

# Consolidated Quarterly Financial Results for the Six Months Ended September 30, 2016 [Japanese GAAP]



November 11, 2016

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 11, 2016

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, 2016 (April 1, 2016 to September 30, 2016)

### (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, 2016	14,866	(12.0)	586	(44.5)	826	(46.1)	585	(48.5)
Six months ended September 30, 2015	16,884	(2.2)	1,057	11.7	1,535	(39.3)	1,136	(50.2)

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

Six months ended September 30, 2015: ¥1,046 million [(50.8)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2016	23.01	—
Six months ended September 30, 2015	43.76	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2016	42,776	28,516	66.2
As of March 31, 2016	43,857	28,073	63.6

(Reference) Equity: As of September 30, 2016: ¥28,320 million

As of March 31, 2016: ¥27,884 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2016	Yen —	Yen —	Yen —	Yen 16.00	Yen 16.00
Fiscal year ending March 31, 2017	—	—			
Fiscal year ending March 31, 2017 (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, 2017 (April 1, 2016 to March 31, 2017)

(% 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	40,000	18.5	2,300	21.4	2,700	16.1	2,000	11.0	78.59

(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

(Note) For details, please refer to “2. Matters Concerning Summary Information (Notes) (3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement” on page 4 of the attachment.

(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, 2016: 29,347,500 shares

As of March 31, 2016: 29,347,500 shares

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

As of September 30, 2016: 3,944,546 shares

As of March 31, 2016: 3,898,940 shares

3) Average number of shares during the period

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

Six months ended September 30, 2015: 25,980,741 shares

\* Presentation regarding the implementation status of the quarterly review procedures

These quarterly financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial results, review procedures for the consolidated quarterly financial statements have been completed.

\* 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

The Japanese economy continued on a moderate recovery track during the six months ended September 30, 2016, amid improvement in employment and other areas. The outlook remained uncertain, however, due to risk factors including a downswing in China and other emerging nations.

Under these circumstances, the Group is working diligently toward stable profits and sustainable growth in line with the basic policy of the medium-term management plan, "Evolution All Japan," that covers the three years from fiscal 2015.

In the concrete products industry where the Company operates, demand for both Hume pipes and pile products weakened compared to the same period of the previous fiscal year.

Orders received for products and construction, etc. for the six months ended September 30, 2016, were ¥13,491 million (a year-on-year decline of 17.5%). Turnover including revenue from products, construction and real estate amounted to ¥14,866 million (down 12.0% year on year).

Looking at profit and loss, operating income was ¥586 million (a year-on-year decline of 44.5%). Ordinary income was ¥826 million (a year-on-year drop of 46.1%), mainly due to the effect of exchange rates. Profit attributable to owners of parent company was ¥585 million (a year-on-year decrease of 48.5%).

Segment results are indicated as follows.

#### 1) Concrete Products

Orders received were ¥7,438 million (down 24.9% year on year). Turnover was ¥7,831 million (down 24.2% year on year), mainly due to a decline in Hume pipes and precast products owing to a slump in demand, as well as intensified price competition in pile products. Segment income was ¥190 million (down 61.0% year on year).

The total sales composition ratio was 52.7%.

#### 2) Construction

Orders received were ¥5,954 million (down 6.3% year on year) and turnover was ¥6,249 million (up 8.5% year on year). Segment income amounted to ¥125 million (down 52.8% year on year), mainly due to intensified price competition in pile construction.

The total sales composition ratio was 42.0%.

#### 3) Real Estate Development

Turnover was almost on the same level as the previous year at ¥481 million (down 1.3% year on year). Segment income amounted to ¥189 million (down 11.9 % year on year), due mainly to renewal construction conducted for a real estate property for rent.

The total sales composition ratio was 3.2%.

#### 4) Others

Orders received were ¥99 million (up 8.8% year on year) and turnover was ¥303 million (rising 0.2% year on year). Segment income amounted to ¥80 million (down 8.1% year on year).

The total sales composition ratio was 2.1%.

## (2) Explanation of Financial Position

### 1) Assets, Liabilities and Net Assets

Total assets as of September 30, 2016, fell by ¥1,080 million from the end of the previous fiscal year to ¥42,776 million. This was due to factors in current assets including a decrease of ¥1,272 million in notes and accounts receivable - trade.

In addition, liabilities decreased ¥1,522 million from the end of the previous fiscal year to ¥14,260 million. This was due to factors in current liabilities including a decrease of ¥1,333 million in notes and accounts payable - trade.

Net assets increased by ¥442 million from the end of the previous fiscal year to ¥28,516 million. This was due to factors in retained earnings including an increase of ¥585 million in profit attributable to owners of parent company, offsetting a decrease of ¥419 million for cash dividend payments, and also due to increases of ¥129 million in valuation difference on available-for-sale securities and ¥144 million in difference in foreign exchange, respectively.

