

Consolidated Quarterly Financial Results for the Six Months Ended September 30, 2018 [Japanese GAAP]



November 14, 2018

Company name: NIPPON HUME CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Securities code: 5262

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Scheduled date of filing quarterly securities report: November 14, 2018

Scheduled date of commencing dividend payments: —

Preparation of supplementary briefing material on quarterly financial results: No

Holding of quarterly financial results briefing session: Yes

(for mass media, analysts, and institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2018

(April 1, 2018 to September 30, 2018)

(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, 2018	19,802	11.6	701	(1.1)	1,441	29.1	1,269	47.5
Six months ended September 30, 2017	17,750	19.4	709	21.0	1,117	35.1	860	47.0

(Note) Comprehensive income: Six months ended September 30, 2018: ¥1,427 million [24.9%]

Six months ended September 30, 2017: ¥1,143 million [28.2%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	51.02	—
Six months ended September 30, 2017	34.29	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2018	49,523	31,747	63.7
As of March 31, 2018	48,952	30,787	62.4

(Reference) Equity: As of September 30, 2018: ¥31,525 million

As of March 31, 2018: ¥30,570 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2018	Yen —	Yen —	Yen —	Yen 17.00	Yen 17.00
Fiscal year ending March 31, 2019	—	—	—	—	—
Fiscal year ending March 31, 2019 (Forecast)	—	—	—	18.00	18.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019

(April 1, 2018 to March 31, 2019)

(% 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	38,000	1.5	1,700	1.3	2,300	4.0	1,700	2.9	68.31

(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, 2018: 29,347,500 shares

As of March 31, 2018: 29,347,500 shares

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

As of September 30, 2018: 4,493,125 shares

As of March 31, 2018: 4,459,908 shares

3) Average number of shares during the period

Six months ended September 30, 2018: 24,881,927 shares

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

* These quarterly financial results are not subject to quarterly review procedures by certified public accountants or auditing corporations.

* 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, 2018, business sentiment in Japan remained flat, but due to factors including not only the impact of trade friction between the United States and China on the Japanese economy but also the possibility of a trilateral economic partnership between Japan, China, and South Korea, the sense of uncertainty over the future prospects for the economy cannot be dispelled.

In the concrete products industry in which the Group operates, while demand for Hume pipes fell slightly below that in the same period of the previous fiscal year, demand for pile products exceeded the level of demand for them in the same period of the previous fiscal year.

Under these circumstances, the Group worked diligently to pursue stable profits and sustainable growth, which were the key objectives of the basic policy in Evolution All Japan II, the Group's new three-year medium-term management plan that began in fiscal 2018.

In the six months ended September 30, 2018, orders received for concrete products (mainly Hume pipes and pile products) and construction, etc., were ¥18,613 million (up 12.2% year on year), and turnover, including mainly revenue from concrete products, construction, and real estate, was ¥19,802 million (up 11.6% year on year).

As for profit and loss, operating income was ¥701 million (down 1.1% year on year) due to the focus on R&D, etc., ordinary income was ¥1,441 million (up 29.1% year on year), mainly because of equity in earnings of affiliates and dividend income, and profit attributable to owners of parent was ¥1,269 million (up 47.5% year on year) due to gain on sales of fixed assets, etc.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Total assets as of September 30, 2018, increased ¥570 million from the end of the previous consolidated fiscal year, reaching ¥49,523 million. This was mainly because, while under current assets, notes and accounts receivable – trade decreased ¥1,400 million, cash and deposits increased ¥1,171 million as well as under property, plant and equipment in non-current assets, investment securities increased ¥660 million.

In addition, under liabilities, total liabilities decreased ¥389 million from the end of the previous consolidated fiscal year to ¥17,776 million. This was mainly because, under current liabilities, notes and accounts payable – trade decreased ¥266 million and income taxes payable decreased ¥80 million.

Under net assets, total net assets increased ¥959 million from the end of the previous consolidated fiscal year, to ¥31,747 million. This was mainly because, under retained earnings, while profit attributable to owners of parent company increased ¥1,269 million, there was a decrease of ¥436 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, 2018 increased ¥1,191 million from the end of the previous consolidated fiscal year, to ¥9,969 million.

