

Consolidated Quarterly Financial Results for the Six Months Ended September 30, 2021 [Japanese GAAP]



November 12, 2021

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 12, 2021

Scheduled date of commencing dividend payments: —

Preparation of supplementary briefing material on quarterly financial results: Yes

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, 2021

(April 1, 2021 to September 30, 2021)

(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, 2021	14,130	(6.1)	644	(25.5)	1,397	(7.9)	1,137	(1.1)
Six months ended September 30, 2020	15,045	(12.1)	865	(7.0)	1,517	(8.5)	1,149	(11.1)

(Note) Comprehensive income: Six months ended September 30, 2021: ¥1,016 million [-43.7%]

Six months ended September 30, 2020: ¥1,804 million [47.1%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2021	46.69	—
Six months ended September 30, 2020	47.05	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2021	50,665	36,299	71.0	1,480.98
As of March 31, 2021	50,418	36,020	70.8	1,461.11

(Reference) Equity: As of September 30, 2021: ¥35,976 million

As of March 31, 2021: ¥35,691 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2021	Yen —	Yen —	Yen —	Yen 25.00	Yen 25.00
Fiscal year ending March 31, 2022	—	—			
Fiscal year ending March 31, 2022 (Forecast)			—	20.00	20.00

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

(Note) Breakdown of dividends for the fiscal year ended March 31, 2021: Ordinary dividend: 20.00 yen
Commemorative dividend: 5.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022

(April 1, 2021 to March 31, 2022)

(% 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	31,000	1.8	1,750	1.2	2,650	(2.3)	2,000	(6.1)	81.87

(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, 2021: 29,347,500 shares

As of March 31, 2021: 29,347,500 shares

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

As of September 30, 2021: 5,054,807 shares

As of March 31, 2021: 4,919,851 shares

3) Average number of shares during the period

Six months ended September 30, 2021: 24,355,477 shares

Six months ended September 30, 2020: 24,433,782 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, 2021, there were signs of recovery in the world economy, centered on the United States and Europe, where progress is being made in coronavirus vaccination programs, but the outlook for a full-fledged recovery remained unclear. Despite a progressive recovery in external demand from the United States and Europe, the states of emergency declared intermittently to counter infections had a prolonged negative impact on activity in the Japanese economy.

With regard to the business environment in which the Group operates, public works investment has been solid since the implementation by the government of the “Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience.” Private-sector construction investment showed signs of picking up, but the order environment remained challenging.

Under these conditions, nationwide demand for concrete pile products in the foundations business was flat year on year, but there were significant regional variations in the order situation. As a result of focusing on winning orders in high value-added products following the shift toward strengthening disaster prevention/mitigation and national resilience, the sewerage-related business recorded solid performance.

In the six months ended September 30, 2021, consolidated turnover amounted to ¥14,130 million (down 6.1% year on year), operating income was ¥644 million (down 25.5%), ordinary income was ¥1,397 million (down 7.9%), and profit attributable to owners of parent was ¥1,137 million (down 1.1%). As a result of the application of the Accounting Standard for Revenue Recognition, etc., both turnover and cost of sales were ¥230 million lower than when calculated using the previous method, mainly due to the effect of recognizing a net amount of turnover from transactions performed as an agent.

In addition to rising material prices, the business environment in which the Group operates is characterized by conditions for private-sector orders that are likely to remain difficult. However, the Group will leverage the features of its business portfolio, promote initiatives for enhancing productivity and reducing costs, and work to stabilize and enhance profits in line with the business strategy. The Group is also diligently promoting its “21-23 Plan” medium-term management plan, and in the second quarter it released its “Pile-ViMSys” next-generation DX construction management system, which enables improvements in both the quality and efficiency of pile foundation construction. In addition, the Group is pursuing research and development in such areas as environmental materials that will contribute to the decarbonization of society, and products that will help counter rainwater. The Company will continue to pursue the medium- to long-term growth strategy under the theme of “green and digital.”

