

Consolidated Quarterly Financial Results for the Six Months Ended September 30, 2017 [Japanese GAAP]



November 14, 2017

Company name: NIPPON HUME CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Securities code: 5262

URL: <http://www.nipponhume.co.jp>

Representative: Minoru Okawauchi, President and Representative Director

Contact: Takamasa Ishii, Executive Officer and General Manager of Accounting Division

Phone: +81-3-3433-4111

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Scheduled date of commencing dividend payments: —

Preparation of supplementary briefing material on quarterly financial results: No

Holding of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2017

(April 1, 2017 to September 30, 2017)

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

	Turnover		Operating income		Ordinary income		Profit attributable to owners of parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2017	17,750	19.4	709	21.0	1,117	35.1	860	47.0
Six months ended September 30, 2016	14,866	(12.0)	586	(44.5)	826	(46.1)	585	(48.5)

(Note) Comprehensive income: Six months ended September 30, 2017: ¥1,143 million [28.2%]

Six months ended September 30, 2016: ¥891 million [(14.8)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2017	34.29	—
Six months ended September 30, 2016	23.01	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2017	46,509	30,150	64.4
As of March 31, 2017	47,501	29,558	61.8

(Reference) Equity: As of September 30, 2017: ¥29,943 million

As of March 31, 2017: ¥29,353 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2017	Yen —	Yen —	Yen —	Yen 16.00	Yen 16.00
Fiscal year ending March 31, 2018	—	—			
Fiscal year ending March 31, 2018 (Forecast)			—	16.00	16.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018

(April 1, 2017 to March 31, 2018)

(% indicates changes from the previous corresponding period.)

	Turnover		Operating income		Ordinary income		Profit attributable to owners of parent company		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	35,000	9.1	1,800	20.1	2,200	12.3	1,600	15.6	63.57

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

* Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

Newly included: — (Company name) Excluded: — (Company name)

(2) Application of accounting procedures specific to preparation of consolidated quarterly 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, etc.: 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 stock)

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

As of September 30, 2017: 29,347,500 shares

As of March 31, 2017: 29,347,500 shares

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

As of September 30, 2017: 4,380,165 shares

As of March 31, 2017: 4,179,180 shares

3) Average number of shares during the period

Six months ended September 30, 2017: 25,087,178 shares

Six months ended September 30, 2016: 25,440,899 shares

* These quarterly financial results are not subject to quarterly review procedures.

* Explanation of the proper use of financial results forecast and other notes

The financial results forecast and other forward-looking statements contained in these materials are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of publication of this document. They are not intended as a commitment by the Company that these results will be achieved. Actual results may differ considerably as a result of numerous factors. For the assumptions used in the financial results forecast and precautionary notes on its use, please refer to “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attachment.

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

(1) Explanation of Operating Results

During the six months ended September 30, 2017, the Japanese economy remained on a modest recovery trend. Nonetheless, although signs of recovery have appeared mainly in the economies of some of the emerging Asian nations, especially China, the sense of uncertainty over the future prospects for the economy cannot be dispelled.

In the concrete products industry in which the Company operates, demand for Hume pipes and pile products slightly exceeded the level of demand for them in the same period of the previous fiscal year.

Under these circumstances, the Group has been working diligently to pursue stable profits and sustainable growth, which are the key objectives of the basic policy in “Evolution All Japan,” the Group’s medium-term management plan, which is now in its final fiscal year.

In the six months ended September 30, 2017, orders received for piles, Hume pipes, and other concrete products, including precast products, and for construction were ¥16,593 million (up 23.0% year on year). Turnover, including revenue from concrete products, construction, and real estate, was ¥17,750 million (up 19.4% year on year).

As for profit and loss, operating income was ¥709 million (up 21.0% year on year), ordinary income was ¥1,117 million (up 35.1% year on year), mainly because of equity in earnings of affiliates and dividend income, and profit attributable to owners of parent was ¥860 million (up 47.0% year on year).

Segment results are as follows.

