

**Consolidated Quarterly Financial Results
for the Six Months Ended September 30, 2019
[Japanese GAAP]**



November 13, 2019

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: Hirokazu Suzuki, Director and General Manager of Accounting Division

Phone: +81-3-3433-4111

Scheduled date of filing quarterly securities report: November 13, 2019

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 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, 2019

(April 1, 2019 to September 30, 2019)

(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, 2019	17,115	(13.6)	930	32.6	1,658	15.0	1,293	1.9
Six months ended September 30, 2018	19,802	11.6	701	(1.1)	1,441	29.1	1,269	47.5

(Note) Comprehensive income: Six months ended September 30, 2019: ¥1,226 million [-14.1%]

Six months ended September 30, 2018: ¥1,427 million [24.9%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2019	52.61	—
Six months ended September 30, 2018	51.02	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2019	48,655	32,732	66.8	1,325.57
As of March 31, 2019	49,345	32,068	64.5	1,290.73

(Reference) Equity: As of September 30, 2019: ¥32,496 million

As of March 31, 2019: ¥31,835 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2019	Yen —	Yen —	Yen —	Yen 18.00	Yen 18.00
Fiscal year ending March 31, 2020	—	—			
Fiscal year ending March 31, 2020 (Forecast)			—	19.00	19.00

(Note) Revision to the dividend forecast announced most recently: Yes

For the year-end dividends in the Fiscal year ending March 31, 2020, please refer to “Notice of Revisions (Upside) to Annual Dividend Forecast” announced today.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% 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	39,000	2.6	1,700	1.8	2,500	(3.1)	1,900	(7.5)	77.50

(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.: Yes

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, 2019: 29,347,500 shares

As of March 31, 2019: 29,347,500 shares

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

As of September 30, 2019: 4,832,112 shares

As of March 31, 2019: 4,683,183 shares

3) Average number of shares during the period

Six months ended September 30, 2019: 24,582,786 shares

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

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Consolidated Quarterly Financial Statements and Important Notes	4
(1) Consolidated Quarterly Balance Sheets	4
(2) Consolidated Quarterly Statements of Income and Comprehensive Income	6
(3) Consolidated Quarterly Statements of Cash Flows	8
(4) Notes to the Consolidated Quarterly Financial Statements	9
(Notes on going concern assumption)	9
(Notes in the case of significant changes in shareholders' equity)	9
(Changes in accounting policies)	9
(Segment information, etc.)	9

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

(1) Explanation of Operating Results

During the six months ended September 30, 2019, the world economy remained on a modest recovery trend, but the sense of uncertainty could not be dispelled due to concerns over an economic slowdown on the back of the trade friction between the United States and China and a downward turn in economic sentiment in Japan, among other factors.

In terms of market trends affecting the Group, demand for Hume pipes in the sewerage-related business exceeded levels in the same period in the previous year, but demand for concrete pile products in the foundations business fell short of that in the previous fiscal year.

Under such business conditions, the Group worked diligently on three basic strategies—Strategy for the Group’s growth, Strategy to improve competitiveness, and Strategy to enhance the management foundation—to pursue stable profits and sustainable growth, which are the key objectives of the basic policy in Evolution All Japan II (fiscal 2018 to 2020), the Group’s three-year medium-term management plan.

In the six months ended September 30, 2019, orders received totaled ¥14,775 million (down 20.6% year on year), and turnover amounted to ¥17,115 million (down 13.6% year on year).

As for profit and loss, operating income was ¥930 million (up 32.6% year on year), ordinary income was ¥1,658 million (up 15.0% year on year), mainly because of equity in earnings of affiliates and dividend income; and profit attributable to owners of parent was ¥1,293 million (up 1.9% year on year).

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Total assets as of September 30, 2019, decreased ¥690 million from the end of the previous consolidated fiscal year, amounting to ¥48,655 million. This was mainly because, under non-current assets, while buildings and structures increased ¥1,319 million, under current assets, cash and deposits decreased ¥629 million, and notes and accounts receivable - trade decreased ¥1,601 million.

In addition, under liabilities, total liabilities decreased ¥1,354 million from the end of the previous consolidated fiscal year to ¥15,923 million. This was mainly because, under current liabilities, notes and accounts payable – trade decreased ¥701 million, and short-term loans decreased ¥218 million.

Under net assets, total net assets increased ¥664 million from the end of the previous consolidated fiscal year, to ¥32,732 million. This was mainly because, under retained earnings, while profit attributable to owners of parent company increased ¥1,293 million, there was a decrease of ¥458 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, 2019 decreased ¥631 million from the end of the previous consolidated fiscal year, to ¥10,379 million.

(Cash flows from operating activities)

Funds provided by operating activities during the six months ended September 30, 2019, decreased ¥1,203 million to ¥913 million. This was mainly because of ¥1,659 million increase in profit before income taxes and minority interests, a decrease of ¥1,600 million in notes and accounts receivable - trade, a decrease of ¥700 million in notes and accounts payable - trade, an increase of ¥681 million in inventories, share of income of associates of ¥609 million, and income taxes paid of ¥423 million.

