast for the fiscal year ending March 31, 2024 takes into consideration the impacts of said share split. Please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of future forecast information such as consolidated financial results forecast” on page 2 for more information.

*** 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 reasons other than (i) above: 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 December 31, 2023	43,946,340 shares
As of March 31, 2023	43,946,340 shares

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

As of December 31, 2023	2,965 shares
As of March 31, 2023	2,045 shares

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

Nine months ended December 31, 2023	43,943,899 shares
Nine months ended December 31, 2022	43,945,675 shares

Note: The Company conducted a share split at a rate of five shares per share of common shares on October 1, 2023. Total number of issued shares at the end of the period, number of treasury shares at the end of the period, and average number of shares outstanding during the period have been calculated assuming this stock split was conducted at the beginning of the previous consolidated fiscal year.

- * Quarterly financial results reports are exempt from quarterly review by certified public accountants or an audit corporation.

- * Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements, etc.)

Financial results forecasts and other forward-looking statements provided in these materials are based on information available to the Company and certain other assumptions deemed reasonable as of the date of publication of this document, and do not represent any guarantee that the Company will achieve these results. Actual financial results and other aspects of business performance may differ significantly from these forecasts owing to various factors. Please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of future forecast information such as consolidated financial results forecast” on page 2 of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

○ Table of Contents of the Attached Materials

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of operating results	2
(2) Explanation of financial position	2
(3) Explanation of future forecast information such as consolidated financial results forecast	2
2. Quarterly Consolidated Financial Statements and Major Notes.....	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statements of income and comprehensive income.....	6
(Quarterly consolidated statements of income)	
(Nine months ended December 31)	6
(Quarterly consolidated statements of comprehensive income)	
(Nine months ended December 31)	7
(3) Notes to quarterly consolidated financial statements.....	8
(Note on entity's ability to continue as going concern).....	8
(Note on significant changes in the amounts of net assets)	8
(Segment information).....	9
3. Supplementary Information.....	11
Amount of orders received, net sales, and amount carried forward to next period by business (non-consolidated).....	11

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results

The Japanese economy in the nine months under review showed moderate signs of recovery, mainly in private sector demand such as personal consumption and capital investment with the improvement in the employment and income environment and progress in price pass-through.

In the construction industry, the main business of the Group (the Company and its consolidated subsidiaries), while government construction investment is expected to continue to steadily increase to above ¥20 trillion, private sector construction investment remained firm, as capital investment for corporations maintained a high level against a backdrop of steady corporate revenue.

Under such circumstances, as a result of the Group as a whole conducting proactive and strategic sales that were compatible with area environments in order to secure orders by enhancing integration accuracy and proposals of technology for government projects and increasing the number of high quality orders for private sector projects, the amount of construction orders received was ¥104,968 million (up 10.0% year-on-year), the amount of construction sales was ¥96,768 million (up 4.6% year-on-year), and total net sales including finished goods, etc., were ¥118,329 million (up 3.9% year-on-year).

Concerning profits, due to increased profitability with thorough construction management in the Construction Business, operating income was ¥5,396 million (up 56.6% year-on-year), ordinary income was ¥5,519 million (up 51.5% year-on-year), and profit attributable to owners of parent was ¥3,584 million (down 7.2% year-on-year) due to a reactionary decline from recording gain on sales of investment securities in the previous year.

Business performance by segment is as follows. (Business performance by segment includes inter-segment net sales and transfers.)

(Construction Business)

As the Group's key division, net sales amounted to ¥96,771 million (up 4.5% year-on-year) and operating income was ¥6,117 million (up 31.3% year-on-year) in the Construction Business.

(Manufacturing & Sales Business)

Net sales amounted to ¥24,192 million (up 1.2% year-on-year) and operating income was ¥1,629 million (up 153.2% year-on-year).

(Leasing Business)

Net sales amounted to ¥5,088 million (up 8.2% year-on-year) and operating income was ¥396 million (up 2.0% year-on-year).

