

Consolidated Quarterly Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



August 10, 2022

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: August 10, 2022

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 Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(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	%
Three months ended June 30, 2022	7,677	16.0	231	(27.4)	784	(7.1)	661	(6.0)
Three months ended June 30, 2021	6,616	(11.8)	318	(33.1)	844	4.0	704	10.3

(Note) Comprehensive income: Three months ended June 30, 2022: ¥495 million [-2.0%]
Three months ended June 30, 2021: ¥505 million [-55.8%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2022	27.37		—	
Three months ended June 30, 2021	28.87		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2022	52,034	36,902	70.3	1,513.82
As of March 31, 2022	52,121	36,935	70.3	1,514.78

(Reference) Equity: As of June 30, 2022: ¥36,594 million
As of March 31, 2022: ¥36,626 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2022	Yen —	Yen —	Yen —	Yen 20.00	Yen 20.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecast)		—	—	21.00	21.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% 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
First half	15,000	6.2	500	(22.4)	1,200	(14.1)	900	(20.9)	37.22
Full year	32,000	8.5	1,600	10.3	2,500	(1.1)	1,800	(15.7)	74.44

(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: Yes

3) Changes in accounting estimates: Yes

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 June 30, 2022: 29,347,500 shares

As of March 31, 2022: 29,347,500 shares

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

As of June 30, 2022: 5,174,111 shares

As of March 31, 2022: 5,168,111 shares

3) Average number of shares during the period

Three months ended June 30, 2022: 24,177,389 shares

Three months ended June 30, 2021: 24,387,245 shares

* The 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 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 three months ended June 30, 2022, the Japanese economy showed signs of a recovery in personal consumption and corporate production activities, with the number of new coronavirus cases remaining relatively low. However, the outlook remained uncertain due to factors such as the rapid depreciation of the yen, soaring crude oil and raw materials prices, and concerns over the persisting situation in Ukraine.

In the market environment affecting the Group, public works investment was solid due to the promotion of disaster prevention and mitigation measures and measures to improve national resilience. Private capital investment also showed indications of a recovery, but conditions remain harsh overall as a result of intense competition over orders and the soaring prices of raw materials and energy, among other factors.

In the foundations business, nationwide demand for concrete piles increased year on year, while in the sewerage-related business, demand for Hume pipes and other products fell below the levels seen in the same period of the previous fiscal year.

Under these conditions, in the three months ended June 30, 2022, turnover amounted to ¥7,677 million (up 16.0% year on year). Operating income was ¥231 million (down 27.4% year on year), partly due to the impact of the rapid rise in raw materials prices on already-contracted projects; ordinary income was ¥784 million (down 7.1% year on year); and profit attributable to owners of parent company was ¥661 million (down 6.0% year on year).

The main initiatives under the medium-term management plan, the 21-23 Plan, for the three months ended June 30, 2022, included completion of development of the Wellman vertical water tank for urban flooding countermeasures and the on-site introduction and additional functionality for the “Pile-ViMSys” next-generation DX construction management system. The Group also proceeded with research to enhance the functionality of e-CON[®], a CO₂ emission-reducing material for the carbon-neutral era.

The market environment affecting the Company is expected to remain harsh, but the Group will steadily implement the 21-23 Plan, the Group’s medium-term management plan concluding in the fiscal year ending March 31, 2024. The Group will proceed with business restructuring, as well as the research and development of products and construction techniques that will drive growth, with the aim of further stabilizing the management foundation and achieving sustainable growth.

An overview of the business segments is provided below.

1) Foundations business

Turnover totaled ¥4,825 million (up 14.7% year on year) and operating income was ¥48 million (down 20.7%). Shipments of concrete piles progressed well due to factors such as private-sector factory construction, but income declined despite the increase in turnover, largely due to the impact of the rapid rise in raw materials prices. The Group will progressively adjust selling prices and work to raise profitability by improving profit ratios through thorough profit and loss management for each property and strengthening sales by expanding our business domain through nodular piles.