1) Concrete Products

Orders received were ¥8,517 million (up 14.5% year on year). Turnover was ¥9,499 million (up 21.3% year on year), mainly because of an increase in sales of precast products. Segment income was ¥34 million (down 81.8% year on year), mainly because cost of sales increased.

The total sales composition ratio was 53.5%.

2) Construction

Orders received were ¥7,984 million (up 34.1% year on year) and turnover was ¥7,450 million (up 19.2% year on year), mainly because of increases in sales of piling work and sewage line-related work, and segment income was ¥359 million (up 187.2% year on year), mainly because of cost reductions.

The total sales composition ratio was 42.0%.

3) Real Estate Development

Turnover was ¥496 million (up 3.0% year on year), and segment income was ¥228 million (up 20.5% year on year). This was mainly because renovation work was conducted on real estate property for rent in the same period of the previous fiscal year.

The total sales composition ratio was 2.8%.

4) Others

Orders received were ¥92 million (down 6.7% year on year), turnover, mainly for the solar power generation business and the sport facility management business, was ¥303 million (down 0.2% year on year), and segment income was ¥86 million (up 7.4% year on year). Thus, the results for the Others segment were roughly the same as those last year.

The total sales composition ratio was 1.7%.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Total assets as of September 30, 2017, decreased by ¥991 million from the end of the previous fiscal year, to ¥46,509 million. This was mainly because, while cash and deposits decreased ¥1,343 million under current assets, investment securities increased ¥576 million under non-current assets.

In addition, under liabilities, total liabilities decreased ¥1,583 million from the end of the previous fiscal year, to ¥16,359 million. This was mainly because, under current liabilities, notes and accounts payable - trade decreased ¥1,269 million.

Under net assets, total net assets increased ¥591 million from the end of the previous fiscal year, to ¥30,150 million. This was mainly because, under retained earnings, while profit attributable to owners of parent company increased ¥860 million, there was a decrease of ¥415 million for cash dividends paid.

2) Cash Flows

Cash and cash equivalents (hereinafter, “funds,” referring to cash and deposits minus time deposits with deposit terms of over three months) in the six months ended September 30, 2017 decreased ¥1,348 million from the end of the previous fiscal year, to ¥7,488 million.

(Cash flows from operating activities)

Funds used in operating activities during the six months ended September 30, 2017 were ¥573 million (funds provided by operating activities were ¥556 million in the previous fiscal year). This was mainly because there were not only decrease factors, such as a decrease of ¥1,255 million in notes and accounts payable - trade and income taxes paid of ¥462 million, but also increase factors, including profit before income taxes and minority interests of ¥1,126 million.

(Cash flows from investing activities)

Funds used in investing activities during the six months ended September 30, 2017 decreased ¥120 million year on year to ¥239 million. This was mainly because of ¥184 million in purchase of fixed assets.

(Cash flows from financing activities)

Funds used in financing activities during the six months ended September 30, 2017 increased ¥70 million year on year to ¥533 million. This was mainly because of a cash outflow of ¥413 million for dividends paid.

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

Regarding the results forecast pertaining to the fiscal year ending March 31, 2018, there has been no change to the full-year results forecast published in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 [Japanese GAAP]” dated May 12, 2017.

2. Consolidated Quarterly Financial Statements and Important Notes

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	8,892,925	7,549,082
Notes and accounts receivable - trade	13,711,307	13,687,064
Merchandise and finished goods	2,026,699	2,094,012
Raw materials and supplies	476,714	385,294
Other	289,660	288,244
Provision for doubtful accounts	(14,662)	(21,449)
Total current assets	25,382,645	23,982,249
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,096,622	3,011,809
Land	3,692,743	3,693,848
Other, net	2,198,501	2,049,442
Total property, plant and equipment	8,987,867	8,755,100
Intangible assets	137,543	124,250
Investments and other assets		
Investment securities	12,750,556	13,326,810
Other	472,273	526,648
Provision for doubtful accounts	(229,530)	(205,522)
Total investments and other assets	12,993,299	13,647,937
Total non-current assets	22,118,709	22,527,288
Total assets	47,501,354	46,509,537
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,348,157	10,078,867
Short-term loans	1,212,269	1,218,984
Income taxes payable	476,049	290,689
Provision for bonuses	185,557	188,506
Provision for loss on construction contracts	30,223	17,660
Other	859,127	599,145
Total current liabilities	14,111,384	12,393,854
Non-current liabilities		
Provision for directors' retirement benefits	36,017	36,017
Provision for environmental measures	17,014	17,014
Net defined benefit liability	2,612,372	2,648,335
Other	1,165,780	1,263,838
Total non-current liabilities	3,831,184	3,965,205
Total liabilities	17,942,569	16,359,060