(Other)

Net sales amounted to ¥939 million (down 3.0% year-on-year) and operating income was ¥212 million (down 7.7% year-on-year).

(2) Explanation of financial position

(Assets)

Total assets as of the end of the nine months under review amounted to ¥154,086 million (up ¥2,235 million year-on-year). The main factors were increases of ¥2,397 million in notes receivable, accounts receivable from completed construction contracts and other and ¥1,527 million in construction in progress included in "Other" under "Machinery, equipment, vehicle, tools, furniture and fixtures" due to the construction of Tsuchiura Techno BASE, a complex that integrates technology laboratories and training facilities, and a decrease of ¥2,658 million in cash and deposits.

(Liabilities)

Total liabilities as of the end of the nine months under review amounted to ¥55,774 million (up ¥833 million year-on-year). The main factors were an increase of ¥3,250 million in loans payable due to renewal of loans payable and decreases of ¥1,337 million in notes payable, accounts payable for construction contracts and other and ¥947 million in income taxes payable included in "Other" under "Current assets."

(Net assets)

Total net assets as of the end of the nine months under review totaled ¥98,311 million (up ¥1,402 million year-on-year). The main factors were a recording of ¥3,584 million to profit attributable to owners of parent and a payment of ¥2,460 million in shareholder dividends.

(3) Explanation of future forecast information such as consolidated financial results forecast

The full year financial results forecast for the fiscal year ending March 31, 2024 has not been changed from the financial results forecast announced on May 11, 2023.

In the future, if the financial results forecast requires revisions, they will be promptly disclosed.

In addition, the Company made resolutions concerning a share split and partial amendments to the Articles of Incorporation in line with this share split at the Board of Directors meeting held on July 25, 2023.

The forecast dividend per share for the fiscal year ending March 31, 2024 after the share split is ¥60, and basic earnings per share in the consolidated financial results forecast for the fiscal year ending March 31, 2024 is ¥147.91. Furthermore, the forecast dividend per share for the fiscal year ending March 31, 2024 before taking the share split into consideration was ¥300, and basic earnings per share in the consolidated financial results forecast for the fiscal year ending March 31, 2024 was ¥739.57.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Unit: millions of yen)	
	Previous consolidated fiscal year (March 31, 2023)	Consolidated nine months under review (December 31, 2023)
Assets		
Current assets		
Cash and deposits	38,159	35,500
Notes receivable, accounts receivable from completed construction contracts and other	57,573	59,970
Electronically recorded monetary claims	4,751	5,434
Merchandise	158	141
Costs of uncompleted construction contracts	76	218
Raw materials	1,129	925
Other	11,177	11,975
Less: allowance for doubtful accounts	(37)	(34)
Total current assets	112,989	114,132
Non-current assets		
Machinery, equipment, vehicle, tools, furniture and fixtures		
Land	17,701	17,575
Other	16,245	17,072
Total machinery, equipment, vehicle, tools, furniture and fixtures	33,947	34,647
Intangible assets	1,950	2,275
Investments and other assets		
Investment securities	1,326	1,610
Other	1,727	1,507
Less: allowance for doubtful accounts	(91)	(86)
Total investments and other assets	2,962	3,031
Total non-current assets	38,860	39,954
Total assets	151,850	154,086

(Unit: millions of yen)

	Previous consolidated fiscal year (March 31, 2023)	Consolidated nine months under review (December 31, 2023)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	30,779	29,441
Electronically recorded obligations	7,560	7,381
Short-term loans payable	100	1,250
Advances received on uncompleted construction contracts	1,499	1,756
Warranty provision for completed construction contracts	62	89
Provision for loss on construction contracts	172	76
Other	6,971	5,833
Total current liabilities	47,146	45,828
Non-current liabilities		
Long-term loans payable	6,600	8,700
Net defined benefit liability	940	915
Other	253	330
Total non-current liabilities	7,794	9,945
Total liabilities	54,941	55,774
Net assets		
Shareholders' equity		
Capital stock	12,290	12,290
Capital surplus	14,524	14,523
Retained earnings	70,291	71,415
Less: treasury stock	(2)	(4)
Total shareholders' equity	97,103	98,224
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	245	433
Foreign currency translation adjustments	(432)	(371)
Retirement benefits liability adjustments	(152)	(134)
Total accumulated other comprehensive income	(340)	(71)
Non-controlling interests	146	159
Total net assets	96,909	98,311
Total liabilities and net assets	151,850	154,086

