

Consolidated Quarterly Financial Results for the Nine Months Ended December 31, 2015 [Japanese GAAP]



February 12, 2016

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 12, 2016

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, 2015 (April 1, 2015 to December 31, 2015)

(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, 2015	24,676	(6.9)	1,325	(18.8)	1,678	(51.0)	1,318	(54.3)
Nine months ended December 31, 2014	26,517	(2.6)	1,633	(23.8)	3,423	28.1	2,887	56.5

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

Nine months ended December 31, 2014: ¥2,616 million [25.8%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2015	50.96		—	
Nine months ended December 31, 2014	109.81		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2015	43,303	28,722	65.9
As of March 31, 2015	46,007	28,047	60.6

(Reference) Equity: As of December 31, 2015: ¥28,539 million

As of March 31, 2015: ¥27,871 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2015	Yen —	Yen —	Yen —	Yen 15.00	Yen 15.00
Fiscal year ending March 31, 2016	—	—	—		
Fiscal year ending March 31, 2016 (Forecast)				12.00	12.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(% 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	36,500	1.3	2,100	(2.4)	2,700	(35.4)	2,000	(44.2)	76.78

(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 December 31, 2015: 29,347,500 shares

As of March 31, 2015: 29,347,500 shares

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

As of December 31, 2015: 3,710,780 shares

As of March 31, 2015: 3,298,111 shares

3) Average number of shares during the period

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

Nine months ended December 31, 2014: 26,292,568 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.

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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, 2015, amid an improving trend in employment and other areas. The outlook remained uncertain, however, due to risk factors including an economic 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 new 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 nine months ended December 31, 2015, were ¥23,187 million (a year-on-year decline of 4.2%). Turnover including revenue from products, construction and real estate amounted to ¥24,676 million (down 6.9% year on year).

Looking at profit and loss, operating income was ¥1,325 million (a year-on-year decline of 18.8%). Ordinary income was ¥1,678 million (a year-on-year drop of 51.0%), due to a decrease in share of income of associates as a result of posting “negative goodwill” of ¥1,085 million arising from acquisitions of shares in the same period of the previous fiscal year. Profit attributable to owners of parent company was ¥1,318 million (a year-on-year decrease of 54.3%).

Segment results are indicated as follows.

1) Concrete Products

Orders received were ¥13,386 million (down 9.1% year on year). Turnover was ¥14,586 million (12.1% down year on year), mainly due to a decline in precast products that offset an increase in sales of mainstay Hume pipes and pile products. Segment loss was ¥26 million, mainly due to a decrease in highly profitable precast products.

The total sales composition ratio was 59.1%.

2) Construction

Orders received were ¥9,651 million (up 3.7% year on year) and turnover was ¥8,897 million (up 0.8% year on year). Segment income amounted to ¥908 million (rising 31.1% year on year), mainly due to an increase in highly profitable construction.

The total sales composition ratio was 36.1%.

3) Real Estate Development

Turnover was ¥731 million (down 6.0% year on year), due to a decrease in rental real estate income. However, segment income amounted to ¥310 million (rising 9.4% year on year), due mainly to reduced selling, general and administrative expenses.

The total sales composition ratio was 3.0%.

4) Others

Orders received were ¥149 million (down 8.1% year on year) and turnover was ¥460 million (rising 45.8% year on year), reflecting the contribution of the solar power generation business. Segment income amounted to ¥133 million (up 255.9% year on year).

The total sales composition ratio was 1.8%.

(2) Explanation of Financial Position

Total assets as of December 31, 2015, fell by ¥2,704 million from the end of the previous fiscal year to ¥43,303 million. This was due to factors including decreases under current assets of ¥1,518 million in cash and deposits, ¥508 million in notes and accounts receivable - trade, and ¥342 million in merchandise and finished goods.

In addition, liabilities declined ¥3,379 million from the end of the previous fiscal year to ¥14,581 million. This was due to factors including declines under current liabilities of ¥2,316 million in notes and accounts payable - trade and ¥441 million in income taxes payable.

Net assets grew by ¥675 million from the end of the previous fiscal year to ¥28,722 million. This was due to an increase of ¥870 million in retained earnings, offsetting the impact of acquiring ¥305 million in treasury shares, among other factors.

(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, 2016, there has been no change to the full-year results forecast published in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 [Japanese-GAAP]” dated May 14, 2015.

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)

Effective from the first quarter of the fiscal year ending March 31, 2016, the Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013; hereinafter the “Business Combinations Standard”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter the “Consolidated Financial Statements Standard”), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter the “Business Divestitures Standard”) and others. Accordingly, the Company’s accounting policies have been changed. The difference arising from a change in the Company’s ownership interest in a subsidiary over which the Company continues to have control is recorded as share premium and acquisition related costs are expensed in the consolidated fiscal year when they are incurred. Also, for business combinations to be conducted at and after the beginning of the first quarter of the fiscal year ending March 31, 2016, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated quarterly financial statements of the quarterly financial period in which the days of the relevant business combinations are included. In addition, the Company has changed the presentation of profit and other related items, and the presentation of minority interests to non-controlling interests. To reflect these changes in presentation, reclassifications of accounts have been made to the consolidated quarterly financial statements and consolidated financial statements for the nine months ended December 31, 2014 and fiscal year ended March 31, 2015.

The Business Combinations Standard and others were applied in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard and Paragraph 57-4 (4) of the Business Divestitures Standard, and they have been prospectively applied from the beginning of the first quarter of the fiscal year ending March 31, 2016.