(Thousand yen)

	As of March 31, 2017	As of September 30, 2017
Net assets		
Shareholders' equity		
Share capital	5,251,400	5,251,400
Share premium	4,736,508	4,736,508
Retained earnings	20,272,825	20,717,846
Treasury shares	(1,511,453)	(1,647,450)
Total shareholders' equity	28,749,280	29,058,305
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	756,093	1,017,581
Difference in foreign exchange	220,308	214,187
Remeasurements of defined benefit	(371,835)	(346,449)
Total accumulated other comprehensive income	604,565	885,319
Non-controlling interests	204,938	206,852
Total net assets	29,558,785	30,150,477
Total liabilities and net assets	47,501,354	46,509,537

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

Consolidated Quarterly Statements of Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Turnover	14,866,509	17,750,162
Cost of sales	12,318,299	15,075,898
Gross profit	2,548,209	2,674,264
Selling, general and administrative expenses	1,961,652	1,964,801
Operating income	586,557	709,462
Non-operating income		
Interest income	192	595
Dividend income	47,161	52,759
Share of income of associates	312,404	325,557
Foreign exchange gains	—	5,160
Other	87,088	63,847
Total non-operating income	446,847	447,920
Non-operating expenses		
Interest expenses	9,729	11,758
Foreign exchange losses	186,579	—
Settlement package	—	12,000
Other	10,248	16,373
Total non-operating expenses	206,557	40,131
Ordinary income	826,847	1,117,250
Extraordinary income		
Gain on sales of fixed assets	—	2,323
Insurance income	—	5,167
State subsidy	1,424	1,440
Total extraordinary income	1,424	8,930
Extraordinary losses		
Loss on disposal of fixed assets	0	—
Total extraordinary losses	0	—
Profit before income taxes and minority interests	828,271	1,126,181
Income taxes - current	272,864	276,909
Income taxes - deferred	(35,802)	(12,999)
Total income taxes	237,061	263,909
Profit after income taxes	591,209	862,271
Profit attributable to non-controlling interests	5,904	1,913
Profit attributable to owners of parent company	585,304	860,357

Consolidated Quarterly Statements of Comprehensive Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Profit after income taxes	591,209	862,271
Other comprehensive income		
Valuation difference on available-for-sale securities	139,232	242,016
Difference in foreign exchange	144,505	(6,120)
Remeasurements of defined benefit	30,334	23,658
Share of other comprehensive income of associates	(13,984)	21,198
Total other comprehensive income	300,088	280,754
Comprehensive income	891,297	1,143,025
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent company	885,392	1,141,112
Comprehensive income attributable to non-controlling interests	5,904	1,913