### 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, 2016, decreased ¥263 million from the end of the previous fiscal year to ¥8,024 million.

#### (Cash flows from operating activities)

Funds provided by operating activities during the six months ended September 30, 2016, decreased ¥113 million year on year to ¥556 million. The primary factors for the decrease were a decline in notes and accounts payable - trade of ¥1,307 million and share of (income) loss of associates of ¥312 million, offsetting factors for the increase including a decrease of ¥1,223 million in notes and accounts receivable - trade, and ¥828 million in profit before income taxes and minority interests.

#### (Cash flows from investing activities)

Funds used in investing activities during the six months ended September 30, 2016, grew ¥63 million year on year to ¥360 million. The primary factors included a ¥388 million outflow due to purchase of fixed assets.

#### (Cash flows from financing activities)

Funds used in financing activities during the six months ended September 30, 2016, fell by ¥603 million year on year to ¥463 million. The primary factors included ¥418 million in cash dividend payments.

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

With regard to the results forecast for the fiscal year ending March 31, 2017, there has been no change to the full-year results forecast published in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 [Japanese-GAAP]” dated May 13, 2016.

For details regarding the difference between the financial results forecast and actual financial results for the six months ended September 30, 2016, please refer to the “Notice Regarding Difference between Consolidated Financial Results Forecast and Actual Financial Results for the Six Months Ended September 30, 2016” released today.

## 2. Matters Concerning Summary Information (Notes)

### (1) Changes in Significant Subsidiaries during the Period under Review

No relevant items.

### (2) Application of Accounting Procedures Specific to Preparation of Consolidated Quarterly Financial Statements

No relevant items.

### (3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

#### (Changes in accounting policies)

Following a revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force No. 32, June 17, 2016) for the first quarter of the fiscal year ending March 31, 2017. Accordingly, the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016, was changed from the declining-balance method to the straight-line method.

This change has minimal effect on the consolidated quarterly financial statements for the six months ended September 30, 2016.

## 3. Consolidated Quarterly Financial Statements

## (1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2016	As of September 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	8,343,375	8,080,076
Notes and accounts receivable - trade	11,807,820	10,535,275
Merchandise and finished goods	1,579,806	1,790,924
Raw materials and supplies	411,776	410,791
Other	421,259	336,452
Provision for doubtful accounts	(13,903)	(12,619)
Total current assets	22,550,135	21,140,902
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,098,782	3,083,042
Land	3,697,405	3,678,449
Other, net	2,363,401	2,356,188
Total property, plant and equipment	9,159,590	9,117,680
Intangible assets	141,008	140,973
Investments and other assets		
Investment securities	11,759,521	12,132,037
Other	527,183	499,306
Provision for doubtful accounts	(280,165)	(254,070)
Total investments and other assets	12,006,540	12,377,273
Total non-current assets	21,307,138	21,635,926
Total assets	43,857,273	42,776,828
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	9,612,889	8,279,709
Short-term loans	1,214,430	1,119,770
Income taxes payable	181,150	286,472
Provision for bonuses	187,230	188,518
Provision for environmental measures	1,334	4,569
Other	996,282	754,314
Total current liabilities	12,193,318	10,633,356
Non-current liabilities		
Provision for directors' retirement benefits	36,017	36,017
Provision for environmental measures	21,584	17,014
Net defined benefit liability	2,547,786	2,560,731
Other	984,822	1,013,536
Total non-current liabilities	3,590,210	3,627,299
Total liabilities	15,783,528	14,260,656

(Thousand yen)

	As of March 31, 2016	As of September 30, 2016
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,251,400	5,251,400
Share premium	4,736,508	4,736,508
Retained earnings	19,309,786	19,475,270
Treasury shares	(1,317,293)	(1,346,343)
Total shareholders' equity	27,980,401	28,116,835
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	241,061	370,104
Difference in foreign exchange	77,730	222,234
Remeasurements of defined benefit	(415,129)	(388,588)
Total accumulated other comprehensive income	(96,337)	203,750
Non-controlling interests	189,681	195,586
Total net assets	28,073,745	28,516,172
Total liabilities and net assets	43,857,273	42,776,828

