

Consolidated Quarterly Financial Results for the Nine Months Ended December 31, 2019 [Japanese GAAP]



February 14, 2020

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 14, 2020

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, 2019

(April 1, 2019 to December 31, 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	%
Nine months ended December 31, 2019	25,566	(13.6)	1,316	3.5	2,139	3.0	1,709	1.3
Nine months ended December 31, 2018	29,581	11.8	1,272	20.6	2,077	40.1	1,686	54.9

(Note) Comprehensive income: Nine months ended December 31, 2019: ¥1,928 million [37.5%]

Nine months ended December 31, 2018: ¥1,402 million [(12.0)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2019	69.60	—
Nine months ended December 31, 2018	67.89	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2019	49,333	33,406	67.0	1,350.56
As of March 31, 2019	49,345	32,068	64.5	1,290.73

(Reference) Equity: As of December 31, 2019: ¥33,070 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: No

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): Yes

Newly included: — (Company name) Excluded: 1 (Company name) Nippon Hume Concrete (Thailand) Co., Ltd.

(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 December 31, 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 December 31, 2019: 4,861,171 shares

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

3) Average number of shares during the period

Nine months ended December 31, 2019: 24,554,407 shares

Nine months ended December 31, 2018: 24,846,715 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 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 2 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 nine months ended December 31, 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 was almost equal to that 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 nine months ended December 31, 2019, orders received totaled ¥23,271 million (down 17.0% year on year), and turnover amounted to ¥25,566 million (down 13.6% year on year).

As for profit and loss, operating income was ¥1,316 million (up 3.5% year on year), ordinary income was ¥2,139 million (up 3.0% year on year), mainly because of equity in earnings of affiliates and dividend income; and profit attributable to owners of parent company was ¥1,709 million (up 1.3% year on year).

(2) Explanation of Financial Position

Total assets as of December 31, 2019, decreased ¥12 million from the end of the previous consolidated fiscal year, to ¥49,333 million. This was mainly because, while merchandise and finished goods increased ¥926 million under current assets, and investment securities increased ¥900 million under non-current assets, cash and deposits decreased ¥915 million and notes and accounts receivable - trade decreased ¥970 million under current assets.

In addition, under liabilities, total liabilities decreased ¥1,350 million from the end of the previous consolidated fiscal year, to ¥15,927 million. This was mainly because, under current liabilities, notes and accounts payable – trade decreased ¥510 million, income taxes payable decreased ¥336 million, and short-term loans decreased ¥293 million.

Under net assets, total net assets increased ¥1,338 million from the end of the previous consolidated fiscal year, to ¥33,406 million. This was mainly because, under retained earnings, while profit attributable to owners of parent company increased ¥1,709 million, cash dividends paid decreased ¥458 million.

(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 December 31, 2019
Assets		
Current assets		
Cash and deposits	11,051,251	10,135,697
Notes and accounts receivable - trade	12,505,846	11,535,626
Merchandise and finished goods	2,024,057	2,950,583
Raw materials and supplies	534,604	515,139
Other	286,154	266,828
Provision for doubtful accounts	(16,589)	(14,823)
Total current assets	26,385,324	25,389,050
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,861,064	4,098,288
Land	3,691,707	3,571,985
Other, net	2,675,595	1,699,723
Total property, plant and equipment	9,228,367	9,369,997
Intangible assets	101,360	93,446
Investments and other assets		
Investment securities	13,331,756	14,232,065
Other	430,828	374,074
Provision for doubtful accounts	(131,930)	(124,931)
Total investments and other assets	13,630,654	14,481,208
Total non-current assets	22,960,382	23,944,652
Total assets	49,345,707	49,333,703
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,664,700	10,153,801
Short-term loans	1,230,261	936,920
Income taxes payable	432,870	96,710
Provision for bonuses	182,750	—
Other	1,060,491	880,954
Total current liabilities	13,571,074	12,068,386
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	2,722,571
Other	951,237	1,110,486
Total non-current liabilities	3,706,483	3,858,933
Total liabilities	17,277,558	15,927,319

