

Consolidated Quarterly Financial Results for the Three Months Ended June 30, 2019 [Japanese GAAP]



August 8, 2019

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 8, 2019

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, 2019 (April 1, 2019 to June 30, 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	%
Three months ended June 30, 2019	7,687	(27.9)	435	41.0	959	31.5	775	10.8
Three months ended June 30, 2018	10,667	26.2	309	9.6	729	49.7	700	89.4

(Note) Comprehensive income: Three months ended June 30, 2019: ¥668 million [-0.3%]

Three months ended June 30, 2018: ¥670 million [20.8%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2019	31.51	—
Three months ended June 30, 2018	28.14	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2019	48,408	32,219	66.1
As of March 31, 2019	49,345	32,068	64.5

(Reference) Equity: As of June 30, 2019: ¥31,984 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)		—	—	18.00	18.00

(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
First half	15,500	(21.7)	600	(14.5)	1,050	(27.2)	800	(37.0)	32.44
Full year	39,000	2.6	1,700	1.8	2,400	(7.0)	1,800	(12.4)	72.98

(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 June 30, 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 June 30, 2019: 4,765,383 shares

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

3) Average number of shares during the period

Three months ended June 30, 2019: 24,627,417 shares

Three months ended June 30, 2018: 24,887,524 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 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 three months ended June 30, 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 exceeded levels 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 three months ended June 30, 2019, orders received totaled ¥7,673 million (down 25.4% year on year), and turnover amounted to ¥7,687 million (down 27.9% year on year).

As for profit and loss, operating income was ¥435 million (up 41.0% year on year); ordinary income was ¥959 million (up 31.5% year on year), mainly because of equity in earnings of affiliates and dividend income; and profit attributable to owners of parent was ¥775 million (up 10.8% year on year).

(2) Explanation of Financial Position

Total assets as of June 30, 2019, decreased ¥937 million from the end of the previous consolidated fiscal year, reaching ¥48,408 million. This was mainly because, under current assets, notes and accounts receivable – trade decreased ¥1,615 million, offsetting the ¥647 million increase in construction in progress included in “Other” under non-current assets.

In addition, under liabilities, total liabilities decreased ¥1,088 million from the end of the previous consolidated fiscal year to ¥16,188 million. This was mainly because, under current liabilities, notes and accounts payable – trade decreased ¥1,648 million.

Under net assets, total net assets increased ¥151 million from the end of the previous consolidated fiscal year, to ¥32,219 million. This was mainly because, under retained earnings, while profit attributable to owners of parent company increased ¥775 million, there was a decrease of ¥458 million for cash dividends paid, and valuation difference on available-for-sale securities decreased ¥102 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 first-half and full-year results forecasts published in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 [Japanese GAAP],” dated May 14, 2019.

2. Consolidated Quarterly Financial Statements and Important Notes

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	11,051,251	10,526,038
Notes and accounts receivable - trade	12,505,846	10,890,641
Merchandise and finished goods	2,024,057	2,421,079
Raw materials and supplies	534,604	531,567
Other	286,154	325,340
Provision for doubtful accounts	(16,589)	(12,389)
Total current assets	26,385,324	24,682,277
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,861,064	2,809,693
Land	3,691,707	3,694,863
Other, net	2,675,595	3,305,633
Total property, plant and equipment	9,228,367	9,810,190
Intangible assets	101,360	93,875
Investments and other assets		
Investment securities	13,331,756	13,562,613
Other	430,828	391,528
Provision for doubtful accounts	(131,930)	(131,973)
Total investments and other assets	13,630,654	13,822,169
Total non-current assets	22,960,382	23,726,235
Total assets	49,345,707	48,408,512
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,664,700	9,016,112
Short-term loans	1,230,261	1,234,841
Income taxes payable	432,870	105,295
Provision for bonuses	182,750	—
Other	1,060,491	2,135,344
Total current liabilities	13,571,074	12,491,593
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	2,673,504
Other	951,237	997,676
Total non-current liabilities	3,706,483	3,697,055
Total liabilities	17,277,558	16,188,649

