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Consolidated Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]

August 12, 2020

Company name: NIPPON CONCRETE INDUSTRIES CO., LTD.
 Stock exchange listing: Tokyo
 Code number: 5269
 URL: <https://www.ncic.co.jp/>
 Representative: AMIYA Katsuhiko, Representative Director, Chairman and President
 Contact: IMAI Shoichi, Director and Managing Executive Officer
 Phone: 03-3452-1025
 Scheduled date of filing quarterly securities report: August 12, 2020
 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 Three Months Ended June 30, 2020 (April 01, 2020 to June 30, 2020)

(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	%
Three months ended June 30, 2020	10,922	(0.1)	249	-	454	173.1	273	195.6
June 30, 2019	10,928	(9.5)	(55)	-	166	(76.7)	92	(76.8)

(Note) Comprehensive income: Three months ended June 30, 2020: ¥ 1,074 million [-%]
 Three months ended June 30, 2019: ¥ (289) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2020	4.88	-
June 30, 2019	1.64	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of June 30, 2020	72,803	38,245	50.2
March 31, 2020	70,214	37,279	50.6

(Reference) Equity: As of June 30, 2020: ¥ 36,576 million
 As of March 31, 2020: ¥ 35,538 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, 2020	-	2.00	-	0.00	2.00
Fiscal year ending March 31, 2021	-				
Fiscal year ending March 31, 2021 (Forecast)		2.50	-	2.50	5.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021(April 01, 2020 to March 31, 2021)

(% 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
Six months ended September 30, 2020	24,500	5.9	650	-	850	-	550	-	9.78
Full year	48,000	4.7	1,400	-	1,600	466.0	1,050	-	18.67

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

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2020

(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: No

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):

June 30, 2020: 57,777,432 shares

March 31, 2020: 57,777,432 shares

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

June 30, 2020: 1,614,582 shares

March 31, 2020: 1,628,882 shares

3) Average number of shares during the period:

Three months ended June 30, 2020: 56,152,975 shares

Three months ended June 30, 2019: 56,467,631 shares

* Quarterly financial results reports 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 three months ended June 30, 2020, the Japanese economic activities, affected by the global COVID-19 pandemic, were significantly restricted chiefly by the state of emergency declaration. Consequently, the economy deteriorated rapidly into an extremely difficult situation.

Regarding the business environment in which the Group operates, the demand for concrete piles across Japan during the three months ended June 30 remained unchanged year-on-year, while the demand in the Kanto region, our main business area, was higher than that a year earlier due in part to the very low level of demand in the previous fiscal year. In addition, shipments of concrete poles were at a higher level than those a year earlier on a recovery trend across the country.

Under such environment, the Group has been actively working on strengthening its existing business base with the aim of significantly improving its earnings, as the Group posted a deficit for the previous fiscal year.

In the Foundation Business, we have focused on promoting sales activities tailored to regional characteristics and winning orders through putting our products into designs, and worked on improving construction revenues. The production in eastern Japan is stable as shipments in the Kanto Region are back on track. In the Pole-related Business, shipments of COP (cap on pole), fit-in flange poles which enhance workability of construction, have been steady. Along with it, we are strengthening product sales activities in conjunction with the construction of poles to expand our earnings. The planned remodeling of the main plant (to strengthen efficient production of joint poles, whose demand is increasing) is scheduled to be implemented in the second quarter of this fiscal year. In the Civil Engineering Product Business, we promote the expansion of sales of products such as precast concrete walls, which can contribute to the national resilience and prevention and mitigation of disasters. In the Segment Business, the production is sluggish due to construction delays; however, we steadily receive orders and accordingly the recovery in plant utilization rates is expected. In our overseas business, shipments of concrete poles for a national project in Myanmar, which aims to achieve the electrification rate of 100%, have been extremely robust.

