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July 29, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

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 Securities code: 1884
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 Preparation of supplementary material on financial results: None
 Holding of financial results briefing: None

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

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	34,497	(2.3)	266	(72.6)	323	(68.7)	110	(82.2)
June 30, 2023	35,296	5.1	974	–	1,034	–	620	–

Note: Comprehensive income For the three months ended June 30, 2024: ¥164 million [(76.9)%]
 For the three months ended June 30, 2023: ¥714 million [– %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	2.52	–
June 30, 2023	14.13	–

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	%
June 30, 2024	141,895	97,741	68.8
March 31, 2024	149,926	100,214	66.7

Reference: Equity
 As of June 30, 2024: ¥97,572 million
 As of March 31, 2024: ¥100,051 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, 2024	—	—	—	60.00	60.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		—	—	60.00	60.00

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

3. Consolidated financial results forecast for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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	165,000	2.8	8,500	8.5	8,600	7.6	5,200	2.9	118.33

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

*** Notes**

(1) Significant changes in the scope of consolidation during the period: 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: Yes

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For details, please refer to “2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to quarterly consolidated financial statements (Note on changes in accounting policies)” on page 8 of the attached materials.

(4) Number of issued shares (common shares)

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

As of June 30, 2024	43,946,340 shares
As of March 31, 2024	43,946,340 shares

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

As of June 30, 2024	3,215 shares
As of March 31, 2024	3,105 shares

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

Three months ended June 30, 2024	43,943,179 shares
Three months ended June 30, 2023	43,944,288 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.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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. Overview of Operating Results, etc. (3) Explanation of future forecast information such as consolidated financial results forecast” on page 3 of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

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1. Overview of Operating Results, etc.

(1) Overview of operating results for the three months under review

The Japanese economy in the three months under review showed a moderate recovery trend, supported by improvement in the employment and income environment due to steady corporate revenue, robust capital investment, and the wealth effect of high stock prices.

In the construction industry, the main business of the Group (the Company and its consolidated subsidiaries; the same applies hereinafter), although there were concerns about the risk of recession in overseas economies as well as the effects of the 2024 Noto Peninsula Earthquake and the Bank of Japan's decision to lift its negative interest rate policy, government construction investment was expected to remain strong at a level exceeding ¥20 trillion, and private sector construction investment remained firm as capital investment for corporations remained strong against a backdrop of high corporate revenue.

Under such circumstances, the Group conducted strategic sales that were compatible with area environments in order to acquire orders in new domains by collaborating with the Shimizu Group, secure orders by enhancing integration accuracy and proposals of technology for government projects, and increase the number of high-quality orders for private sector projects. As a result, the amount of construction orders received was ¥37,950 million (up 18.2% year-on-year), the amount of construction sales was ¥28,041 million (down 2.9% year-on-year), and total net sales including products were ¥34,497 million (down 2.3% year-on-year).

Concerning profits, due to factors such as the inability to pass on the increased costs of labor and materials in the Construction Business, operating income was ¥266 million (down 72.6% year-on-year), ordinary income was ¥323 million (down 68.7% year-on-year), and profit attributable to owners of parent amounted to ¥110 million (down 82.2% year-on-year).

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

Starting from the three months under review, the Company has changed the classification of its reportable segments. The following year-on-year comparisons have been analyzed using figures for the same quarter of the previous year that were reclassified according to the new segment classification.

(Construction Business)

As the Group's key division, net sales amounted to ¥28,042 million (down 2.9% year-on-year) and operating income was ¥870 million (down 38.2% year-on-year) in the Construction Business.

(Manufacturing & Sales Business)

Net sales amounted to ¥7,152 million (up 5.5% year-on-year) and operating income was ¥163 million (down 27.8% year-on-year).

(Co-creation Business)

Net sales amounted to ¥2,010 million (down 0.7% year-on-year) and operating income was ¥258 million (up 7.0% year-on-year).

(2) Overview of financial position for the three months under review

(Assets)

Total assets as of the end of the three months under review amounted to ¥141,895 million (down ¥8,030 million year-on-year). The main factors were an increase of ¥2,776 million in cash and deposits and a decrease of ¥10,783 million in notes receivable, accounts receivable from completed construction contracts and other.

(Liabilities)

Total liabilities as of the end of the three months under review amounted to ¥44,153 million (down ¥5,558 million year-on-year). The main factors were an increase of ¥2,479 million in advances received on uncompleted construction contracts and decreases of ¥4,861 million in notes payable, accounts payable for construction contracts and other as well as ¥1,793 million in income taxes payable included in "Other" under current liabilities.

(Net assets)

Total net assets as of the end of the three months under review totaled ¥97,741 million (down ¥2,472 million year-on-year). The main factors were a recording of ¥110 million to profit attributable to owners of parent and a payment of ¥2,636 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, 2025 has not been changed from the financial results forecast announced on May 13, 2024.

