

Adjustment of concrete floor subsidence, inclination, etc. by proprietary UPCON method

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[5075 UPCON Sector : Construction]

Fiscal Year	Net sales (mn yen)	YoY (%)	Operating profit (mn yen)	YoY (%)	Ordinary profit (mn yen)	YoY (%)	Profit (mn yen)	YoY (%)	EPS (yen)	BPS (yen)	DPS (yen)
Jan.2021	914	47.4	235	-	250	7.8x	181	8.2x	139.3	755.3	12.0
Jan.2022	673	-26.4	55	-76.6	53	-78.8	37	-79.6	28.9	772.2	5.0
Jan.2023 f	900	33.7	150	2.7x	150	2.8x	98	2.6x	75.3	-	TBD

Note: Non-consolidated basis. Figures for the fiscal year ending January 2023 are the company's forecasts.

Adjustment of Concrete Floor Subsidence by Proprietary Construction Method

UPCON's main business is construction work in factories, warehouses, stores, residences and structures to adjust subsidence, unevenness, inclination and voids of concrete floors caused by uneven settling that causes uneven subsidence or sliding of the ground or building. The company conducts this work with the proprietary UPCON method, which uses perfectly non-fluorocarbon urethane resin and small machinery.

In the UPCON method, holes of 16 mm in diameter are drilled at 1 m intervals in the concrete floor, etc. in which uneven settling occurs, and urethane resin is injected. The urethane resin foams in a short time, and the pressure is used to push up the concrete floor to adjust the unevenness and inclination.

Features of UPCON Method

While there are four types of subsidence adjustment method in addition to the UPCON method, its features include that the construction period is a few days while other methods take about one week to two months. The cost is slightly higher than the push-up method, but only half as much as that of other methods. In addition, it is possible for customers to continue to operate business while the construction work is under way.

Volatile Net Sales

The company's net sales are greatly affected by the presence or absence of large-scale projects. The company defines large-scale projects as those exceeding 50 million yen per project. In fiscal years ended January 2019 and 2021, where there were large-scale projects, net sales were 914 million yen in each fiscal year, but in the fiscal years ended January 2020 and 2022, where there were no large projects, net sales were 620 million yen and 673 million yen, respectively. The ratio of private and public works was 3 to 1 in fiscal year ended January 2022, but it fluctuates significantly by fiscal year. In addition, public works tend to be more profitable than private projects, which suggests that they have a greater impact on profit.

UPCON (5075 NSE Next) - - - - - January 10, 2023**Financial Statements**

Statement of income	Fiscal Year	Jan.2021		Jan.2022		Nine months to Oct. 2022	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		914	100.0	673	100.0	683	100.0
Cost of sales		359	39.3	297	44.1	310	45.4
Gross profit		555	60.7	375	55.7	373	54.6
Gross profit on completed construction contra		551	-	372	-	373	-
Gross profit on sideline business		3	-	3	-	-	-
Selling, general and administrative expenses		320	35.0	320	47.5	225	32.9
Operating profit		235	25.7	55	8.2	148	21.7
Non-operating income		1	15.0	0	-	8	-
Non-operating expenses		0	-	2	-	0	-
Ordinary profit		250	27.4	53	7.9	156	22.8
Profit before income taxes		250	27.4	53	7.9	156	22.8
Net profit		181	19.8	37	5.5	105	15.4

Balance sheet	Fiscal Year	Jan.2021		Jan.2022		Oct. 2022	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		1,088	91.8	967	92.4	1,131	92.9
Cash and deposits		955	80.6	519	49.6	657	54.0
Accounts receivable-trade		114	9.6	88	8.4	190	15.6
Raw materials and supplies		7	0.6	11	1.1	10	0.8
Non-current assets		97	8.2	79	7.5	85	7.0
Property, plant and equipment		34	2.9	25	2.4	26	2.1
Intangible assets		0	0.0	0	0.0	0	0.0
Investments and other assets		63	5.3	53	5.1	58	4.8
Total assets		1,185	100.0	1,047	100.0	1,217	100.0
Current liabilities		204	17.2	40	3.8	111	9.1
Accounts payable - trade		5	0.4	15	1.4	13	1.1
Non-current liabilities		-	-	3	0.3	3	0.2
Net assets		981	82.8	1,003	95.8	1,102	90.6
Owners' equity		981	82.8	1,003	95.8	1,102	90.6

Statement of cash flows	Fiscal Year	Jan.2021	Jan.2022	Six months to Jul. 2022
		(mn yen)	(mn yen)	(mn yen)
Cash flows from operating activities		360	-170	169
Depreciation		14	8	3
Cash flows from investing activities		-102	-150	-
Cash flows from financing activities		-6	-15	-6
Dividends paid		-6	-15	-6
Net increase in cash and cash equivalents		250	-336	162
Cash and cash equivalents		855	519	681

Note: Non-consolidated.

Source: Prepared by Stock Research Center based on the notifiable prospectus.

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