## (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, 2015	For the six months ended September 30, 2016
Turnover	16,884,844	14,866,509
Cost of sales	13,897,377	12,318,299
Gross profit	2,987,466	2,548,209
Selling, general and administrative expenses	1,930,051	1,961,652
Operating income	1,057,415	586,557
Non-operating income		
Interest income	390	192
Dividend income	41,156	47,161
Share of income of associates	439,455	312,404
Other	75,139	87,088
Total non-operating income	556,143	446,847
Non-operating expenses		
Interest expenses	17,541	9,729
Foreign exchange losses	37,685	186,579
Other	22,925	10,248
Total non-operating expenses	78,152	206,557
Ordinary income	1,535,405	826,847
Extraordinary income		
State subsidy	56,179	1,424
Total extraordinary income	56,179	1,424
Extraordinary losses		
Loss on disposal of fixed assets	2,236	0
Total extraordinary losses	2,236	0
Profit before income taxes and minority interests	1,589,348	828,271
Income taxes - current	446,797	272,864
Income taxes - deferred	1,412	(35,802)
Total income taxes	448,209	237,061
Profit after income taxes	1,141,138	591,209
Profit attributable to non-controlling interests	4,291	5,904
Profit attributable to owners of parent company	1,136,847	585,304

## Consolidated Quarterly Statements of Comprehensive Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2015	For the six months ended September 30, 2016
Profit after income taxes	1,141,138	591,209
Other comprehensive income		
Valuation difference on available-for-sale securities	(81,716)	139,232
Difference in foreign exchange	3,830	144,505
Remeasurements of defined benefit	9,523	30,334
Share of other comprehensive income of associates	(26,168)	(13,984)
Total other comprehensive income	(94,530)	300,088
Comprehensive income	1,046,607	891,297
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent company	1,042,316	885,392
Comprehensive income attributable to non-controlling interests	4,291	5,904

## (3) Consolidated Quarterly Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2015	For the six months ended September 30, 2016
<b>Cash flows from operating activities</b>		
Profit before income taxes and minority interests	1,589,348	828,271
Depreciation	331,382	318,610
Increase (decrease) in provision for doubtful accounts	(26,176)	(26,484)
Increase (decrease) in provision for bonuses	(4,769)	1,288
Increase (decrease) in net defined benefit liability	40,483	56,083
Increase (decrease) in provision for directors' retirement benefits	(14,750)	—
Increase (decrease) in provision for environmental measures	—	(1,334)
Interest and dividend income	(41,547)	(47,354)
Interest expenses	17,541	9,729
Foreign exchange losses (gains)	(21,879)	123,250
Share of (income) loss of associates	(439,455)	(312,404)
Loss on disposal of fixed assets	2,236	0
State subsidy	(56,179)	(1,424)
Decrease (increase) in notes and accounts receivable - trade	618,772	1,223,719
Decrease (increase) in inventories	364,388	(233,963)
Decrease (increase) in other current assets	165,081	81,242
Increase (decrease) in notes and accounts payable - trade	(1,540,455)	(1,307,859)
Increase (decrease) in accrued consumption taxes	164,867	(220,828)
Increase (decrease) in other current liabilities	(184,186)	85,328
Increase (decrease) in other non-current liabilities	(4,195)	(17,241)
Subtotal	960,506	558,629
Interest and dividend income received	169,137	175,044
Interest expenses paid	(17,861)	(9,708)
Income taxes paid	(442,349)	(167,542)
Net cash provided by (used in) operating activities	669,433	556,423
<b>Cash flows from investing activities</b>		
Payments into time deposits	(1,466)	(3)
Purchase of fixed assets	(345,195)	(388,824)
Proceeds from sales of fixed assets	600	—
Payments for disposal of fixed assets	(37,342)	—
Proceeds from state subsidy	56,179	1,424
Decrease (increase) in other investments	30,146	26,555
Net cash provided by (used in) investing activities	(297,077)	(360,848)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans	(362,409)	(15,692)
Purchase of treasury shares	(303,989)	(29,049)
Proceeds from sales of treasury shares	75	—
Cash dividends paid	(400,857)	(418,827)
Net cash provided by (used in) financing activities	(1,067,181)	(463,569)
Net foreign exchange on cash and cash equivalents	420	4,692
Net increase (decrease) in cash and cash equivalents	(694,405)	(263,302)
Cash and cash equivalents at the beginning of the period	7,496,372	8,287,591
Cash and cash equivalents at the end of the period	6,801,966	8,024,288

(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)

I. For the six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)

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	10,333,271	5,760,331	487,931	16,581,534	303,310	16,884,844	—	16,884,844
Inter-segment turnover or transfers	4,228	—	21,420	25,648	299	25,948	(25,948)	—
Total	10,337,499	5,760,331	509,351	16,607,183	303,609	16,910,793	(25,948)	16,884,844
Segment income	489,307	264,942	215,284	969,534	87,880	1,057,415	—	1,057,415

(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, 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.

## 3. Matters concerning changes in reportable segments, etc.

(Changes in the method of measuring income (loss) of business segments)

Effective from the three months ended June 30, 2016, the method of proportionally allocating selling, general and administrative expenses has been changed in order to evaluate business performance of each segment more appropriately.

The segment information for the six months ended September 30, 2015, has been prepared and disclosed based on the method after the change.