

Consolidated Quarterly Financial Results for the Nine Months Ended December 31, 2016 [Japanese GAAP]



February 10, 2017

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: February 10, 2017

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 Nine Months Ended December 31, 2016 (April 1, 2016 to December 31, 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	%
Nine months ended December 31, 2016	23,023	(6.7)	1,108	(16.4)	1,401	(16.5)	955	(27.5)
Nine months ended December 31, 2015	24,676	(6.9)	1,325	(18.8)	1,678	(51.0)	1,318	(54.3)

(Note) Comprehensive income: Nine months ended December 31, 2016: ¥1,683 million [17.8%]
 Nine months ended December 31, 2015: ¥1,428 million [(45.4)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2016	37.60		—	
Nine months ended December 31, 2015	50.96		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2016	44,017	29,248	66.0
As of March 31, 2016	43,857	28,073	63.6

(Reference) Equity: As of December 31, 2016: ¥29,049 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	32,000	(5.2)	1,400	(26.1)	1,800	(22.6)	1,400	(22.3)	55.09

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

* 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 December 31, 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 December 31, 2016: 4,029,648 shares

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

3) Average number of shares during the period

Nine months ended December 31, 2016: 25,413,228 shares

Nine months ended December 31, 2015: 25,866,102 shares

* Presentation regarding the implementation status of the quarterly review procedure

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 note

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 nine months ended December 31, 2016, amid improvement in the employment and income environment resulting from government initiatives. The outlook was unclear, however, given growing uncertainty in overseas economies. The factors included downswings in China, other emerging nations in Asia and in resource-rich nations, and the U.K.'s plan to exit from the European Union (EU).

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.

Under these circumstances, the Group aims for 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. To that end, we are working diligently in four themes of "deepening" to enhance existing value and functions, "expansion" into new markets and new applications, "evolution" through new combinations of value and function, and "renewal" by innovation.

Orders received for products and construction, etc. for the nine months ended December 31, 2016, were ¥22,473 million (a year-on-year decline of 3.1%). Turnover including revenue from products, construction and real estate amounted to ¥23,023 million (down 6.7% year on year).

Looking at profit and loss, the Company continued to concentrate on research and development during the period under review, and operating income was ¥1,108 million (a year-on-year decline of 16.4%). Ordinary income was ¥1,401 million (a year-on-year drop of 16.5%), mainly due to the effect of share of income of associates, dividend income and exchange rates. Profit attributable to owners of parent company was ¥955 million (a year-on-year decrease of 27.5%).

Segment results are indicated as follows.

1) Concrete Products

Orders received were ¥12,236 million (down 8.6% year on year). Turnover was ¥12,300 million (down 15.7% 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 ¥362 million (down 16.4% year on year).

The total sales composition ratio was 53.4%.

2) Construction

Orders received were ¥10,090 million (up 4.6% year on year) and turnover was ¥9,552 million (up 7.4% year on year). Segment income amounted to ¥332 million (down 26.2% year on year), mainly due to intensified price competition in pile construction.

The total sales composition ratio was 41.5%.

3) Real Estate Development

Turnover was almost on the same level as the previous year at ¥728 million (down 0.4% year on year). Segment income amounted to ¥302 million (down 3.5% 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 ¥145 million (down 2.8% year on year) and turnover was ¥441 million (down 4.1% year on year). Segment income amounted to ¥111 million (down 13.1% year on year).

The total sales composition ratio was 1.9%.

(2) Explanation of Financial Position

Total assets as of December 31, 2016, rose by ¥159 million from the end of the previous fiscal year to ¥44,017 million. This was due to factors in current assets including increases of ¥359 million in notes and accounts receivable – trade and ¥261 million in merchandise and finished goods, offsetting a decrease of ¥1,273 million in cash and deposits, and also due to an increase in non-current assets of ¥895 million in investment securities.

In addition, liabilities decreased ¥1,014 million from the end of the previous fiscal year to ¥14,768 million. This was due to factors in current liabilities including a decrease of ¥844 million in notes and accounts payable - trade.

Net assets increased by ¥1,174 million from the end of the previous fiscal year to ¥29,248 million. This was due to factors in retained earnings including an increase of ¥955 million in profit attributable to owners of parent company, offsetting a decrease of ¥419 million for cash dividend payments, and also due to an increase of ¥524 million in valuation difference on available-for-sale securities.