In our environmental initiative, we strive to expand the application of the products (such as PAdeCS, which contributes to the reduction of CO2 emissions and removal of harmful substances) made by recycling concrete sludge, which is our industrial waste; expand sales of soundproofing material (Porecell); and strengthen our efforts in recycling of waste concrete poles.

Moreover, we have continued our company-wide cost-cutting efforts since the previous fiscal year, resulting in a significant improvement in our gross profit margin.

As a result, net sales for the three months ended June 30, 2020 were 10,922 million yen (down 0.1% year-on-year); operating profit was 249 million yen (operating loss of 55 million yen in the same period a year earlier) despite a provision of allowance for doubtful accounts of 129 million yen recorded in selling, general and administrative expenses; ordinary profit was 454 million yen (up 173.1% year-on-year); and profit attributable to owners of parent was 273 million yen (up 195.6% year-on-year).

Trends by business segment are as follows.

1) Foundation Business

In the concrete pile industry, the demand across Japan in the three months ended June 30 remained unchanged year-on-year; however, while our shipments and sales in the Kanto region increased, our sales in the western Japan significantly declined as a reaction against large projects conducted in the previous fiscal year. As a result, net sales were 5,718 million yen (down 18.0% year-on-year). Segment income was 190 million yen (up 96.4% year-on-year) due to our efforts to improve construction revenues despite a recording of a provision of allowance for doubtful accounts.

2) Secondary Concrete Product Business

In the Pole-related Business among the Secondary Concrete Product Business, shipments of poles used for mobile phone base stations in Japan and shipments in Myanmar were steady. As a result, net sales were 3,174 million yen (up 64.1% year-on-year). In terms of the Civil Engineering Product Business, despite construction delays in the RC segment, sales of civil engineering products (such as precast concrete walls) are in line with our expectations and sales of our group companies related to construction materials and civil engineering works have increased. Accordingly, net sales were 1,949 million yen (up 0.3% year-on-year). As a result, net sales for the Secondary Concrete Product Business were 5,124 million yen (up 32.1% year-on-year) and segment income was 459 million yen (up 70.4% year-on-year).

3) Real Estate and Solar Power Generation Business

In the Real Estate and Solar Power Generation Business, net sales were 80 million yen (up 1.2% year-on-year) and segment income was 48 million yen (up 8.9% year-on-year).

The Group will keep a close eye on the situation of the COVID-19 pandemic and strive to maintain and increase its sales. In the increasingly severe business environment, we will also implement further cost reductions while rebuilding an optimal production and construction system.

(Note) Net sales and other figures do not include consumption and other taxes.

(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 first quarter of the fiscal year under review were 72,803 million yen, up 2,589 million yen from the end of the previous fiscal year.

Current assets were 29,084 million yen, up 1,420 million yen from the end of the previous fiscal year, and non-current assets were 43,719 million yen, up 1,169 million yen from the end of the previous fiscal year.

The increase in current assets was mainly due to an increase in cash and deposits, and the increase in non-current assets was mainly due to an increase in the market value of investment securities.

Total liabilities were 34,557 million yen, up 1,623 million yen from the end of the previous fiscal year.

Current liabilities were 21,997 million yen, up 1,802 million yen from the end of the previous fiscal year, and non-current liabilities were 12,560 million yen, down 178 million yen from the end of the previous fiscal year.

The increase in current liabilities was mainly due to an increase in short-term borrowings, and the decrease in non-current liabilities was mainly due to a decrease in long-term borrowings.

Total net assets were 38,245 million yen, up 965 million yen from the end of the previous fiscal year.

It was mainly due to an increase in the valuation difference on available-for-sale securities.

As a result of the above, the equity ratio was 50.2%, down from 50.6% 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 our consolidated financial results forecast for the fiscal year ended March 31, 2021 from the forecast announced on May 20, 2020.