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

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Unit: millions of yen)	
	Previous consolidated fiscal year (March 31, 2024)	Consolidated three months under review (June 30, 2024)
Assets		
Current assets		
Cash and deposits	33,601	36,378
Notes receivable, accounts receivable from completed construction contracts and other	56,613	45,830
Electronically recorded monetary claims	6,100	5,065
Merchandise	160	159
Costs of uncompleted construction contracts	63	125
Raw materials	1,158	1,049
Other	11,382	12,322
Less: allowance for doubtful accounts	(37)	(32)
Total current assets	109,042	100,898
Non-current assets		
Tangible fixed assets		
Land	17,035	17,053
Other	18,622	18,545
Total tangible fixed assets	35,657	35,599
Intangible assets	2,180	2,062
Investments and other assets		
Investment securities	1,624	1,736
Other	1,503	1,682
Less: allowance for doubtful accounts	(83)	(83)
Total investments and other assets	3,044	3,335
Total non-current assets	40,883	40,996
Total assets	149,926	141,895

(Unit: millions of yen)

	Previous consolidated fiscal year (March 31, 2024)	Consolidated three months under review (June 30, 2024)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	27,663	22,801
Electronically recorded obligations	2,275	2,597
Short-term loans payable	1,000	250
Advances received on uncompleted construction contracts	1,373	3,852
Warranty provision for completed construction contracts	90	89
Provision for loss on construction contracts	36	117
Other	7,990	5,186
Total current liabilities	40,430	34,895
Non-current liabilities		
Long-term loans payable	8,700	8,700
Net defined benefit liability	251	233
Other	330	325
Total non-current liabilities	9,281	9,258
Total liabilities	49,711	44,153
Net assets		
Shareholders' equity		
Capital stock	12,290	12,290
Capital surplus	14,523	14,523
Retained earnings	72,884	70,358
Less: treasury stock	(4)	(5)
Total shareholders' equity	99,693	97,166
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	442	479
Foreign currency translation adjustments	(403)	(388)
Retirement benefits liability adjustments	320	313
Total accumulated other comprehensive income	358	405
Non-controlling interests	162	169
Total net assets	100,214	97,741
Total liabilities and net assets	149,926	141,895

(2) Quarterly consolidated statements of income and comprehensive income
(Quarterly consolidated statements of income)
(Three months ended June 30)

	(Unit: millions of yen)	
	Previous consolidated three-month period (from April 1, 2023 to June 30, 2023)	Consolidated three months under review (from April 1, 2024 to June 30, 2024)
Net sales	35,296	34,497
Cost of sales	31,928	31,623
Gross profit	3,368	2,874
Selling, general and administrative expenses	2,393	2,607
Operating income	974	266
Non-operating income		
Interest income	6	3
Dividend income	21	16
Foreign currency transaction gain	23	33
Reversal of allowance for doubtful accounts	12	9
Other	10	14
Total non-operating income	74	76
Non-operating expenses		
Interest expenses	6	11
Other	7	7
Total non-operating expenses	13	19
Ordinary income	1,034	323
Extraordinary income		
Gain on sale of tangible fixed assets	9	3
Gain on sale of investment securities	2	—
Total extraordinary income	12	3
Extraordinary losses		
Loss on disposal of tangible fixed assets	10	48
Other	0	—
Total extraordinary losses	10	48
Profit before income taxes	1,036	278
Current	196	195
Deferred	212	(34)
Total income taxes	409	160
Profit	626	117
Profit attributable to non-controlling interests	6	7
Profit attributable to owners of parent	620	110

(Quarterly consolidated statements of comprehensive income)
(Three months ended June 30)

(Unit: millions of yen)

	Previous consolidated three-month period (from April 1, 2023 to June 30, 2023)	Consolidated three months under review (from April 1, 2024 to June 30, 2024)
Profit	626	117
Other comprehensive income		
Valuation difference on available-for-sale securities	82	37
Foreign currency translation adjustments	(1)	15
Retirement benefits liability adjustments	6	(6)
Total other comprehensive income	87	47
Comprehensive income	714	164
Comprehensive income attributable to:		
Owners of parent	708	157
Non-controlling interests	6	7

(3) Notes to quarterly consolidated financial statements

(Note on changes in accounting policies)

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022, hereinafter referred to as the “2022 Revised Accounting Standard”) and other regulations from the beginning of the three months under review.

Regarding the amendments on the classification of income taxes, etc. (taxation on other comprehensive income), the Company complies with the transitional treatments specified 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”). This change in accounting policy has no impact on the quarterly consolidated financial statements.