(Thousand yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Share capital	5,251,400	5,251,400
Share premium	4,736,524	4,686,655
Retained earnings	23,126,662	24,328,432
Treasury shares	(1,910,923)	(2,038,207)
Total shareholders' equity	31,203,663	32,228,281
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	665,198	854,278
Difference in foreign exchange	233,208	229,797
Remeasurements of defined benefit	(267,057)	(242,085)
Total accumulated other comprehensive income	631,349	841,989
Non-controlling interests	233,135	336,112
Total net assets	32,068,148	33,406,383
Total liabilities and net assets	49,345,707	49,333,703

(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, 2018	For the nine months ended December 31, 2019
Turnover	29,581,590	25,566,717
Cost of sales	25,157,933	21,237,374
Gross profit	4,423,656	4,329,342
Selling, general and administrative expenses	3,151,265	3,012,659
Operating income	1,272,391	1,316,682
Non-operating income		
Interest income	1,606	3,441
Dividend income	109,365	116,366
Share of income of associates	651,543	619,043
Foreign exchange gains	—	13,791
Other	115,811	106,615
Total non-operating income	878,326	859,259
Non-operating expenses		
Interest expenses	20,538	20,925
Foreign exchange losses	36,859	—
Other	16,221	15,828
Total non-operating expenses	73,619	36,753
Ordinary income	2,077,098	2,139,188
Extraordinary income		
Gain on sales of fixed assets	143,576	—
State subsidy	1,440	1,440
Gain on sales of shares of subsidiaries and associates	—	75,025
Total extraordinary income	145,016	76,465
Profit before income taxes and minority interests	2,222,115	2,215,653
Income taxes - current	484,982	442,997
Income taxes - deferred	40,715	54,685
Total income taxes	525,697	497,682
Profit after income taxes	1,696,418	1,717,971
Profit attributable to non-controlling interests	9,629	8,883
Profit attributable to owners of parent company	1,686,788	1,709,088

Consolidated Quarterly Statements of Comprehensive Income

Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Profit after income taxes	1,696,418	1,717,971
Other comprehensive income		
Valuation difference on available-for-sale securities	(341,669)	196,560
Difference in foreign exchange	23,373	(3,410)
Remeasurements of defined benefit	50,851	28,446
Share of other comprehensive income of associates	(26,261)	(10,956)
Total other comprehensive income	(293,707)	210,639
Comprehensive income	1,402,711	1,928,611
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent company	1,393,081	1,919,728
Comprehensive income attributable to non-controlling interests	9,629	8,883

(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.

(Changes in significant subsidiaries)

During the nine months ended December 31, 2019, Humex (Thailand) Co., Ltd., which is a consolidated subsidiary (sub-subsidiary) of the Company, transferred 60% of the shares it held in Nippon Hume Concrete (Thailand) Co., Ltd., to Mongheng Group Co., Ltd.

With the transfer of shares, Nippon Hume Concrete (Thailand) Co., Ltd., changed from a consolidated subsidiary to an equity-method affiliate.

(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 nine months ended December 31, 2018 (April 1, 2018 to December 31, 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	20,970,921	7,413,679	1,052,920	29,437,521	144,068	29,581,590	—	29,581,590
Inter-segment turnover or transfers	3,162	—	30,304	33,467	—	33,467	(33,467)	—
Total	20,974,084	7,413,679	1,083,224	29,470,988	144,068	29,615,057	(33,467)	29,581,590
Segment income	982,732	791,824	612,913	2,387,469	41,162	2,428,632	(1,156,240)	1,272,391

(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 ¥(1,156,240) 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 nine months ended December 31, 2019 (April 1, 2019 to December 31, 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	16,666,673	7,743,837	1,024,301	25,434,812	131,905	25,566,717	—	25,566,717
Inter-segment turnover or transfers	4,916	—	29,659	34,575	—	34,575	(34,575)	—
Total	16,671,589	7,743,837	1,053,960	25,469,387	131,905	25,601,292	(34,575)	25,566,717
Segment income	708,061	1,066,604	585,713	2,360,380	32,158	2,392,539	(1,075,856)	1,316,682

(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 ¥(1,075,856) 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 third quarter of the previous consolidated fiscal year is disclosed based on the method adopted with this change.