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

The results forecast for the fiscal year ending March 31, 2017 has been revised in light of recent results trends. For details, please refer to the “Notice Regarding Revision of Financial Results Forecast” 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 nine months ended December 31, 2016.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	8,343,375	7,069,463
Notes and accounts receivable - trade	11,807,820	12,167,710
Merchandise and finished goods	1,579,806	1,841,536
Raw materials and supplies	411,776	472,530
Other	421,259	476,862
Provision for doubtful accounts	(13,903)	(13,715)
Total current assets	22,550,135	22,014,387
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,098,782	3,033,688
Land	3,697,405	3,677,982
Other, net	2,363,401	2,253,861
Total property, plant and equipment	9,159,590	8,965,531
Intangible assets	141,008	138,219
Investments and other assets		
Investment securities	11,759,521	12,655,445
Other	527,183	497,025
Provision for doubtful accounts	(280,165)	(253,393)
Total investments and other assets	12,006,540	12,899,076
Total non-current assets	21,307,138	22,002,827
Total assets	43,857,273	44,017,215
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,612,889	8,767,893
Short-term loans	1,214,430	1,104,148
Income taxes payable	181,150	232,879
Provision for bonuses	187,230	—
Provision for environmental measures	1,334	—
Provision for loss on construction contracts	—	818
Other	996,282	835,564
Total current liabilities	12,193,318	10,941,304
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	2,597,478
Other	984,822	1,176,786
Total non-current liabilities	3,590,210	3,827,296
Total liabilities	15,783,528	14,768,601

(Thousand yen)

	As of March 31, 2016	As of December 31, 2016
Net assets		
Shareholders' equity		
Share capital	5,251,400	5,251,400
Share premium	4,736,508	4,736,508
Retained earnings	19,309,786	19,845,434
Treasury shares	(1,317,293)	(1,405,617)
Total shareholders' equity	27,980,401	28,427,725
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	241,061	765,547
Difference in foreign exchange	77,730	233,197
Remeasurements of defined benefit	(415,129)	(376,963)
Total accumulated other comprehensive income	(96,337)	621,782
Non-controlling interests	189,681	199,106
Total net assets	28,073,745	29,248,614
Total liabilities and net assets	43,857,273	44,017,215

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

Consolidated Quarterly Statements of Income

Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2015	For the nine months ended December 31, 2016
Turnover	24,676,335	23,023,228
Cost of sales	20,433,503	18,962,374
Gross profit	4,242,832	4,060,853
Selling, general and administrative expenses	2,916,950	2,952,123
Operating income	1,325,881	1,108,730
Non-operating income		
Interest income	687	248
Dividend income	79,334	89,500
Share of income of associates	385,186	274,377
Other	129,284	119,374
Total non-operating income	594,492	483,501
Non-operating expenses		
Interest expenses	24,762	15,342
Foreign exchange losses	179,821	155,451
Other	37,232	20,132
Total non-operating expenses	241,816	190,926
Ordinary income	1,678,557	1,401,304
Extraordinary income		
Gain on sales of fixed assets	—	383
State subsidy	56,179	1,424
Total extraordinary income	56,179	1,807
Extraordinary losses		
Loss on disposal of fixed assets	2,296	0
Structural reform expenses	86,224	—
Total extraordinary losses	88,520	0
Profit before income taxes and minority interests	1,646,216	1,403,112
Income taxes - current	233,468	419,163
Income taxes - deferred	86,916	19,055
Total income taxes	320,385	438,219
Profit after income taxes	1,325,831	964,893
Profit attributable to non-controlling interests	7,638	9,424
Profit attributable to owners of parent company	1,318,192	955,468

Consolidated Quarterly Statements of Comprehensive Income

Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2015	For the nine months ended December 31, 2016
Profit after income taxes	1,325,831	964,893
Other comprehensive income		
Valuation difference on available-for-sale securities	23,897	512,780
Difference in foreign exchange	102,835	155,468
Remeasurements of defined benefit	14,285	43,793
Share of other comprehensive income of associates	(38,322)	6,077
Total other comprehensive income	102,696	718,120
Comprehensive income	1,428,527	1,683,013
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent company	1,420,889	1,673,589
Comprehensive income attributable to non-controlling interests	7,638	9,424

(3) 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 nine months ended December 31, 2015 (April 1, 2015 to December 31, 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	14,586,639	8,897,703	731,615	24,215,958	460,377	24,676,335	—	24,676,335
Inter-segment turnover or transfers	8,457	—	31,908	40,366	389	40,755	(40,755)	—
Total	14,595,097	8,897,703	763,523	24,256,324	460,766	24,717,091	(40,755)	24,676,335
Segment income	433,639	449,994	313,964	1,197,598	128,282	1,325,881	—	1,325,881

(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 nine months ended December 31, 2016 (April 1, 2016 to December 31, 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	12,300,657	9,552,289	728,589	22,581,536	441,691	23,023,228	—	23,023,228
Inter-segment turnover or transfers	9,825	—	31,916	41,742	279	42,021	(42,021)	—
Total	12,310,482	9,552,289	760,506	22,623,278	441,971	23,065,249	(42,021)	23,023,228
Segment income	362,327	332,015	302,891	997,234	111,495	1,108,730	—	1,108,730

(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 nine months ended December 31, 2015, has been prepared and disclosed based on the method after the change.