

# Consolidated Quarterly Financial Results for the Six Months Ended September 30, 2020 [Japanese GAAP]



November 12, 2020

Company name: NIPPON HUME CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Securities code: 5262

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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, 2020

(April 1, 2020 to September 30, 2020)

### (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, 2020	15,045	(12.1)	865	(7.0)	1,517	(8.5)	1,149	(11.1)
Six months ended September 30, 2019	17,115	(13.6)	930	32.6	1,658	15.0	1,293	1.9

(Note) Comprehensive income: Six months ended September 30, 2020: ¥1,804 million [47.1%]

Six months ended September 30, 2019: ¥1,226 million [-14.1%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2020	47.05	—
Six months ended September 30, 2019	52.61	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2020	48,928	34,474	69.8	1,397.37
As of March 31, 2020	48,978	33,159	67.0	1,342.50

(Reference) Equity: As of September 30, 2020: ¥34,135 million

As of March 31, 2020: ¥32,814 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2020	Yen —	Yen —	Yen —	Yen 19.00	Yen 19.00
Fiscal year ending March 31, 2021	—	—			
Fiscal year ending March 31, 2021 (Forecast)			—	19.00	19.00

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021

(April 1, 2020 to March 31, 2021)

(% 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	34,000	(3.0)	1,700	(6.1)	2,450	(7.3)	1,800	(14.5)	73.64

(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, 2020: 29,347,500 shares

As of March 31, 2020: 29,347,500 shares

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

As of September 30, 2020: 4,918,981 shares

As of March 31, 2020: 4,904,971 shares

3) Average number of shares during the period

Six months ended September 30, 2020: 24,433,782 shares

Six months ended September 30, 2019: 24,582,786 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, 2020, with the end of the spread of the novel coronavirus still not in sight, the sense of uncertainty over the world economy continued. Regarding the Japanese economy, by taking measures to prevent the spread of the virus, the government has gradually boosted social and economic activities. However, the pace of the recovery is slow, and the uncertain outlook on the economy is expected to continue.

In terms of market trends affecting the Group, demand for Hume pipes in the sewerage-related business and demand for concrete pile products in the foundations business fell short of those 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.

During the six months ended September 30, 2020, turnover decreased year on year due to factors including a downturn in private investment during the coronavirus crisis. However, due to mainly profitability-based order screening, cost reductions, and expense reductions during the coronavirus crisis, the operating margin in the foundations business improved. In addition, in Solar Power Generation and Real Estate, turnover and profits both remained stable at the same levels as last year.

In the six months ended September 30, 2020, orders received totaled ¥14,048 million (down 4.9% year on year), turnover amounted to ¥15,045 million (down 12.1% year on year), operating income was ¥865 million (down 7.0% year on year), ordinary income was ¥1,517 million (down 8.5% year on year), and profit attributable to owners of parent company was ¥1,149 million (down 11.1% year on year).

### (2) Explanation of Financial Position

#### 1) Assets, Liabilities and Net Assets

Total assets as of September 30, 2020, decreased ¥50 million from the end of the previous consolidated fiscal year, amounting to ¥48,928 million. This was mainly because, under current assets, while notes and accounts receivable – trade decreased ¥2,516 million, cash and deposits increased ¥742 million and merchandise and finished goods increased ¥363 million; also, under non-current assets, investment securities increased ¥974 million and buildings and structures increased ¥197 million.

In addition, under liabilities, total liabilities decreased ¥1,365 million from the end of the previous consolidated fiscal year to ¥14,454 million. This was mainly because, under current liabilities, notes and accounts payable – trade decreased ¥1,447 million.

Under net assets, total net assets increased ¥1,314 million from the end of the previous consolidated fiscal year, to ¥ 34,474 million. This was mainly because, under retained earnings, while profit attributable to owners of parent company increased ¥1,149 million, there was a decrease of ¥479 million for cash dividends paid; valuation difference on available-for-sale securities increased ¥428 million; and remeasurements of defined benefit increased ¥226 million.

#### 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, 2020 increased ¥742 million from the end of the previous consolidated fiscal year, to ¥11,076 million.

#### (Cash flows from operating activities)

Funds provided by operating activities during the six months ended September 30, 2020, increased ¥793 million to ¥1,706 million. This was mainly because of ¥1,460 million increase in profit before income taxes and minority interests, a decrease of ¥2,506 million in notes and accounts receivable - trade, a decrease of ¥1,483 million in notes and accounts payable - trade, an increase of ¥291 million in inventories, and share of income of

associates of ¥521 million.