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Total assets as of September 30, 2021, had increased ¥246 million from the end of the previous consolidated fiscal year, to ¥50,665 million. This was mainly because, under current assets, while cash and deposits decreased ¥968 million, notes and accounts receivable - trade and contract assets increased ¥627 million and merchandise and finished goods increased ¥269 million; also, under non-current assets, investment securities increased ¥280 million.

In addition, under liabilities, total liabilities were ¥14,365 million, at the same level as the end of the previous consolidated fiscal year.

Under net assets, total net assets increased ¥278 million from the end of the previous consolidated fiscal year, to ¥ 36,299 million. This was mainly because, under retained earnings, while profit attributable to owners of parent company increased ¥1,137 million, there was a decrease of ¥633 million for cash dividends paid, and valuation difference on available-for-sale securities decreased ¥116 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, 2021 decreased ¥969 million from the end of the previous consolidated fiscal year, to ¥11,316 million.

(Cash flows from operating activities)

Funds provided by operating activities during the six months ended September 30, 2021, decreased ¥1,694 million year on year to ¥12 million. This was mainly because of a ¥616 million increase in notes and accounts receivable - trade, ¥603 million in share of income of associates, an increase of ¥364 million in inventories, a decrease of ¥135 million in accrued consumption taxes, while there was an increase of ¥1,400 million in profit before income taxes and minority interests and an increase of ¥323 million in depreciation.

(Cash flows from investing activities)

Funds used in investing activities during the six months ended September 30, 2021 decreased ¥203 million year on year to ¥264 million. This was mainly because of ¥290 million in purchase of fixed assets.

(Cash flows from financing activities)

Funds used in financing activities during the six months ended September 30, 2021, increased ¥233 million year on year to ¥724 million. This was mainly because of ¥632 million in cash dividends paid and ¥101 million in purchase of treasury shares..

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

Regarding the results forecasts pertaining to the fiscal year ending March 31, 2022, there has been no change to the full-year results forecast published in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2021[Japanese GAAP]” dated May 13, 2021.

2. Consolidated Quarterly Financial Statements and Important Notes

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	12,328,246	11,359,254
Notes and accounts receivable - trade	8,770,485	—
Notes and accounts receivable - trade and contract assets	—	9,398,333
Merchandise and finished goods	2,564,269	2,833,807
Raw materials and supplies	509,182	612,350
Other	206,376	282,422
Provision for doubtful accounts	(11,769)	(13,234)
Total current assets	24,366,791	24,472,933
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,134,471	4,010,549
Land	3,610,229	3,608,385
Other, net	1,583,297	1,640,398
Total property, plant and equipment	9,327,999	9,259,333
Intangible assets	188,238	159,524
Investments and other assets		
Investment securities	16,200,362	16,481,308
Other	367,731	324,185
Provision for doubtful accounts	(32,718)	(32,250)
Total investments and other assets	16,535,375	16,773,244
Total non-current assets	26,051,613	26,192,101
Total assets	50,418,405	50,665,035
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,113,087	8,199,949
Short-term loans	928,055	970,038
Income taxes payable	327,912	366,599
Provision for bonuses	172,900	173,743
Provision for loss on construction contracts	—	3,334
Other	1,065,399	913,580
Total current liabilities	10,607,354	10,627,246
Non-current liabilities		
Provision for share-based remuneration for directors	16,500	18,310
Provision for directors' retirement benefits	14,907	14,907
Net defined benefit liability	2,517,770	2,526,804
Other	1,241,223	1,178,483
Total non-current liabilities	3,790,401	3,738,505
Total liabilities	14,397,755	14,365,752

(Thousand yen)

	As of March 31, 2021	As of September 30, 2021
Net assets		
Shareholders' equity		
Share capital	5,251,400	5,251,400
Share premium	4,773,375	4,773,375
Retained earnings	26,366,080	26,869,474
Treasury shares	(2,163,815)	(2,263,133)
Total shareholders' equity	34,227,040	34,631,116
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,213,840	1,096,970
Difference in foreign exchange	220,761	204,648
Remeasurements of defined benefit	29,869	44,143
Total accumulated other comprehensive income	1,464,471	1,345,762
Non-controlling interests	329,137	322,404
Total net assets	36,020,649	36,299,283
Total liabilities and net assets	50,418,405	50,665,035