The impact of the COVID-19 pandemic on our business results during the first quarter was insignificant due to the smooth continuation of plant production, shipments, construction work, sales and other business activities as a result of the group-wide efforts to prevent the spread of infection (such as infection prevention measures taken by individuals, thorough social-distancing, introduction of staggered working hours and work from home, and utilization of video conference). If the further spread of the infection has a greater impact on our business activities and we accordingly judge that it is deemed necessary to revise the forecast, we will promptly announce the revised forecast.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31,2020	As of June 30,2020
Assets		
Current assets		
Cash and deposits	5,121,583	6,272,403
Notes and accounts receivable - trade	9,461,890	9,474,017
Electronically recorded monetary claims - operating	3,055,142	2,892,292
Merchandise and finished goods	4,895,644	5,214,106
Work in process	2,503,513	2,702,891
Raw materials and supplies	1,118,301	1,240,531
Other	1,511,443	1,318,945
Allowance for doubtful accounts	(3,800)	(31,158)
Total current assets	27,663,720	29,084,030
Non-current assets		
Property, plant and equipment		
Land	16,423,210	16,423,210
Other, net	9,417,075	9,328,015
Total property, plant and equipment	25,840,286	25,751,226
Intangible assets	328,811	314,259
Investments and other assets		
Investment securities	13,076,308	14,196,916
Other	3,453,493	3,701,269
Allowance for doubtful accounts	(148,298)	(244,014)
Total investments and other assets	16,381,503	17,654,171
Total non-current assets	42,550,600	43,719,658
Total assets	70,214,321	72,803,688

(Thousand yen)

	As of March 31,2020	As of June 30,2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,386,533	5,168,761
Electronically recorded obligations - operating	7,228,523	7,305,111
Short-term borrowings	1,950,000	3,461,581
Current portion of long-term borrowings	2,392,156	2,140,600
Income taxes payable	88,507	107,543
Provisions	499,511	461,398
Other	2,649,497	3,352,033
Total current liabilities	20,194,729	21,997,029
Non-current liabilities		
Bonds payable	31,500	31,500
Long-term borrowings	5,915,548	5,404,806
Retirement benefit liability	651,332	646,942
Other	6,141,289	6,477,575
Total non-current liabilities	12,739,669	12,560,823
Total liabilities	32,934,399	34,557,852
Net assets		
Shareholders' equity		
Share capital	5,111,583	5,111,583
Capital surplus	3,826,864	3,826,796
Retained earnings	17,170,058	17,443,815
Treasury shares	(536,786)	(530,921)
Total shareholders' equity	25,571,720	25,851,274
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,373,014	5,144,259
Revaluation reserve for land	5,312,368	5,312,368
Foreign currency translation adjustment	(46,795)	(44,773)
Remeasurements of defined benefit plans	328,060	313,499
Total accumulated other comprehensive income	9,966,648	10,725,354
Non-controlling interests	1,741,553	1,669,207
Total net assets	37,279,921	38,245,836
Total liabilities and net assets	70,214,321	72,803,688

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Thousand yen)

	For the three months ended June 30,2019	For the three months ended June 30,2020
Net sales	10,928,946	10,922,981
Cost of sales	9,450,998	9,155,942
Gross profit	1,477,947	1,767,038
Selling, general and administrative expenses	1,533,734	1,517,361
Operating profit (loss)	(55,786)	249,676
Non-operating income		
Interest income	4,065	3,888
Dividend income	162,997	172,141
Share of profit of entities accounted for using equity method	57,721	52,860
Other	37,564	21,476
Total non-operating income	262,348	250,367
Non-operating expenses		
Interest expenses	11,476	13,020
Other	28,562	32,251
Total non-operating expenses	40,039	45,272
Ordinary profit	166,523	454,771
Extraordinary losses		
Loss on retirement of non-current assets	10,062	2,121
Total extraordinary losses	10,062	2,121
Profit before income taxes	156,460	452,650
Income taxes - current	58,558	128,076
Income taxes - deferred	(39,524)	8,672
Total income taxes	19,033	136,748
Profit	137,426	315,902
Profit attributable to non-controlling interests	44,826	42,141
Profit attributable to owners of parent	92,600	273,760