Furthermore, regarding the amendments related to the review of the treatment in the consolidated financial statements for the deferral of tax on gains and losses arising from the sale of shares of subsidiaries within the group, the Company has applied the 2022 Revised Guidance from the beginning of the three months under review. This change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements for each quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been restated accordingly. This change in accounting policy has no impact on the quarterly consolidated financial statements for the same quarter of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(Note on segment information)

I. Previous consolidated three-month period (from April 1, 2023 to June 30, 2023)

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

(Unit: millions of yen)

	Reportable segment			
	Construction Business	Manufacturing & Sales Business	Co-creation Business	Total
Net sales				
Net sales to external customers	28,889	4,656	1,750	35,296
Inter-segment net sales and transfers	1	2,126	274	2,402
Total	28,891	6,782	2,024	37,698
Segment profit	1,407	226	241	1,876

	Adjustments (Note) 1	Per quarterly consolidated statements of income (Note) 2
Net sales		
Net sales to external customers	—	35,296
Inter-segment net sales and transfers	(2,402)	—
Total	(2,402)	35,296
Segment profit	(902)	974

Notes: 1. The ¥(902) million adjustment in segment profit includes ¥2 million in elimination of inter-segment transactions and ¥(904) 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.
2. 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

Not applicable.

II. Consolidated three months under review (from April 1, 2024 to June 30, 2024)

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

(Unit: millions of yen)

	Reportable segment			
	Construction Business	Manufacturing & Sales Business	Co-creation Business	Total
Net sales				
Net sales to external customers	28,041	4,766	1,690	34,497
Inter-segment net sales and transfers	1	2,386	320	2,708
Total	28,042	7,152	2,010	37,206
Segment profit	870	163	258	1,292

	Adjustments (Note) 1	Per quarterly consolidated statements of income (Note) 2
Net sales		
Net sales to external customers	—	34,497
Inter-segment net sales and transfers	(2,708)	—
Total	(2,708)	34,497
Segment profit	(1,026)	266

Notes: 1. The ¥(1,026) million adjustment in segment profit includes ¥(48) million in elimination of inter-segment transactions and ¥(977) 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.
2. Segment profit is adjusted with the operating income in the quarterly consolidated statements of income.

2. Matters related to changes in reportable segments

Starting from the three months under review, the Company has unified some reportable segments from the previous “Leasing Business” and “Other” to “Co-creation Business” to promote new business development with multi-stakeholders. Accordingly, the Company’s reportable segments have been changed into three categories: “Construction Business,” “Manufacturing & Sales Business,” and “Co-creation Business.”

The disclosed segment information for the previous consolidated three-month period has been prepared based on the revised reportable segment classification.

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

Not applicable.

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

Not applicable.

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

Not applicable.

(Note on quarterly consolidated statements of income)

Previous consolidated three-month period (from April 1, 2023 to June 30, 2023) and consolidated three months under review (from April 1, 2024 to June 30, 2024)

The Group experiences seasonal fluctuations, with a higher proportion of net sales occurring in the second half of the consolidated fiscal year.

(Note on quarterly consolidated statements of cash flows)

The quarterly consolidated statements of cash flows for the three months under review have not been prepared. Depreciation (including amortization of intangible assets excluding goodwill) for three months ended June 30 is as follows:

	(Unit: millions of yen)	
	Previous consolidated three-month period (from April 1, 2023 to June 30, 2023)	Consolidated three months under review (from April 1, 2024 to June 30, 2024)
Depreciation	864	924

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 three-month period (from April 1, 2023 to June 30, 2023)		Three months under review (from April 1, 2024 to June 30, 2024)		Increase or decrease	
			Amount	Percentage change	Amount	Percentage change	Amount	Percentage change
Orders received	Construction Business	Pavement construction	18,355	55.7	23,048	58.9	4,693	25.6
		Civil works construction	9,580	29.1	9,118	23.3	(461)	(4.8)
		Construction	0	0.0	1,800	4.6	1,799	—
		Total	27,935	84.8	33,967	86.8	6,031	21.6
	Manufacturing & Sales Business		4,992	15.1	5,133	13.1	141	2.8
	Co-creation Business		19	0.1	19	0.1	0	3.9
	Total		32,947	100	39,120	100	6,173	18.7
Net sales	Construction Business	Pavement construction	17,193	56.6	16,548	54.8	(644)	(3.8)
		Civil works construction	7,819	25.8	8,451	28.0	632	8.1
		Construction	323	1.1	18	0.1	(305)	(94.3)
		Total	25,336	83.5	25,018	82.9	(317)	(1.3)
	Manufacturing & Sales Business		4,992	16.4	5,133	17.0	141	2.8
	Co-creation Business		19	0.1	19	0.1	0	3.9
	Total		30,347	100	30,171	100	(175)	(0.6)
Amount carried forward to next period	Construction Business	Pavement construction	42,503	63.7	54,360	63.2	11,856	27.9
		Civil works construction	24,114	36.2	29,915	34.7	5,801	24.1
		Construction	46	0.1	1,786	2.1	1,739	—
		Total	66,664	100	86,062	100	19,397	29.1
	Manufacturing & Sales Business		—	—	—	—	—	—
	Co-creation Business		—	—	—	—	—	—
	Total		66,664	100	86,062	100	19,397	29.1