

Consolidated Quarterly Financial Results for the Three Months Ended June 30, 2018 [Japanese GAAP]

August 10, 2018

Company: **Hokuetsu Corporation**

Stock Exchange Listing: Tokyo

Stock Code: 3865

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Scheduled date of filing quarterly report: August 13, 2018

Scheduled date of commencement of dividend payments: –

Supplementary documents for quarterly results: None

Quarterly results briefing: None

(Figures rounded down to the nearest million yen)

1. Consolidated Business Results for the Three Months Ended June 30, 2018 (April 1, 2018 through June 30, 2018)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2018	68,367	1.7	2,773	(26.8)	5,370	13.5	3,727	(2.6)
Three months ended June 30, 2017	67,196	1.6	3,786	5.9	4,733	109.3	3,827	74.5

(Note) Comprehensive income: Three months ended June 30, 2018: 451 million yen (-87.5%)
Three months ended June 30, 2017: 3,613 million yen (91.3%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2018	19.72	19.37
Three months ended June 30, 2017	20.30	20.15

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2018	366,773	191,196	51.9
As of March 31, 2018	366,447	191,977	52.2

(Reference) Equity: As of June 30, 2018: 190,408 million yen
As of March 31, 2018: 191,154 million yen

2. Dividends

	Annual dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	–	6.00	–	6.00	12.00
Fiscal year ending March 31, 2019	–				
Fiscal year ending March 31, 2019 (forecast)		6.00	–	6.00	12.00

(Note) Revisions to dividend forecasts published most recently: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 through March 31, 2019)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent company		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First six months	136,000	2.7	4,000	(12.3)	5,500	(20.8)	3,000	(44.1)	15.88
Full year	275,000	2.2	10,000	(12.4)	13,000	(6.5)	8,500	(17.7)	44.98

(Note) Revisions to business forecasts published most recently: None

*** Notes**

(1) Changes in significant subsidiaries during the three months ended June 30, 2018 (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements: None

(3) Changes in accounting policies, accounting estimates and restatement of prior period financial statements

(i) Changes in accounting policies due to revision of accounting standards: Yes

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement of prior period financial statements: None

(4) Shares outstanding (common stock)

(i) Number of shares outstanding (treasury stock included):

As of June 30, 2018	209,263,814 shares	As of March 31, 2018	209,263,814 shares
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(ii) Number of treasury stock:

As of June 30, 2018	20,272,824 shares	As of March 31, 2018	20,298,290 shares
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(iii) Average number of shares during period:

Three months ended June 30, 2018	188,976,247 shares	Three months ended June 30, 2017	188,581,784 shares
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*** Consolidated Quarterly Financial Results are exempted from quarterly review performed by a certified public accountant or an audit corporation.**

*** Explanation regarding appropriate use of business forecasts and other special instructions**

(Caution regarding forward-looking statements)

The forward-looking statements such as forecasts of financial results contained in this material are based on information available to the Company at the time of the publication of this document and certain assumptions that the Company considers to be reasonable, and may differ materially from the actual results due to various factors. Refer to "1. Qualitative Information on Consolidated Operating Results for the First Quarter; (3) Qualitative Information Concerning Consolidated Earnings Forecasts" on page 3 of the accompanying materials for matters related to results forecasts.

*** This document is an excerpt translation of the original in Japanese and is for reference purposes only. In case of any discrepancy between this document and the original in Japanese, the latter shall take precedence.**

1. Qualitative Information on Consolidated Operating Results for the First Quarter

(1) Qualitative Information Concerning Consolidated Operating Results

During the current three months, net sales amounted to 68,367 million yen (up 1.7% year on year) and operating income decreased to 2,773 million yen (down 26.8% year on year), due primarily to a steep rise in raw fuel prices despite increased revenues thanks to strong sales at overseas subsidiaries. Ordinary income rose to 5,370 million yen (up 13.5% year on year) and net income attributable to owners of parent company came to 3,727 million yen (down 2.6% year on year).

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets increased 325 million yen from the end of the previous fiscal year, to 366,773 million yen. Major factors included increases in merchandise and finished goods of 887 million yen, raw materials and supplies of 745 million yen and notes and account receivable-trade of 602 million yen, in spite of decreases in property, plant and equipment of 1,665 million yen due mainly to depreciation.

Total liabilities rose 1,105 million yen from the end of the previous fiscal year, to 175,576 million yen. This was attributable primarily to a rise in interest-bearing debt of 2,265 million yen despite a decrease in provisions of 1,471 million yen.