(Thousand yen)

	As of March 31, 2019	As of June 30, 2019
Net assets		
Shareholders' equity		
Share capital	5,251,400	5,251,400
Share premium	4,736,524	4,736,524
Retained earnings	23,126,662	23,444,407
Treasury shares	(1,910,923)	(1,969,534)
Total shareholders' equity	31,203,663	31,462,797
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	665,198	562,860
Difference in foreign exchange	233,208	216,536
Remeasurements of defined benefit	(267,057)	(257,492)
Total accumulated other comprehensive income	631,349	521,904
Non-controlling interests	233,135	235,161
Total net assets	32,068,148	32,219,863
Total liabilities and net assets	49,345,707	48,408,512

(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, 2018	For the three months ended June 30, 2019
Turnover	10,667,434	7,687,762
Cost of sales	9,220,351	6,241,011
Gross profit	1,447,083	1,446,751
Selling, general and administrative expenses	1,137,932	1,010,987
Operating income	309,150	435,764
Non-operating income		
Interest income	612	509
Dividend income	55,092	57,968
Share of income of associates	346,929	424,915
Foreign exchange gains	—	13,014
Other	36,986	39,001
Total non-operating income	439,620	535,410
Non-operating expenses		
Interest expenses	6,252	7,415
Foreign exchange losses	8,842	—
Other	4,435	4,509
Total non-operating expenses	19,529	11,925
Ordinary income	729,241	959,248
Extraordinary income		
Gain on sales of fixed assets	138,718	—
State subsidy	1,440	1,440
Total extraordinary income	140,158	1,440
Profit before income taxes and minority interests	869,399	960,688
Income taxes - current	115,517	105,925
Income taxes - deferred	52,392	76,809
Total income taxes	167,910	182,735
Profit after income taxes	701,489	777,953
Profit attributable to non-controlling interests	1,217	2,025
Profit attributable to owners of parent company	700,272	775,927

Consolidated Quarterly Statements of Comprehensive Income

Three Months Ended June 30

(Thousand yen)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Profit after income taxes	701,489	777,953
Other comprehensive income		
Valuation difference on available-for-sale securities	(64,461)	(85,016)
Difference in foreign exchange	18,210	(16,671)
Remeasurements of defined benefit	17,128	11,239
Share of other comprehensive income of associates	(1,979)	(18,996)
Total other comprehensive income	(31,100)	(109,445)
Comprehensive income	670,388	668,507
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent company	669,171	666,481
Comprehensive income attributable to non-controlling interests	1,217	2,025

(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)

(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 three months ended June, 2018 (April 1, 2018 to June 30, 2018)

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)
	Foundations	Sewerage- related	Solar Power Generation and Real Estate	Total				
Turnover								
Turnover to external customers	7,877,972	2,399,090	349,222	10,626,286	41,148	10,667,434	—	10,667,434
Inter-segment turnover or transfers	860	—	9,695	10,556	—	10,556	(10,556)	—
Total	7,878,833	2,399,090	358,918	10,636,842	41,148	10,677,991	(10,556)	10,667,434
Segment income	328,727	222,617	190,803	742,148	9,519	751,668	(442,517)	309,150

(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 ¥(442,517) 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 three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)

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)
	Foundations	Sewerage- related	Solar Power Generation and Real Estate	Total				
Turnover								
Turnover to external customers	5,059,514	2,239,119	352,589	7,651,223	36,539	7,687,762	—	7,687,762
Inter-segment turnover or transfers	1,607	—	9,884	11,492	—	11,492	(11,492)	—
Total	5,061,121	2,239,119	362,474	7,662,715	36,539	7,699,255	(11,492)	7,687,762
Segment income	245,512	338,195	217,259	800,967	6,745	807,712	(371,948)	435,764

(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 ¥(371,948) 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 first quarter of the previous consolidated fiscal year is disclosed based on the method adopted with this change.