(Cash flows from operating activities)

Funds provided by operating activities during the six months ended September 30, 2018 were ¥2,116 million (decreased ¥573 million year on year). This was mainly because of ¥1,583 million increase in profit before income taxes and minority interests, a decrease of ¥1,392 million in notes and accounts receivable – trade, share of income of associates of ¥663 million, and income taxes paid of ¥418 million.

(Cash flows from investing activities)

Funds used in investing activities during the six months ended September 30, 2018 increased ¥216 million year on year to ¥456 million. This was mainly because of ¥656 million in purchase of fixed assets and proceeds from sales of fixed assets of ¥160 million.

(Cash flows from financing activities)

Funds used in financing activities during the six months ended September 30, 2018 decreased ¥78 million year on year to ¥454 million. This was mainly because of ¥434 million in cash dividends paid.

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

Regarding the results forecasts pertaining to the fiscal year ending March 31, 2019, there has been no change to the full-year results forecast published in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 [Japanese GAAP],” dated May 11, 2018.

2. Consolidated Quarterly Financial Statements and Important Notes**(1) Consolidated Quarterly Balance Sheets**

(Thousand yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	8,838,717	10,010,489
Notes and accounts receivable - trade	15,151,754	13,751,313
Merchandise and finished goods	1,886,616	1,873,837
Raw materials and supplies	528,757	496,681
Other	259,764	236,926
Provision for doubtful accounts	(16,939)	(16,562)
Total current assets	<u>26,648,670</u>	<u>26,352,684</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,023,197	2,945,528
Land	3,697,674	3,683,312
Other, net	2,003,334	2,307,882
Total property, plant and equipment	<u>8,724,206</u>	<u>8,936,723</u>
Intangible assets	119,088	106,462
Investments and other assets		
Investment securities	13,150,972	13,811,660
Other	490,591	472,265
Provision for doubtful accounts	(180,997)	(156,490)
Total investments and other assets	<u>13,460,566</u>	<u>14,127,435</u>
Total non-current assets	<u>22,303,861</u>	<u>23,170,621</u>
Total assets	48,952,531	49,523,306
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,617,640	11,350,792
Short-term loans	1,221,480	1,217,537
Income taxes payable	438,800	358,182
Provision for bonuses	182,108	186,522
Other	894,861	869,802
Total current liabilities	<u>14,354,892</u>	<u>13,982,837</u>
Non-current liabilities		
Provision for directors' retirement benefits	36,017	36,017
Provision for environmental measures	7,736	7,736
Net defined benefit liability	2,688,857	2,669,014
Other	1,077,672	1,080,548
Total non-current liabilities	<u>3,810,284</u>	<u>3,793,317</u>
Total liabilities	18,165,176	17,776,154

(Thousand yen)

	As of March 31, 2018	As of September 30, 2018
Net assets		
Shareholders' equity		
Share capital	5,251,400	5,251,400
Share premium	4,736,524	4,736,524
Retained earnings	21,509,299	22,342,132
Treasury shares	(1,710,327)	(1,741,593)
Total shareholders' equity	<u>29,786,896</u>	<u>30,588,462</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	905,884	987,914
Difference in foreign exchange	203,908	238,872
Remeasurements of defined benefit	(326,588)	(289,962)
Total accumulated other comprehensive income	<u>783,204</u>	<u>936,824</u>
Non-controlling interests	217,253	221,864
Total net assets	<u>30,787,354</u>	<u>31,747,152</u>
Total liabilities and net assets	<u>48,952,531</u>	<u>49,523,306</u>

(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, 2017	For the six months ended September 30, 2018
Turnover	17,750,162	19,802,100
Cost of sales	15,075,898	16,954,357
Gross profit	2,674,264	2,847,742
Selling, general and administrative expenses	1,964,801	2,146,079
Operating income	709,462	701,662
Non-operating income		
Interest income	595	1,134
Dividend income	52,759	56,095
Share of income of associates	325,557	663,772
Foreign exchange gains	5,160	—
Other	63,847	75,107
Total non-operating income	447,920	796,110
Non-operating expenses		
Interest expenses	11,758	13,094
Foreign exchange losses	—	33,421
Other	28,373	9,412
Total non-operating expenses	40,131	55,927
Ordinary income	1,117,250	1,441,846
Extraordinary income		
Gain on sales of fixed assets	2,323	140,418
Insurance income	5,167	—
State subsidy	1,440	1,440
Total extraordinary income	8,930	141,858
Profit before income taxes and minority interests	1,126,181	1,583,704
Income taxes - current	276,909	337,991
Income taxes - deferred	(12,999)	(28,253)
Total income taxes	263,909	309,738
Profit after income taxes	862,271	1,273,966
Profit attributable to non-controlling interests	1,913	4,610
Profit attributable to owners of parent company	860,357	1,269,355