(Cash flows from investing activities)

Funds used in investing activities during the six months ended September 30, 2020 decreased ¥297 million year on year to ¥467 million. This was mainly because of ¥441 million in purchase of fixed assets.

(Cash flows from financing activities)

Funds used in financing activities during the six months ended September 30, 2020 decreased ¥291 million year on year to ¥491 million. This was mainly because of ¥478 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, 2021, there has been no change to the full-year results forecast published in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2020[Japanese GAAP]” dated May 20, 2020.

## 2. Consolidated Quarterly Financial Statements and Important Notes

## (1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2020	As of September 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	10,376,529	11,118,945
Notes and accounts receivable - trade	11,887,000	9,370,096
Merchandise and finished goods	2,433,113	2,797,074
Raw materials and supplies	519,544	442,336
Other	169,935	215,660
Provision for doubtful accounts	(16,498)	(12,680)
<b>Total current assets</b>	<b>25,369,624</b>	<b>23,931,433</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,047,116	4,244,910
Land	3,572,904	3,582,065
Other, net	1,645,389	1,625,467
<b>Total property, plant and equipment</b>	<b>9,265,410</b>	<b>9,452,444</b>
Intangible assets	119,910	196,250
Investments and other assets		
Investment securities	13,973,557	14,948,127
Other	351,286	477,549
Provision for doubtful accounts	(100,931)	(77,751)
<b>Total investments and other assets</b>	<b>14,223,911</b>	<b>15,347,925</b>
<b>Total non-current assets</b>	<b>23,609,232</b>	<b>24,996,620</b>
<b>Total assets</b>	<b>48,978,857</b>	<b>48,928,054</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	10,130,996	8,683,482
Short-term loans	944,469	937,570
Income taxes payable	260,525	368,352
Provision for bonuses	176,906	173,857
Other	784,145	762,555
<b>Total current liabilities</b>	<b>12,297,043</b>	<b>10,925,817</b>
Non-current liabilities		
Provision for share-based remuneration for directors	—	5,500
Provision for directors' retirement benefits	17,217	14,907
Provision for environmental measures	1,514	—
Net defined benefit liability	2,744,509	2,482,548
Other	758,878	1,025,256
<b>Total non-current liabilities</b>	<b>3,522,119</b>	<b>3,528,212</b>
<b>Total liabilities</b>	<b>15,819,162</b>	<b>14,454,030</b>

(Thousand yen)

	As of March 31, 2020	As of September 30, 2020
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,251,400	5,251,400
Share premium	4,688,447	4,732,298
Retained earnings	24,715,817	25,385,895
Treasury shares	(2,073,120)	(2,127,168)
Total shareholders' equity	32,582,545	33,242,425
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	240,023	668,938
Difference in foreign exchange	227,280	233,652
Remeasurements of defined benefit	(235,658)	(9,438)
Total accumulated other comprehensive income	231,646	893,153
Non-controlling interests	345,503	338,445
Total net assets	33,159,694	34,474,023
<b>Total liabilities and net assets</b>	<b>48,978,857</b>	<b>48,928,054</b>



## (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, 2019	For the six months ended September 30, 2020
Turnover	17,115,513	15,045,663
Cost of sales	14,129,160	12,323,604
Gross profit	2,986,352	2,722,059
Selling, general and administrative expenses	2,055,732	1,856,958
Operating income	930,620	865,101
Non-operating income		
Interest income	1,045	469
Dividend income	58,859	84,183
Share of income of associates	609,889	521,903
Foreign exchange gains	14,348	—
Other	64,827	80,590
Total non-operating income	748,970	687,148
Non-operating expenses		
Interest expenses	14,513	7,506
Foreign exchange losses	—	10,062
Other	6,661	17,358
Total non-operating expenses	21,175	34,928
Ordinary income	1,658,415	1,517,321
Extraordinary income		
State subsidy	1,440	1,440
Total extraordinary income	1,440	1,440
Extraordinary losses		
Loss on sales of non-current assets	—	940
Loss on valuation of investment securities	—	17,181
Structure reform expenses	—	39,945
Total extraordinary losses	—	58,066
Profit before income taxes and minority interests	1,659,855	1,460,694
Income taxes - current	373,017	337,400
Income taxes - deferred	(9,028)	(19,597)
Total income taxes	363,988	317,803
Profit after income taxes	1,295,867	1,142,891
Profit (loss) attributable to non-controlling interests	2,638	(6,632)
Profit attributable to owners of parent company	1,293,229	1,149,524