Net assets declined 780 million yen from the end of the previous fiscal year, to 191,196 million yen. This chiefly reflected a decline in foreign currency translation adjustment of 3,209 million yen despite an increase in retained earnings of 2,488 million yen, due mainly to net income attributable to owners of the parent company.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

The full-year consolidated earnings forecasts announced on May 14, 2018 remain unchanged.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2018	As of June 30, 2018
(Assets)		
Current assets		
Cash and deposits	14,315	13,070
Notes and accounts receivable - trade	69,178	69,781
Electronically recorded monetary claims	5,954	6,469
Merchandise and finished goods	23,500	24,387
Work in process	2,030	2,527
Raw materials and supplies	23,659	24,405
Other	6,033	6,267
Allowance for doubtful accounts	(82)	(79)
Total current assets	144,590	146,829
Non-current assets		
Property, plant and equipment		
Buildings and structures	82,098	82,474
Accumulated depreciation	(49,456)	(49,941)
Buildings and structures, net	32,641	32,532
Machinery, vehicles, tools, furniture and fixtures	418,924	420,932
Accumulated depreciation	(342,140)	(345,408)
Machinery, vehicles, tools, furniture and fixtures, net	76,783	75,524
Other, net	30,547	30,249
Total property, plant and equipment	139,972	138,306
Intangible assets	3,091	2,971
Investments and other assets		
Investments in securities	71,725	71,763
Other	9,505	9,340
Allowance for doubtful accounts	(2,437)	(2,437)
Total investments and other assets	78,793	78,665
Total non-current assets	221,857	219,943
Total assets	366,447	366,773

(Million yen)

	As of March 31, 2018	As of June 30, 2018
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	21,840	21,227
Electronically recorded obligations	7,118	7,044
Short-term debt	21,941	22,379
Commercial papers	11,000	13,000
Current portion of bonds	10,000	10,000
Income taxes payable	1,801	1,170
Provision	3,277	1,843
Other	13,852	15,665
Total current liabilities	90,832	92,330
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term debt, less current maturities	45,064	44,835
Provision	977	939
Liability for defined benefit	11,772	11,829
Asset retirement obligations	2,950	2,760
Other	2,873	2,880
Total non-current liabilities	83,638	83,245
Total liabilities	174,470	175,576
Net assets		
Shareholders' equity		
Capital stock	42,020	42,020
Capital surplus	45,524	45,522
Retained earnings	98,814	101,303
Treasury stock	(9,976)	(9,964)
Total shareholders' equity	176,383	178,882
Accumulated other comprehensive income		
Unrealized holding gains on securities, net of taxes	11,360	11,328
Unrealized losses on hedging derivatives, net of taxes	(21)	5
Foreign currency translation adjustment	3,064	(145)
Remeasurements of retirement benefit, net of taxes	367	336
Total accumulated other comprehensive income	14,770	11,525
Subscription rights to shares	121	117
Non-controlling interests	701	671
Total net assets	191,977	191,196
Total liabilities and net assets	366,447	366,773

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income
(First three-month period)

	(Million yen)	
	For the three-month ended June 30, 2017	For the three-month ended June 30, 2018
Net sales	67,196	68,367
Cost of sales	53,010	55,422
Gross profit	14,186	12,944
Selling, general and administrative expenses	10,399	10,171
Operating income	3,786	2,773
Non-operating income		
Interest income	15	18
Dividends income	472	494
Equity in income of affiliates	165	491
Foreign currency exchange gains	313	1,227
Others	253	736
Total non-operating income	1,220	2,967
Non-operating expenses		
Interest expenses	156	175
Others	117	195
Total non-operating expenses	273	370
Ordinary income	4,733	5,370
Extraordinary income		
Gain on sales of property, plant and equipment	199	1
Gain on sales of investment in securities	46	-
Gain on change in equity of affiliates	-	16
Insurance income	20	24
Total extraordinary income	266	41
Extraordinary losses		
Loss on sales and retirement of property, plant and equipment	181	333
Impairment loss	-	5
Loss on reduction of property, plant and equipment	10	16
Total extraordinary losses	191	354
Income before income taxes	4,807	5,058
Income taxes - current	539	1,231
Income taxes - deferred	387	121
Total income taxes	926	1,353
Net income	3,881	3,705
Net income (loss) attributable to non-controlling interests	53	(22)
Net income attributable to owners of parent company	3,827	3,727

Quarterly Consolidated Statements of Comprehensive Income
(First three-month period)

(Million yen)

	For the three-month ended June 30, 2017	For the three-month ended June 30, 2018
Net income	3,881	3,705
Other comprehensive income		
Unrealized holding gains (loss) on securities, net of taxes	860	(182)
Unrealized gains (loss) on hedging derivatives, net of taxes	33	8
Foreign currency translation adjustment	(1,378)	(3,217)
Remeasurements of retirement benefit, net of taxes	(19)	(31)
Share of other comprehensive income of associates accounted for using equity method	235	169
Total other comprehensive income	(268)	(3,253)
Comprehensive income	3,613	451
Comprehensive income attributable to owners of parent company	3,568	481
Comprehensive income attributable to non-controlling interests	44	(29)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Notes on Any Significant Change in the Value of Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

Overseas consolidated subsidiaries that have adopted IFRSs commenced the application of IFRS 15: Revenue from Contracts with Customers in the first quarter of the fiscal year. The impact of the application of these accounting standards on the Company's consolidated quarterly financial statements is immaterial.

(Additional Information)

The Company commenced the application of the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) in the first quarter of the current fiscal year; accordingly, the amount of deferred tax assets is presented under "investments and other assets," and the amount of deferred tax liabilities is presented under "non-current liabilities."