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

(Thousand yen)

	For the three months ended June 30,2019	For the three months ended June 30,2020
Profit	137,426	315,902
Other comprehensive income		
Valuation difference on available-for-sale securities	(381,901)	753,430
Foreign currency translation adjustment	(11,970)	2,022
Remeasurements of defined benefit plans, net of tax	(17,919)	(14,561)
Share of other comprehensive income of entities accounted for using equity method	(15,005)	17,814
Total other comprehensive income	(426,798)	758,706
Comprehensive income	(289,371)	1,074,608
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(331,841)	1,029,813
Comprehensive income attributable to non-controlling interests	42,470	44,794

(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 three months ended June 30, 2019

1. Dividends paid

Resolution	Type of shares	Total amount of dividend paid (Thousand yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
May 24, 2019 Board of Directors' Meeting	Common shares	200,644	3.50	March 31, 2019	June 10, 2019	Retained earnings

(Note) The total amount of dividends based on the resolution of the Board of Directors' Meeting held on May 24, 2019 includes dividend of 256 thousand yen for the Board Incentive Plan Trust (BIP) and dividend of 307 thousand yen for the Stock Granting Trust (J-ESOP).

2. Dividends with a record date in the three months ended June 30, 2019 but with an effective date after the end of the period

There is no relevant information.

For the three months ended June 30, 2020

1. Dividends paid

As no dividends are paid, there is no relevant information.

2 Dividends with a record date in the three months ended June 30, 2020 but with an effective date after the end of the period

There is no relevant information.

(Segment Information etc.)

[Segment Information]

I. For the three months ended June 30, 2019

1. Information on net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable Segment				Adjustment (Note 1)	Amounts recorded in the Quarterly Consolidated Statements of Income (Note 2)
	Foundation	Secondary Concrete Product	Real Estate and Solar Power Generation	Total		
Net sales						
Net sales to outside customers	6,971,183	3,878,560	79,202	10,928,946	—	10,928,946
Inter-segment net sales or transfers	3,824	—	—	3,824	(3,824)	—
Total	6,975,007	3,878,560	79,202	10,932,771	(3,824)	10,928,946
Segment income (loss)	97,017	269,856	44,145	411,020	(466,806)	(55,786)

(Notes) 1. The adjustment for segment income or loss mainly includes corporate expenses. Corporate expenses mainly include general and administrative expenses, not attributed to reportable segments.

2. Segment income or loss is adjusted to the operating loss in the quarterly consolidated statements of income.

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

There is no relevant information.

II. For the three months ended June 30, 2020

1. Information on net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable Segment				Adjustment (Note 1)	Amounts recorded in the Quarterly Consolidated Statements of Income (Note 2)
	Foundation	Secondary Concrete Product	Real Estate and Solar Power Generation	Total		
Net sales						
Net sales to outside customers	5,718,559	5,124,261	80,161	10,922,981	—	10,922,981
Inter-segment net sales or transfers	3,356	—	—	3,356	(3,356)	—
Total	5,721,915	5,124,261	80,161	10,926,337	(3,356)	10,922,981
Segment income (loss)	190,553	459,809	48,074	698,437	(448,760)	249,676

(Notes) 1. The adjustment for segment income mainly includes corporate expenses. Corporate expenses mainly include general and administrative expenses, not attributed to reportable segments.

2. Segment income is adjusted to the operating income in the quarterly consolidated statements of income.

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

There is no relevant information.

(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 9, 2018 to continue the BIP Trust and the J-ESOP Trust for a new three-year period (from August 9, 2018 to August 31, 2021) 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 towards 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 first quarter of the fiscal year under review are 23,875 thousand yen and 56,413 shares for the BIP Trust, and 25,106 thousand yen and 63,651 shares for the J-ESOP Trust.