(3) Consolidated Quarterly Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2016	For the six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes and minority interests	828,271	1,126,181
Depreciation	318,610	325,217
Increase (decrease) in provision for doubtful accounts	(26,484)	(17,037)
Increase (decrease) in provision for bonuses	1,288	2,948
Increase (decrease) in net defined benefit liability	56,083	77,396
Increase (decrease) in provision for loss on construction contracts	—	(12,562)
Increase (decrease) in provision for environmental measures	(1,334)	—
Interest and dividend income	(47,354)	(53,354)
Interest expenses	9,729	11,758
Foreign exchange losses (gains)	123,250	17,132
Share of (income) loss of associates	(312,404)	(325,557)
Loss (gain) on sales of fixed assets	—	(2,323)
Loss on disposal of fixed assets	0	—
State subsidy	(1,424)	(1,440)
Insurance income	—	(5,167)
Decrease (increase) in notes and accounts receivable - trade	1,223,719	10,236
Decrease (increase) in inventories	(233,963)	18,823
Decrease (increase) in other current assets	81,242	(13,070)
Increase (decrease) in notes and accounts payable - trade	(1,307,859)	(1,255,429)
Increase (decrease) in accrued consumption taxes	(220,828)	57,456
Increase (decrease) in other current liabilities	85,328	(245,556)
Increase (decrease) in other non-current liabilities	(17,241)	3,593
Subtotal	558,629	(280,755)
Interest and dividend income received	175,044	174,605
Interest expenses paid	(9,708)	(10,025)
Proceeds from insurance income	—	5,167
Income taxes paid	(167,542)	(462,268)
Net cash provided by (used in) operating activities	556,423	(573,277)
Cash flows from investing activities		
Payments into time deposits	(3)	(4,287)
Purchase of fixed assets	(388,824)	(184,794)
Proceeds from sales of fixed assets	—	2,323
Proceeds from state subsidy	1,424	1,440
Decrease (increase) in other investments	26,555	(54,539)
Net cash provided by (used in) investing activities	(360,848)	(239,857)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(15,692)	16,261
Purchase of treasury shares	(29,049)	(135,995)
Cash dividends paid	(418,827)	(413,848)
Net cash provided by (used in) financing activities	(463,569)	(533,581)
Net foreign exchange on cash and cash equivalents	4,692	(1,413)
Net increase (decrease) in cash and cash equivalents	(263,302)	(1,348,131)
Cash and cash equivalents at the beginning of the period	8,287,591	8,836,718
Cash and cash equivalents at the end of the period	8,024,288	7,488,587

(4) Notes to the Consolidated Quarterly Financial Statements

(Notes on going concern assumption)

No relevant items.

(Notes in the case of significant changes in shareholders' equity)

No relevant items.

(Segment information, etc.)

I. For the six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)

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

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustments	Amount recorded on the Consolidated Quarterly Statements of Income (Note 2)
	Concrete Products	Construction	Real Estate Development	Total				
Turnover								
Turnover to external customers	7,831,352	6,249,583	481,696	14,562,631	303,877	14,866,509	—	14,866,509
Inter-segment turnover or transfers	7,192	—	21,765	28,958	379	29,337	(29,337)	—
Total	7,838,545	6,249,583	503,461	14,591,590	304,256	14,895,846	(29,337)	14,866,509
Segment income	190,959	125,146	189,731	505,838	80,719	586,557	—	586,557

(Notes) 1. The "Others" segment includes businesses not included in reportable segments, such as the environmental equipment sales business, the sport facility management business, the rental business, and the solar power generation business.

2. Total segment income corresponds to operating income on the Consolidated Quarterly Statements of Income.

2. Information concerning impairment loss on non-current assets, goodwill, etc., by reportable segment

No relevant items.

II. For the six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)

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

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustments	Amount recorded on the Consolidated Quarterly Statements of Income (Note 2)
	Concrete Products	Construction	Real Estate Development	Total				
Turnover								
Turnover to external customers	9,499,788	7,450,938	496,108	17,446,835	303,326	17,750,162	—	17,750,162
Inter-segment turnover or transfers	7,643	—	21,259	28,902	101	29,004	(29,004)	—
Total	9,507,431	7,450,938	517,368	17,475,738	303,428	17,779,166	(29,004)	17,750,162
Segment income	34,688	359,433	228,678	622,801	86,661	709,462	—	709,462

(Notes) 1. The “Others” segment includes businesses not included in reportable segments, such as the environmental equipment sales business, the sport facility management business, the rental business, and the solar power generation business.

2. Total segment income corresponds to operating income on the Consolidated Quarterly Statements of Income.

2. Information concerning impairment loss on non-current assets, goodwill, etc., by reportable segment

No relevant items.