

Consolidated Quarterly Financial Results for the Three Months Ended June 30, 2016 [Japanese GAAP]



August 5, 2016

Company name: NIPPON HUME CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Securities code: 5262

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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, 2016 (April 1, 2016 to June 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	%
Three months ended June 30, 2016	7,686	(8.7)	219	(58.2)	346	(51.3)	226	(56.7)
Three months ended June 30, 2015	8,415	8.5	525	8.7	711	(19.3)	521	(32.2)

(Note) Comprehensive income: Three months ended June 30, 2016: ¥186 million [(71.9)%]

Three months ended June 30, 2015: ¥665 million [(27.7)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2016	8.88	—
Three months ended June 30, 2015	20.04	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2016	43,708	27,840	63.3
As of March 31, 2016	43,857	28,073	63.6

(Reference) Equity: As of June 30, 2016: ¥27,649 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
First half	17,000	0.7	800	(24.3)	1,200	(21.8)	800	(29.6)	31.44
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 June 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 June 30, 2016: 3,898,990 shares

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

3) Average number of shares during the period

Three months ended June 30, 2016: 25,448,510 shares

Three months ended June 30, 2015: 26,049,353 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.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Matters Concerning Summary Information (Notes)	4
(1) Changes in Significant Subsidiaries during the Period under Review	4
(2) Application of Accounting Procedures Specific to Preparation of Consolidated Quarterly Financial Statements	4
(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement	4
3. Consolidated Quarterly Financial Statements	5
(1) Consolidated Quarterly Balance Sheets	5
(2) Consolidated Quarterly Statements of Income and Comprehensive Income	7
Consolidated Quarterly Statements of Income	7
Consolidated Quarterly Statements of Comprehensive Income	8
(3) Notes to the Consolidated Quarterly Financial Statements	9
(Notes on going concern assumption)	9
(Notes in the case of significant changes in shareholders' equity)	9
(Segment information)	9

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 three months ended June 30, 2016, amid an improving trend 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 three months ended June 30, 2016, were ¥6,808 million (a year-on-year decline of 11.3%). Turnover including revenue from products, construction and real estate amounted to ¥7,686 million (down 8.7% year on year).

Looking at profit and loss, operating income was ¥219 million (a year-on-year decline of 58.2%). Ordinary income was ¥346 million (a year-on-year drop of 51.3%), mainly due to the effect of exchange rates. Profit attributable to owners of parent company was ¥226 million (a year-on-year decrease of 56.7%).

Segment results are indicated as follows.

As stated in "(3) Notes to the Consolidated Quarterly Financial Statements (Segment information) 3. Matters concerning changes in reportable segments, etc.," the Group has changed the method of measuring income (loss) of business segments effective from the three months ended June 30, 2016.

For the comparison of segment income, figures presented for the three months ended June 30, 2016, and for the three months ended June 30, 2015, are based on the measurement method after the change.

1) Concrete Products

Orders received were ¥3,906 million (down 21.1% year on year). Turnover was ¥4,070 million (down 23.9% year on year), mainly due to a decline in Hume pipes and precast products that offset a slight increase in sales of mainstay pile products. Segment income was ¥69 million (down 69.2% year on year), due to a decrease in turnover.

The total sales composition ratio was 53.0%.

2) Construction

Orders received were ¥2,845 million (up 6.0% year on year) and turnover was ¥3,222 million (up 20.7% year on year). Segment income amounted to ¥32 million (down 78.7% year on year), mainly due to an increase in cost of sales.

The total sales composition ratio was 41.9%.

3) Real Estate Development

Turnover was ¥234 million (down 4.2% year on year), due to a decrease in rental real estate income. Segment income amounted to ¥73 million (down 29.2% year on year), due mainly to renewal construction conducted for a real estate property for rent.

The total sales composition ratio was 3.0%.

4) Others

Orders received were ¥56 million (up 34.5% year on year) and turnover was ¥159 million (rising 6.0% year on year). Segment income amounted to ¥43 million (down 0.3% year on year).

The total sales composition ratio was 2.1%.

(2) Explanation of Financial Position

Total assets as of June 30, 2016, fell by ¥148 million from the end of the previous fiscal year to ¥43,708 million. This was due to factors in current assets including a decrease of ¥693 million in notes and accounts receivable - trade, offsetting an increase of ¥574 million in cash and deposits.

In addition, liabilities increased ¥84 million from the end of the previous fiscal year to ¥15,867 million. This was due to factors in current liabilities including increases of ¥201 million in notes and accounts payable - trade and ¥206 million in accrued expenses, etc., included in other, offsetting declines of ¥187 million in provision for bonuses and ¥113 million in income taxes payable.

Net assets decreased by ¥232 million from the end of the previous fiscal year to ¥27,840 million. This was due to factors in retained earnings including a decrease of ¥419 million for cash dividend payments, offsetting an increase of ¥226 million in profit attributable to owners of parent company.

(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 first-half and full-year results forecasts published in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 [Japanese-GAAP]” dated May 13, 2016.