(Cash flows from investing activities)

Funds used in investing activities during the six months ended September 30, 2019 increased ¥308 million year on year to ¥764 million. This was mainly because of ¥811 million in purchase of fixed assets.

(Cash flows from financing activities)

Funds used in financing activities during the six months ended September 30, 2019 increased ¥328 million year on year to ¥783 million. This was mainly because of ¥457 million in cash dividends paid and a decrease of ¥221 million in short-term loans.

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

Regarding the results forecasts pertaining to the fiscal year ending March 31, 2020, there has been no change to the full-year results forecast published in the “Notice of Revisions to Annual Performance Forecast” dated October 29, 2019.

2. Consolidated Quarterly Financial Statements and Important Notes

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	11,051,251	10,421,942
Notes and accounts receivable - trade	12,505,846	10,904,295
Merchandise and finished goods	2,024,057	2,737,044
Raw materials and supplies	534,604	504,441
Other	286,154	349,637
Provision for doubtful accounts	(16,589)	(12,584)
Total current assets	26,385,324	24,904,776
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,861,064	4,180,115
Land	3,691,707	3,694,593
Other, net	2,675,595	1,812,593
Total property, plant and equipment	9,228,367	9,687,302
Intangible assets	101,360	87,625
Investments and other assets		
Investment securities	13,331,756	13,722,393
Other	430,828	384,439
Provision for doubtful accounts	(131,930)	(130,893)
Total investments and other assets	13,630,654	13,975,940
Total non-current assets	22,960,382	23,750,868
Total assets	49,345,707	48,655,645
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,664,700	9,963,139
Short-term loans	1,230,261	1,012,091
Income taxes payable	432,870	382,093
Provision for bonuses	182,750	189,054
Other	1,060,491	716,559
Total current liabilities	13,571,074	12,262,938
Non-current liabilities		
Provision for directors' retirement benefits	36,017	17,217
Provision for environmental measures	8,657	8,657
Net defined benefit liability	2,710,572	2,697,251
Other	951,237	936,979
Total non-current liabilities	3,706,483	3,660,105
Total liabilities	17,277,558	15,923,043

(Thousand yen)

	As of March 31, 2019	As of September 30, 2019
Net assets		
Shareholders' equity		
Share capital	5,251,400	5,251,400
Share premium	4,736,524	4,736,524
Retained earnings	23,126,662	23,961,709
Treasury shares	(1,910,923)	(2,014,586)
Total shareholders' equity	31,203,663	31,935,047
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	665,198	604,944
Difference in foreign exchange	233,208	209,601
Remeasurements of defined benefit	(267,057)	(252,765)
Total accumulated other comprehensive income	631,349	561,780
Non-controlling interests	233,135	235,773
Total net assets	32,068,148	32,732,602
Total liabilities and net assets	49,345,707	48,655,645

(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, 2018	For the six months ended September 30, 2019
Turnover	19,802,100	17,115,513
Cost of sales	16,954,357	14,129,160
Gross profit	2,847,742	2,986,352
Selling, general and administrative expenses	2,146,079	2,055,732
Operating income	701,662	930,620
Non-operating income		
Interest income	1,134	1,045
Dividend income	56,095	58,859
Share of income of associates	663,772	609,889
Foreign exchange gains	—	14,348
Other	75,107	64,827
Total non-operating income	796,110	748,970
Non-operating expenses		
Interest expenses	13,094	14,513
Foreign exchange losses	33,421	—
Other	9,412	6,661
Total non-operating expenses	55,927	21,175
Ordinary income	1,441,846	1,658,415
Extraordinary income		
Gain on sales of fixed assets	140,418	—
State subsidy	1,440	1,440
Total extraordinary income	141,858	1,440
Profit before income taxes and minority interests	1,583,704	1,659,855
Income taxes - current	337,991	373,017
Income taxes - deferred	(28,253)	(9,028)
Total income taxes	309,738	363,988
Profit after income taxes	1,273,966	1,295,867
Profit attributable to non-controlling interests	4,610	2,638
Profit attributable to owners of parent company	1,269,355	1,293,229

Consolidated Quarterly Statements of Comprehensive Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Profit after income taxes	1,273,966	1,295,867
Other comprehensive income		
Valuation difference on available-for-sale securities	79,448	(39,573)
Difference in foreign exchange	34,964	(23,606)
Remeasurements of defined benefit	36,183	16,867
Share of other comprehensive income of associates	3,022	(23,255)
Total other comprehensive income	153,619	(69,568)
Comprehensive income	1,427,586	1,226,298
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent company	1,422,975	1,223,660
Comprehensive income attributable to non-controlling interests	4,610	2,638