(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, 2020	For the six months ended September 30, 2021
Turnover	15,045,663	14,130,645
Cost of sales	12,323,604	11,607,468
Gross profit	2,722,059	2,523,176
Selling, general and administrative expenses	1,856,958	1,878,437
Operating income	865,101	644,739
Non-operating income		
Interest income	469	200
Dividend income	84,183	101,531
Share of income of associates	521,903	603,984
Foreign exchange gains	—	7,555
Other	80,590	54,278
Total non-operating income	687,148	767,550
Non-operating expenses		
Interest expenses	7,506	6,709
Foreign exchange losses	10,062	—
Other	17,358	8,369
Total non-operating expenses	34,928	15,078
Ordinary income	1,517,321	1,397,211
Extraordinary income		
Gain on sales of fixed assets	—	3,620
State subsidy	1,440	—
Total extraordinary income	1,440	3,620
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	1,460,694	1,400,831
Income taxes - current	337,400	291,442
Income taxes - deferred	(19,597)	(25,848)
Total income taxes	317,803	265,593
Profit after income taxes	1,142,891	1,135,237
Loss attributable to non-controlling interests	(6,632)	(1,938)
Profit attributable to owners of parent company	1,149,524	1,137,176

Consolidated Quarterly Statements of Comprehensive Income
Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Profit after income taxes	1,142,891	1,135,237
Other comprehensive income		
Valuation difference on available-for-sale securities	425,509	(101,078)
Difference in foreign exchange	11,650	(15,457)
Remeasurements of defined benefit	226,964	14,655
Share of other comprehensive income of associates	(2,617)	(16,828)
Total other comprehensive income	661,506	(118,709)
Comprehensive income	1,804,398	1,016,528
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent company	1,811,031	1,018,466
Comprehensive income (loss) attributable to non-controlling interests	(6,632)	(1,938)

(3) Consolidated Quarterly Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes and minority interests	1,460,694	1,400,831
Depreciation	304,180	323,383
Increase (decrease) in provision for doubtful accounts	(26,997)	996
Increase (decrease) in provision for bonuses	(3,049)	842
Increase (decrease) in net defined benefit liability	(29,580)	26,393
Increase (decrease) in provision for share-based remuneration for directors	5,500	4,232
Increase (decrease) in provision for directors' retirement benefits	(2,310)	—
Increase (decrease) in provision for environmental measures	(1,514)	—
Increase (decrease) in provision for loss on construction contracts	—	3,334
Interest and dividend income	(84,653)	(101,731)
Interest expenses	7,506	6,709
Foreign exchange losses (gains)	1,619	(1,650)
Share of (income) loss of associates	(521,903)	(603,984)
Loss (gain) on sales of fixed assets	940	(3,620)
Loss on valuation of investment securities	17,181	—
State subsidy	(1,440)	—
Structure reform expenses	39,945	—
Decrease (increase) in notes and accounts receivable - trade	2,506,317	(616,023)
Decrease (increase) in inventories	(291,600)	(364,113)
Decrease (increase) in other current assets	(46,019)	(73,919)
Increase (decrease) in notes and accounts payable - trade	(1,483,430)	75,224
Increase (decrease) in accrued consumption taxes	43,761	(135,745)
Increase (decrease) in other current liabilities	(179,280)	40,180
Decrease (increase) in other non-current assets	—	30,716
Increase (decrease) in other non-current liabilities	0	265
Subtotal	1,715,866	12,323
Interest and dividend income received	226,908	260,686
Interest expenses paid	(7,502)	(6,707)
Income taxes paid	(228,992)	(254,077)
Net cash provided by (used in) operating activities	1,706,279	12,225