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 no effect on the consolidated quarterly financial statements for the three months ended June 30, 2016.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	8,343,375	8,917,506
Notes and accounts receivable - trade	11,807,820	11,114,032
Merchandise and finished goods	1,579,806	1,708,786
Raw materials and supplies	411,776	446,263
Other	421,259	228,668
Provision for doubtful accounts	(13,903)	(12,813)
Total current assets	22,550,135	22,402,443
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,098,782	3,048,392
Land	3,697,405	3,690,434
Other, net	2,363,401	2,501,831
Total property, plant and equipment	9,159,590	9,240,658
Intangible assets	141,008	138,633
Investments and other assets		
Investment securities	11,759,521	11,681,668
Other	527,183	524,785
Provision for doubtful accounts	(280,165)	(279,764)
Total investments and other assets	12,006,540	11,926,690
Total non-current assets	21,307,138	21,305,981
Total assets	43,857,273	43,708,425
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,612,889	9,814,146
Short-term loans	1,214,430	1,180,806
Income taxes payable	181,150	67,435
Provision for bonuses	187,230	—
Provision for environmental measures	1,334	—
Other	996,282	1,293,535
Total current liabilities	12,193,318	12,355,923
Non-current liabilities		
Provision for directors' retirement benefits	36,017	36,017
Provision for environmental measures	21,584	21,584
Net defined benefit liability	2,547,786	2,536,820
Other	984,822	917,319
Total non-current liabilities	3,590,210	3,511,741
Total liabilities	15,783,528	15,867,665

(Thousand yen)

	As of March 31, 2016	As of June 30, 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	19,115,968
Treasury shares	(1,317,293)	(1,317,320)
Total shareholders' equity	27,980,401	27,786,556
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	241,061	118,398
Difference in foreign exchange	77,730	147,644
Remeasurements of defined benefit	(415,129)	(402,966)
Total accumulated other comprehensive income	(96,337)	(136,923)
Non-controlling interests	189,681	191,127
Total net assets	28,073,745	27,840,759
Total liabilities and net assets	43,857,273	43,708,425

(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, 2015	For the three months ended June 30, 2016
Turnover	8,415,508	7,686,692
Cost of sales	6,915,959	6,484,734
Gross profit	1,499,549	1,201,958
Selling, general and administrative expenses	973,653	982,368
Operating income	525,895	219,590
Non-operating income		
Interest income	150	76
Dividend income	40,265	46,270
Share of income of associates	160,660	141,197
Other	46,766	47,541
Total non-operating income	247,841	235,086
Non-operating expenses		
Interest expenses	8,781	5,451
Foreign exchange losses	39,839	96,814
Other	13,305	5,755
Total non-operating expenses	61,926	108,020
Ordinary income	711,811	346,656
Extraordinary income		
State subsidy	56,179	—
Total extraordinary income	56,179	—
Extraordinary losses		
Loss on disposal of fixed assets	2,236	0
Total extraordinary losses	2,236	0
Profit before income taxes and minority interests	765,753	346,656
Income taxes - current	146,465	66,622
Income taxes - deferred	96,658	52,586
Total income taxes	243,124	119,208
Profit after income taxes	522,629	227,447
Profit attributable to non-controlling interests	700	1,445
Profit attributable to owners of parent company	521,928	226,002

Consolidated Quarterly Statements of Comprehensive Income

Three Months Ended June 30

(Thousand yen)

	For the three months ended June 30, 2015	For the three months ended June 30, 2016
Profit after income taxes	522,629	227,447
Other comprehensive income		
Valuation difference on available-for-sale securities	133,964	(94,858)
Difference in foreign exchange	737	69,915
Remeasurements of defined benefit	4,761	14,080
Share of other comprehensive income of associates	3,695	(29,722)
Total other comprehensive income	143,159	(40,585)
Comprehensive income	665,788	186,862
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent company	665,087	185,416
Comprehensive income attributable to non-controlling interests	700	1,445

(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 three months ended June 30, 2015 (April 1, 2015 to June 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	5,350,290	2,670,181	244,183	8,264,654	150,853	8,415,508	—	8,415,508
Inter-segment turnover or transfers	1,919	—	6,925	8,844	198	9,042	(9,042)	—
Total	5,352,209	2,670,181	251,108	8,273,499	151,051	8,424,551	(9,042)	8,415,508
Segment income	226,716	150,917	104,325	481,959	43,936	525,895	—	525,895

(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 three months ended June 30, 2016 (April 1, 2016 to June 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	4,070,067	3,222,645	234,002	7,526,714	159,977	7,686,692	—	7,686,692
Inter-segment turnover or transfers	3,047	—	10,475	13,522	98	13,620	(13,620)	—
Total	4,073,115	3,222,645	244,477	7,540,237	160,075	7,700,313	(13,620)	7,686,692
Segment income	69,837	32,118	73,816	175,772	43,817	219,590	—	219,590

(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 three months ended June 30, 2015, has been prepared and disclosed based on the method after the change.