2) Sewerage-related business

Turnover totaled ¥2,463 million (up 21.6% year on year) and operating income was ¥360 million (down 10.9%). As climate disasters caused by climate change grow more intense and frequent, large-scale earthquakes become a pressing risk, and social infrastructure ages, the Group has obtained Japan Sewage Works Association approval for its Type 1 and Type 2 Steel Composite Pipes as water storage pipes, compatible with sharp curves and large depths, as high value-added products geared toward disaster prevention, disaster mitigation, and national resilience measures, and is promoting sales activities that integrate design. The Group will continue to work to improve earning capacity with design proposals for pre-cast products and high value-added products related to disaster prevention and mitigation and national resilience, and the development of urban disaster prevention solution products using concrete technology.

3) Solar Power Generation and Real Estate business

Turnover amounted to ¥376 million (up 2.4% year on year) and operating income was ¥223 million (up 6.6%). Real estate rental revenue was solid, and in the solar power generation area, both electric power generation and power selling progressed smoothly for NH Tohoku Solar Power Generation and NH Okayama Solar Power Generation.

4) Others

In Others, turnover totaled ¥12 million (down 26.7% year on year) and operating income was ¥9 million (down 33.7%).

(2) Explanation of Financial Position

Total assets as of June 30, 2022, amounted to ¥52,034 million, at the same level as the end of the previous consolidated fiscal year.

In addition, under liabilities, total liabilities were ¥15,131 million, at the same level as the end of the previous consolidated fiscal year.

Under net assets, total net assets were ¥36,902 million, at the same level as the end of the previous consolidated fiscal year.

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

Regarding the results forecasts for the fiscal year ending March 31, 2023, there has been no change to the first-half and full-year results forecasts published in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP],” dated May 13, 2022.

2. Consolidated Quarterly Financial Statements and Important Notes

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	13,065,056	13,199,881
Notes and accounts receivable - trade and contract assets	10,284,336	9,744,856
Merchandise and finished goods	2,672,504	2,841,849
Raw materials and supplies	639,154	673,287
Other	276,466	318,030
Provision for doubtful accounts	(11,872)	(12,142)
Total current assets	26,925,645	26,765,762
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,885,336	3,828,091
Land	3,607,220	3,608,446
Other, net	1,786,337	1,833,166
Total property, plant and equipment	9,278,894	9,269,704
Intangible assets	176,286	176,850
Investments and other assets		
Investment securities	15,462,325	15,550,451
Other	310,942	303,552
Provision for doubtful accounts	(32,250)	(32,250)
Total investments and other assets	15,741,017	15,821,753
Total non-current assets	25,196,198	25,268,309
Total assets	52,121,844	52,034,071
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,517,494	8,836,604
Short-term loans	982,028	1,006,976
Income taxes payable	503,811	92,138
Provision for bonuses	185,665	—
Provision for loss on construction contracts	7,505	821
Other	1,293,296	1,476,392
Total current liabilities	11,489,801	11,412,933
Non-current liabilities		
Provision for share-based remuneration for directors	25,975	25,975
Provision for directors' retirement benefits	14,907	14,907
Net defined benefit liability	2,610,601	2,645,089
Other	1,045,042	1,032,508
Total non-current liabilities	3,696,526	3,718,480
Total liabilities	15,186,328	15,131,413

(Thousand yen)

	As of March 31, 2022	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	5,251,400	5,251,400
Share premium	4,773,375	4,773,375
Retained earnings	27,871,603	28,012,817
Treasury shares	(2,345,135)	(2,349,346)
Total shareholders' equity	35,551,243	35,688,246
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	881,657	719,737
Difference in foreign exchange	186,904	176,431
Remeasurements of defined benefit	6,749	9,679
Total accumulated other comprehensive income	1,075,312	905,848
Non-controlling interests	308,960	308,562
Total net assets	36,935,515	36,902,657
Total liabilities and net assets	52,121,844	52,034,071