These changes have no effect on the consolidated financial statements for the nine months ended December 31, 2015.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2015	As of December 31, 2015
Assets		
Current assets		
Cash and deposits	7,549,232	6,030,593
Notes and accounts receivable - trade	12,986,787	12,478,578
Merchandise and finished goods	2,156,208	1,813,339
Raw materials and supplies	617,688	423,300
Other	543,320	329,675
Provision for doubtful accounts	(17,523)	(15,211)
Total current assets	23,835,714	21,060,274
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,189,979	3,145,311
Land	3,712,154	3,694,355
Other, net	2,297,497	2,199,814
Total property, plant and equipment	9,199,631	9,039,481
Intangible assets	103,366	132,668
Investments and other assets		
Investment securities	12,610,997	12,820,276
Other	586,318	554,106
Provision for doubtful accounts	(328,131)	(302,987)
Total investments and other assets	12,869,185	13,071,395
Total non-current assets	22,172,183	22,243,544
Total assets	46,007,898	43,303,818
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,027,434	8,711,212
Short-term loans	1,622,812	1,213,400
Income taxes payable	441,781	—
Provision for bonuses	192,283	—
Other	1,112,419	1,059,124
Total current liabilities	14,396,732	10,983,737
Non-current liabilities		
Provision for directors' retirement benefits	50,767	36,017
Provision for environmental measures	22,918	22,918
Net defined benefit liability	2,044,534	2,106,012
Other	1,445,925	1,432,316
Total non-current liabilities	3,564,146	3,597,265
Total liabilities	17,960,878	14,581,002

(Thousand yen)

	As of March 31, 2015	As of December 31, 2015
Net assets		
Shareholders' equity		
Share capital	5,251,400	5,251,400
Share premium	4,739,426	4,739,478
Retained earnings	17,955,480	18,825,948
Treasury shares	(912,998)	(1,218,055)
Total shareholders' equity	27,033,308	27,598,770
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	940,031	935,405
Difference in foreign exchange	15,434	118,269
Remeasurements of defined benefit	(117,392)	(112,904)
Total accumulated other comprehensive income	838,073	940,769
Non-controlling interests	175,637	183,275
Total net assets	28,047,019	28,722,816
Total liabilities and net assets	46,007,898	43,303,818

(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, 2014	For the nine months ended December 31, 2015
Turnover	26,517,088	24,676,335
Cost of sales	21,836,301	20,433,503
Gross profit	4,680,786	4,242,832
Selling, general and administrative expenses	3,047,221	2,916,950
Operating income	1,633,564	1,325,881
Non-operating income		
Interest income	1,142	687
Dividend income	89,493	79,334
Share of income of associates	1,501,137	385,186
Other	255,205	129,284
Total non-operating income	1,846,979	594,492
Non-operating expenses		
Interest expenses	26,822	24,762
Foreign exchange losses	—	179,821
Other	30,718	37,232
Total non-operating expenses	57,541	241,816
Ordinary income	3,423,002	1,678,557
Extraordinary income		
State subsidy	—	56,179
Gain on sales of fixed assets	222	—
Insurance income	128,110	—
Total extraordinary income	128,333	56,179
Extraordinary losses		
Loss on disposal of fixed assets	23,610	2,296
Structural reform expenses	—	86,224
Loss on sales of golf club memberships	8,539	—
Total extraordinary losses	32,150	88,520
Profit before income taxes and minority interests	3,519,185	1,646,216
Income taxes - current	572,616	233,468
Income taxes - deferred	47,608	86,916
Total income taxes	620,224	320,385
Profit after income taxes	2,898,960	1,325,831
Profit attributable to non-controlling interests	11,713	7,638
Profit attributable to owners of parent company	2,887,247	1,318,192

Consolidated Quarterly Statements of Comprehensive Income

Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2014	For the nine months ended December 31, 2015
Profit after income taxes	2,898,960	1,325,831
Other comprehensive income		
Valuation difference on available-for-sale securities	(224,852)	23,897
Difference in foreign exchange	(89,431)	102,835
Remeasurements of defined benefit	13,140	14,285
Share of other comprehensive income of associates	18,509	(38,322)
Total other comprehensive income	(282,634)	102,696
Comprehensive income	2,616,326	1,428,527
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent company	2,604,613	1,420,889
Comprehensive income attributable to non-controlling interests	11,713	7,638

(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, 2014 (April 1, 2014 to December 31, 2014)

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	16,600,039	8,823,339	777,970	26,201,349	315,738	26,517,088	—	26,517,088
Inter-segment turnover or transfers	8,643	—	24,655	33,299	101	33,400	(33,400)	—
Total	16,608,683	8,823,339	802,625	26,234,649	315,840	26,550,489	(33,400)	26,517,088
Segment income	618,930	693,309	283,861	1,596,102	37,462	1,633,564	—	1,633,564

(Notes) 1. The "Others" segment includes businesses not included in reportable segments, such as the environmental equipment sales business, the sport facility management business, and the rental 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

During the second quarter of the fiscal year ended March 31, 2015, the Company acquired additional shares in ASAHI CONCRETE WORKS CO., LTD., bringing it under the scope for applying the equity method. The associated ¥1,085,360 thousand in negative goodwill included in share of income of associates is not allocated to a reportable segment.

II. 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 (loss)	(26,810)	908,785	310,592	1,192,566	133,314	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 solar power generation business.

2. Total segment income (loss) 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.