(2) Quarterly consolidated statements of income and comprehensive income
(Quarterly consolidated statements of income)
(Nine months ended December 31)

(Unit: millions of yen)

	Previous consolidated nine-month period (from April 1, 2022 to December 31, 2022)	Consolidated nine months under review (from April 1, 2023 to December 31, 2023)
Net sales	113,875	118,329
Cost of sales	103,708	105,569
Gross profit	10,167	12,760
Selling, general and administrative expenses	6,721	7,364
Operating income	3,446	5,396
Non-operating income		
Interest income	17	18
Dividend income	122	38
Dividend income of group term insurance	15	18
Foreign currency transaction gain	23	32
Reversal of allowance for doubtful accounts	9	11
Other	49	49
Total non-operating income	238	168
Non-operating expenses		
Interest expense	24	24
Other	18	22
Total non-operating expenses	42	46
Ordinary income	3,642	5,519
Extraordinary income		
Net gain on sale of tangible fixed assets	2	659
Gain on sales of investment securities	2,304	2
Total extraordinary income	2,306	661
Extraordinary losses		
Loss on disposal of tangible fixed assets	44	70
Impairment loss	25	492
Other	2	42
Total extraordinary losses	72	604
Profit before income taxes	5,875	5,576
Income taxes – current	1,479	1,801
Income taxes – deferred	525	176
Total income taxes	2,005	1,978
Profit	3,870	3,598
Profit attributable to non-controlling interests	8	13
Profit attributable to owners of parent	3,862	3,584

(Quarterly consolidated statements of comprehensive income)
(Nine months ended December 31)

(Unit: millions of yen)

	Previous consolidated nine-month period (from April 1, 2022 to December 31, 2022)	Consolidated nine months under review (from April 1, 2023 to December 31, 2023)
Profit	3,870	3,598
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,499)	188
Foreign currency translation adjustments	171	61
Retirement benefits liability adjustments	21	18
Total other comprehensive income	(1,307)	268
Comprehensive income	2,563	3,867
Comprehensive income attributable to:		
Owners of parent	2,554	3,853
Non-controlling interests	8	13

(3) Notes to quarterly consolidated financial statements

(Note on entity's ability to continue as going concern)

Not applicable.

(Note on significant changes in the amounts of net assets)

Not applicable.

(Segment information)

I. Previous consolidated nine-month period (from April 1, 2022 to December 31, 2022)

1. Disclosure of net sales and profit (loss) for each reportable segment

(Unit: millions of yen)

	Reportable segment			
	Construction Business	Manufacturing & Sales Business	Leasing Business	Total
Net sales				
Net sales to external customers	92,556	16,501	3,931	112,989
Inter-segment net sales and transfers	5	7,415	773	8,195
Total	92,562	23,917	4,704	121,184
Segment profit (loss)	4,658	643	388	5,690

	Other (Note) 1	Total	Adjustments (Note) 2	Per consolidated financial statements (Note) 3
Net sales				
Net sales to external customers	886	113,875	—	113,875
Inter-segment net sales and transfers	81	8,276	(8,276)	—
Total	968	122,152	(8,276)	113,875
Segment profit (loss)	230	5,921	(2,474)	3,446

- Notes:
1. The “Other” section is a business segment that is not included in the reportable segments and includes real estate business, development and sales of computer software, sales of office equipment, insurance agency business, planning and operation of sports facilities, etc.
 2. The ¥(2,474) million adjustment in segment profit includes ¥8 million in elimination of inter-segment transactions and ¥(2,482) million in corporate expenses not allocated to each reportable segment. Corporate expenses are mainly expenses that do not belong to any reportable segment concerning the head office administration of the submitting company.
 3. Segment profit (loss) is adjusted with the operating income in the quarterly consolidated statements of income.