(3) Consolidated Quarterly Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2018	For the six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes and minority interests	1,583,704	1,659,855
Depreciation	322,800	311,890
Increase (decrease) in provision for doubtful accounts	(24,777)	(4,945)
Increase (decrease) in provision for bonuses	4,413	6,303
Increase (decrease) in net defined benefit liability	23,961	19,278
Increase (decrease) in provision for directors' retirement benefits	—	(18,800)
Interest and dividend income	(57,230)	(59,905)
Interest expenses	13,094	14,513
Foreign exchange losses (gains)	48,480	(9,491)
Share of (income) loss of associates	(663,772)	(609,889)
Loss (gain) on sales of fixed assets	(140,418)	—
State subsidy	(1,440)	(1,440)
Decrease (increase) in notes and accounts receivable - trade	1,392,258	1,600,862
Decrease (increase) in inventories	36,739	(681,773)
Decrease (increase) in other current assets	21,799	(63,654)
Increase (decrease) in notes and accounts payable - trade	(251,028)	(700,957)
Increase (decrease) in accrued consumption taxes	(78,665)	(5,620)
Increase (decrease) in other current liabilities	158,160	(305,290)
Increase (decrease) in other non-current liabilities	(18,412)	2,045
Subtotal	2,369,668	1,152,981
Interest and dividend income received	178,480	198,255
Interest expenses paid	(13,215)	(14,339)
Income taxes paid	(418,609)	(423,794)
Net cash provided by (used in) operating activities	2,116,324	913,102
Cash flows from investing activities		
Payments into time deposits	—	(1,820)
Proceeds from withdrawal of time deposits	19,999	—
Purchase of fixed assets	(656,620)	(811,291)
Proceeds from sales of fixed assets	160,104	—
Proceeds from state subsidy	1,440	1,440
Decrease (increase) in other investments	18,965	47,130
Net cash provided by (used in) investing activities	(456,110)	(764,540)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	11,365	(221,908)
Purchase of treasury shares	(31,265)	(103,370)
Cash dividends paid	(434,771)	(457,822)
Net cash provided by (used in) financing activities	(454,671)	(783,101)
Net foreign exchange on cash and cash equivalents	(13,770)	3,410
Net increase (decrease) in cash and cash equivalents	1,191,771	(631,129)
Cash and cash equivalents at the beginning of the period	8,778,218	11,010,749
Cash and cash equivalents at the end of the period	9,969,990	10,379,620

(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.

(Changes in accounting policies)

(Adoption of IFRS 16 [Leases])

The Company's consolidated subsidiaries outside of Japan have adopted IFRS 16 (Leases) from the first quarter of the fiscal year under review.

The adoption of this accounting standard has a minimal impact on consolidated financial statements.

We have adopted the method of recognizing the cumulative impact of adopting this standard on the initial balance at the date of adoption (retrospective restatement approach).

(Segment information, etc.)

I. 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 (Note 2)	Amount recorded on the Consolidated Quarterly Statements of Income (Note 3)
	Foundations	Sewerage- related	Solar Power Generation and Real Estate	Total				
Turnover								
Turnover to external customers	14,580,920	4,432,641	700,339	19,713,900	88,200	19,802,100	—	19,802,100
Inter-segment turnover or transfers	1,494	—	20,214	21,708	—	21,708	(21,708)	—
Total	14,582,414	4,432,641	720,553	19,735,609	88,200	19,823,809	(21,708)	19,802,100
Segment income	613,482	464,924	409,339	1,487,746	21,719	1,509,465	(807,803)	701,662

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

2. An adjustment to segment income of ¥(807,803) thousand is corporate expenses not allocated to reportable segments. Corporate expenses are general and administrative expenses not attributable to reportable segments.

3. Total segment income with adjustments corresponds to operating income on the Consolidated Quarterly Statements of Income.

II. For the six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)

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

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded on the Consolidated Quarterly Statements of Income (Note 3)
	Foundations	Sewerage- related	Solar Power Generation and Real Estate	Total				
Turnover								
Turnover to external customers	11,252,851	5,083,374	698,107	17,034,332	81,180	17,115,513	—	17,115,513
Inter-segment turnover or transfers	3,189	—	19,703	22,892	—	22,892	(22,892)	—
Total	11,256,040	5,083,374	717,810	17,057,225	81,180	17,138,406	(22,892)	17,115,513
Segment income	555,677	679,829	411,500	1,647,007	16,336	1,663,344	(732,723)	930,620

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

2. An adjustment to segment income of ¥(732,723) thousand is corporate expenses not allocated to reportable segments. Corporate expenses are general and administrative expenses not attributable to reportable segments.

3. Total segment income with adjustments corresponds to operating income on the Consolidated Quarterly Statements of Income.

2. Information concerning changes in reportable segments, etc.

(Changes to classification of reportable segments)

Beginning with the first quarter of the fiscal year under review, the Group has changed its segments from the “Concrete Products,” “Construction,” and “Real Estate Development” to the “Foundations,” “Sewerage-related,” and “Solar Power Generation and Real Estate” in order to more accurately assess management results in each segment.

(Changes to method for measuring segment income)

Beginning with the first quarter of this consolidated fiscal year, the Group has presented corporate expenses that had previously been allocated to each segment as “Adjustments” that are not attributable to reportable segments in order to more accurately assess management results in each segment.

The segment information for the second quarter of the previous consolidated fiscal year is disclosed based on the method adopted with this change.