Consolidated Quarterly Statements of Comprehensive Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Profit after income taxes	862,271	1,273,966
Other comprehensive income		
Valuation difference on available-for-sale securities	242,016	79,448
Difference in foreign exchange	(6,120)	34,964
Remeasurements of defined benefit	23,658	36,183
Share of other comprehensive income of associates	21,198	3,022
Total other comprehensive income	<u>280,754</u>	<u>153,619</u>
Comprehensive income	<u>1,143,025</u>	<u>1,427,586</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent company	1,141,112	1,422,975
Comprehensive income attributable to non-controlling interests	1,913	4,610

(3) Consolidated Quarterly Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes and minority interests	1,126,181	1,583,704
Depreciation	325,217	322,800
Increase (decrease) in provision for doubtful accounts	(17,037)	(24,777)
Increase (decrease) in provision for bonuses	2,948	4,413
Increase (decrease) in net defined benefit liability	77,396	23,961
Increase (decrease) in provision for loss on construction contracts	(12,562)	—
Interest and dividend income	(53,354)	(57,230)
Interest expenses	11,758	13,094
Foreign exchange losses (gains)	17,132	48,480
Share of (income) loss of associates	(325,557)	(663,772)
Loss (gain) on sales of fixed assets	(2,323)	(140,418)
State subsidy	(1,440)	(1,440)
Insurance income	(5,167)	—
Decrease (increase) in notes and accounts receivable - trade	10,236	1,392,258
Decrease (increase) in inventories	18,823	36,739
Decrease (increase) in other current assets	(13,070)	21,799
Increase (decrease) in notes and accounts payable - trade	(1,255,429)	(251,028)
Increase (decrease) in accrued consumption taxes	57,456	(78,665)
Increase (decrease) in other current liabilities	(245,556)	158,160
Increase (decrease) in other non-current liabilities	3,593	(18,412)
Subtotal	(280,755)	2,369,668
Interest and dividend income received	174,605	178,480
Interest expenses paid	(10,025)	(13,215)
Proceeds from insurance income	5,167	—
Income taxes paid	(462,268)	(418,609)
Net cash provided by (used in) operating activities	(573,277)	2,116,324
Cash flows from investing activities		
Payments into time deposits	(4,287)	—
Proceeds from withdrawal of time deposits	—	19,999
Purchase of fixed assets	(184,794)	(656,620)
Proceeds from sales of fixed assets	2,323	160,104
Proceeds from state subsidy	1,440	1,440
Decrease (increase) in other investments	(54,539)	18,965
Net cash provided by (used in) investing activities	(239,857)	(456,110)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	16,261	11,365
Purchase of treasury shares	(135,995)	(31,265)
Cash dividends paid	(413,848)	(434,771)
Net cash provided by (used in) financing activities	(533,581)	(454,671)
Net foreign exchange on cash and cash equivalents	(1,413)	(13,770)
Net increase (decrease) in cash and cash equivalents	(1,348,131)	1,191,771
Cash and cash equivalents at the beginning of the period	8,836,718	8,778,218
Cash and cash equivalents at the end of the period	7,488,587	9,969,990

(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.

(Additional information)

Adoption of the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018), etc. from the beginning of the first quarter of the fiscal year under review. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

(Segment information, etc.)

I. 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

(Thousands 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.

II. For the six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)

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	10,613,555	8,400,005	495,389	19,508,950	293,150	19,802,100	—	19,802,100
Inter-segment turnover or transfers	8,937	—	21,360	30,298	2,382	32,681	(32,681)	—
Total	10,622,492	8,400,005	516,749	19,539,248	295,533	19,834,781	(32,681)	19,802,100
Segment income	140,964	268,204	205,679	614,848	86,814	701,662	—	701,662

- (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.