## Consolidated Quarterly Statements of Comprehensive Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Profit after income taxes	1,295,867	1,142,891
Other comprehensive income		
Valuation difference on available-for-sale securities	(39,573)	425,509
Difference in foreign exchange	(23,606)	11,650
Remeasurements of defined benefit	16,867	226,964
Share of other comprehensive income of associates	(23,255)	(2,617)
Total other comprehensive income	(69,568)	661,506
Comprehensive income	1,226,298	1,804,398
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent company	1,223,660	1,811,031
Comprehensive income (loss) attributable to non-controlling interests	2,638	(6,632)

## (3) Consolidated Quarterly Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes and minority interests	1,659,855	1,460,694
Depreciation	311,890	304,180
Increase (decrease) in provision for doubtful accounts	(4,945)	(26,997)
Increase (decrease) in provision for bonuses	6,303	(3,049)
Increase (decrease) in net defined benefit liability	19,278	(29,580)
Increase (decrease) in provision for share-based remuneration for directors	—	5,500
Increase (decrease) in provision for directors' retirement benefits	(18,800)	(2,310)
Increase (decrease) in provision for environmental measures	—	(1,514)
Interest and dividend income	(59,905)	(84,653)
Interest expenses	14,513	7,506
Foreign exchange losses (gains)	(9,491)	1,619
Share of (income) loss of associates	(609,889)	(521,903)
Loss (gain) on sales of fixed assets	—	940
Loss on valuation of investment securities	—	17,181
State subsidy	(1,440)	(1,440)
Structure reform expenses	—	39,945
Decrease (increase) in notes and accounts receivable - trade	1,600,862	2,506,317
Decrease (increase) in inventories	(681,773)	(291,600)
Decrease (increase) in other current assets	(63,654)	(46,019)
Increase (decrease) in notes and accounts payable - trade	(700,957)	(1,483,430)
Increase (decrease) in accrued consumption taxes	(5,620)	43,761
Increase (decrease) in other current liabilities	(305,290)	(179,280)
Increase (decrease) in other non-current liabilities	2,045	0
Subtotal	1,152,981	1,715,866
Interest and dividend income received	198,255	226,908
Interest expenses paid	(14,339)	(7,502)
Income taxes paid	(423,794)	(228,992)
Net cash provided by (used in) operating activities	913,102	1,706,279
Cash flows from investing activities		
Payments into time deposits	(1,820)	—
Purchase of fixed assets	(811,291)	(441,737)
Proceeds from sales of fixed assets	—	1,647
Proceeds from state subsidy	1,440	1,440
Decrease (increase) in other investments	47,130	(28,383)
Net cash provided by (used in) investing activities	(764,540)	(467,033)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(221,908)	6,603
Purchase of treasury shares	(103,370)	(109,076)
Proceeds from sales of treasury shares	—	98,845
Cash dividends paid	(457,822)	(478,968)
Other payments	—	(8,705)
Net cash provided by (used in) financing activities	(783,101)	(491,301)
Net foreign exchange on cash and cash equivalents	3,410	(5,528)
Net increase (decrease) in cash and cash equivalents	(631,129)	742,415
Cash and cash equivalents at the beginning of the period	11,010,749	10,333,968
Cash and cash equivalents at the end of the period	10,379,620	11,076,383

(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, 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 on impairment loss or goodwill for non-current assets by reportable segment

No relevant items.

## II. For the six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)

## 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	9,497,385	4,812,579	711,401	15,021,366	24,297	15,045,663	—	15,045,663
Inter-segment turnover or transfers	3,333	—	19,266	22,600	—	22,600	(22,600)	—
Total	9,500,718	4,812,579	730,668	15,043,966	24,297	15,068,264	(22,600)	15,045,663
Segment income	583,515	591,026	396,281	1,570,822	18,158	1,588,981	(723,879)	865,101

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

2. An adjustment to segment income of ¥(723,879) 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 on impairment loss or goodwill for non-current assets by reportable segment

No relevant items.