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

Consolidated Quarterly Statements of Income

Three Months Ended June 30

(Thousand yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Turnover	6,616,260	7,677,991
Cost of sales	5,360,210	6,448,751
Gross profit	1,256,050	1,229,240
Selling, general and administrative expenses	937,306	997,707
Operating income	318,743	231,532
Non-operating income		
Interest income	62	63
Dividend income	100,577	88,978
Share of income of associates	401,279	389,384
Foreign exchange gains	3,643	45,950
Other	29,785	38,507
Total non-operating income	535,348	562,884
Non-operating expenses		
Interest expenses	3,873	3,016
Donations	20	2,045
Other	5,284	4,444
Total non-operating expenses	9,177	9,505
Ordinary income	844,914	784,911
Extraordinary income		
Gain on sale of fixed assets	—	165
Total extraordinary income	—	165
Extraordinary losses		
Loss on disposal of fixed assets	—	5
Total extraordinary losses	—	5
Profit before income taxes and minority interests	844,914	785,071
Income taxes - current	92,525	55,810
Income taxes - deferred	49,867	64,432
Total income taxes	142,393	120,243
Profit after income taxes	702,520	664,828
Profit (loss) attributable to non-controlling interests	(1,654)	3,206
Profit attributable to owners of parent company	704,175	661,622

Consolidated Quarterly Statements of Comprehensive Income

Three Months Ended June 30

(Thousand yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit after income taxes	702,520	664,828
Other comprehensive income		
Valuation difference on available-for-sale securities	(168,825)	(156,810)
Difference in foreign exchange	(19,297)	(17,991)
Remeasurements of defined benefit	1,703	2,726
Share of other comprehensive income of associates	(10,590)	2,613
Total other comprehensive income	(197,010)	(169,463)
Comprehensive income	505,510	495,365
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent company	507,165	492,158
Comprehensive income (loss) attributable to non-controlling interests	(1,654)	3,206

(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 accounting policies that are inseparable from changes in accounting estimates, and changes in accounting estimates)

(Changes in the depreciation method and useful life of property, plant and equipment)

In general, the Company previously applied the declining-balance method of depreciation for property, plant and equipment. From the start of the three months ended June 30, 2022, the Company has changed the method applied to the straight-line method.

The Company has made this change because it believes that using the straight-line method to allocate depreciation equally across the useful life of assets more appropriately reflects the actual nature of usage, in view of the expectation of more stable operation throughout the period of use than was previously the case, due to improved functionality facilitated by stronger capital investment under the medium-term management plan.

Moreover, it has become clear that some assets can be used for longer than the useful life estimated previously, due to stronger capital investment under the medium-term management plan, and the useful life for these assets has therefore been changed to correspond with actual usage.

As a result, for the three months ended June 30, 2022, operating income, ordinary income, and profit before income taxes and minority interests were each ¥26 million higher than when calculated using the previous method.

(Segment information, etc.)

I. For the three months ended June 30, 2021 (April 1, 2021 to June 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	4,205,336	2,026,567	367,821	6,599,725	16,535	6,616,260	—	6,616,260
Inter-segment turnover or transfers	932	—	9,444	10,377	—	10,377	(10,377)	—
Total	4,206,269	2,026,567	377,265	6,610,102	16,535	6,626,637	(10,377)	6,616,260
Segment income	60,981	405,263	209,395	675,640	13,614	689,254	(370,511)	318,743

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

2. An adjustment to segment income of ¥ (370,511) 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 three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

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	4,825,539	2,463,814	376,520	7,665,875	12,115	7,677,991	—	7,677,991
Inter-segment turnover or transfers	1,673	—	9,432	11,106	—	11,106	(11,106)	—
Total	4,827,213	2,463,814	385,953	7,676,981	12,115	7,689,097	(11,106)	7,677,991
Segment income	48,375	360,914	223,121	632,411	9,020	641,432	(409,899)	231,532

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

2. An adjustment to segment income of ¥ (409,899) 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.