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Cash flows from investing activities		
Payments into time deposits	—	(528)
Purchase of investment securities	—	(165)
Purchase of fixed assets	(441,737)	(290,984)
Proceeds from sales of fixed assets	1,647	7,072
Proceeds from state subsidy	1,440	—
Decrease (increase) in other investments	(28,383)	20,595
Net cash provided by (used in) investing activities	(467,033)	(264,010)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	6,603	10,251
Purchase of treasury shares	(109,076)	(101,051)
Proceeds from sales of treasury shares	98,845	—
Cash dividends paid	(478,968)	(632,399)
Other payments	(8,705)	(1,414)
Net cash provided by (used in) financing activities	(491,301)	(724,614)
Net foreign exchange on cash and cash equivalents	(5,528)	6,879
Net increase (decrease) in cash and cash equivalents	742,415	(969,520)
Cash and cash equivalents at the beginning of the period	10,333,968	12,285,682
Cash and cash equivalents at the end of the period	11,076,383	11,316,162

(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)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the three months ended June 30, 2021. Under the Revenue Recognition Accounting Standard, the Company recognizes revenue at the time when control over the promised goods or services are transferred to the customer, in an amount equal to the consideration expected to be received for the said goods or services. Previously, the percentage-of-completion method was used for work contracts for which the outcome of a portion of a work was deemed certain, and the completed-contract method was used for work contracts that did not satisfy this requirement. From this fiscal year onward, revenue is recognized over a certain period of time as performance obligations are satisfied. Moreover, in cases where the duration of a work is extremely short, revenue is recognized at the time when a work that fully satisfies the performance obligations has been completed. The input method (proportion of actual cost to estimated total cost) is used to estimate the rate of progress in fulfilling performance obligations.

For transactions where the Company's role in the provision of products to the customer is that of an agent, the Company previously recognized the gross amount of the consideration received from the customer as revenue. The Company now recognizes as revenue the net amount received from the customer after deducting the amount paid to the product's supplier.

In applying the Revenue Recognition Accounting Standard, etc., the Company has followed the transitional treatment stipulated under the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, adjusting retained earnings at the start of the three months ended June 30, 2021, to account for the cumulative effect of retrospective application of the new accounting policy prior to that time, and applying the new accounting policy from the adjusted balance.

As a result, for the six months ended September 30, 2021, both turnover and cost of sales were ¥230 million lower than when calculated using the previous method. There was no effect on the amount of retained earnings at the start of the six months ended September 30, 2021.

Pursuant to the application of Revenue Recognition Accounting Standard, etc., notes and accounts receivable – trade, which was presented in current assets on the consolidated balance sheets for the previous fiscal year, was included in notes and accounts receivable – trade and contract assets for the three months ended June 30, 2021. In accordance with the transitional treatment prescribed under Paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company has not reclassified items for the previous fiscal year based on the new

presentation method.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Accounting Standard”), etc. from the start of the three months ended June 30, 2021. The Company has applied the new accounting policy prospectively from the start of the three months ended June 30, 2021, in accordance with the transitional treatment prescribed under Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no effect on the consolidated quarterly financial statements.

(Segment information, etc.)

I. 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.

II. For the six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)

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	8,920,272	4,458,413	724,572	14,103,258	27,386	14,130,645	—	14,130,645
Inter-segment turnover or transfers	1,870	—	18,894	20,764	—	20,764	(20,764)	—
Total	8,922,142	4,458,413	743,467	14,124,023	27,386	14,151,410	(20,764)	14,130,645
Segment income	136,658	826,348	409,935	1,372,941	21,981	1,394,923	(750,184)	644,739

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

2. An adjustment to segment income of ¥(750,184) 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.

3. Changes in reportable segments, etc.

As described in Changes in accounting policies, the Company has applied the Revenue Recognition Accounting Standard, etc. from the beginning of the three months ended June 30, 2021. Pursuant to the change in accounting treatment for revenue recognition, the Company has likewise changed the methods used to calculate income or loss for its business segments.

As a result of this change, for the six months ended September 30, 2021, the turnover of the foundations business and the sewerage-related business was ¥26 million and ¥203 million lower, respectively, than when calculated using the previous method.