2. Disclosure of impairment loss on non-current assets and goodwill, etc., by reportable segment

Not applicable.

II. Consolidated nine months under review (from April 1, 2023 to December 31, 2023)

1. Disclosure of net sales and profit (loss) for each reportable segment

(Unit: millions of yen)

	Reportable segment			
	Construction Business	Manufacturing & Sales Business	Leasing Business	Total
Net sales				
Net sales to external customers	96,768	16,369	4,321	117,460
Inter-segment net sales and transfers	2	7,822	767	8,592
Total	96,771	24,192	5,088	126,052
Segment profit	6,117	1,629	396	8,142

	Other (Note) 1	Total	Adjustments (Note) 2	Per consolidated financial statements (Note) 3
Net sales				
Net sales to external customers	869	118,329	—	118,329
Inter-segment net sales and transfers	69	8,662	(8,662)	—
Total	939	126,991	(8,662)	118,329
Segment profit	212	8,355	(2,959)	5,396

- Notes:
1. The “Other” section is a business segment that is not included in the reportable segments and includes real estate business, development and sales of computer software, sales of office equipment, insurance agency business, planning and operation of sports facilities, etc.
 2. The ¥(2,959) million adjustment in segment profit includes ¥6 million in elimination of inter-segment transactions and ¥(2,966) million in corporate expenses not allocated to each reportable segment. Corporate expenses are mainly expenses that do not belong to any reportable segment concerning the head office administration of the submitting company.
 3. Segment profit is adjusted with the operating income in the quarterly consolidated statements of income.

2. Disclosure of impairment loss on non-current assets and goodwill, etc., by reportable segment

(Significant impairment loss on non-current assets)

Information is omitted as it was immaterial.

(Significant changes in amount of goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

3. Supplementary Information

Amount of orders received, net sales, and amount carried forward to next period by business (non-consolidated)

(Unit: millions of yen)

Segment			Previous nine-month period (from April 1, 2022 to December 31, 2022)		Nine months under review (from April 1, 2023 to December 31, 2023)		Increase or decrease	
			Amount	Percentage change	Amount	Percentage change	Amount	Percentage change
Orders received	Construction Business	Pavement construction	54,394	54.2	60,653	54.4	6,259	11.5
		Civil works construction	27,678	27.6	32,868	29.5	5,189	18.8
		Construction	602	0.6	14	0.0	(587)	(97.6)
		Total	82,675	82.4	93,536	83.9	10,861	13.1
	Manufacturing & Sales Business		17,652	17.6	17,865	16.0	212	1.2
	Other		55	0.0	53	0.1	(1)	(2.2)
	Total		100,383	100	111,456	100	11,072	11.0
Net sales	Construction Business	Pavement construction	54,402	54.8	57,072	55.4	2,669	4.9
		Civil works construction	26,753	27.0	27,687	26.8	934	3.5
		Construction	357	0.3	384	0.4	26	7.5
		Total	81,513	82.1	85,144	82.6	3,630	4.5
	Manufacturing & Sales Business		17,652	17.8	17,865	17.3	212	1.2
	Other		55	0.1	53	0.1	(1)	(2.2)
Amount carried forward to next period	Total		99,221	100	103,064	100	3,842	3.9
	Construction Business	Pavement construction	42,828	66.7	44,923	62.0	2,095	4.9
		Civil works construction	20,761	32.4	27,533	38.0	6,771	32.6
		Construction	584	0.9	—	—	(584)	(100)
		Total	64,174	100	72,457	100	8,282	12.9
	Manufacturing & Sales Business		—	—	—	—	—	—
	Other		—	—	—	—	—	—
	Total		64,174	100	72,457	100	8,282	12.9