

# Consolidated Quarterly Financial Results for the Nine Months Ended December 31, 2018 [Japanese GAAP]

February 12, 2019

Company: **Hokuetsu Corporation**

Stock Exchange Listing: Tokyo

Stock Code: 3865

URL: <http://www.hokuetsucorp.com>

Representative: Sekio Kishimoto, President & CEO

Contact: Tomonari Maruyama, General Manager, Accounting Department

TEL: +81-3-3245-4500

Scheduled date of filing quarterly report: February 13, 2019

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 Nine Months Ended December 31, 2018 (April 1, 2018 through December 31, 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	%
Nine months ended December 31, 2018	206,121	2.7	4,307	(47.2)	6,150	(43.0)	3,654	(47.6)
Nine months ended December 31, 2017	200,667	2.2	8,151	(8.1)	10,795	10.0	6,975	0.3

(Note) Comprehensive income: Nine months ended December 31, 2018: -1,305 million yen (–%)  
Nine months ended December 31, 2017: 10,785 million yen (89.4%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2018	19.34	18.94
Nine months ended December 31, 2017	36.94	36.08

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2018	371,160	188,284	50.5
As of March 31, 2018	366,447	191,977	52.2

(Reference) Equity: As of December 31, 2018: 187,504 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	–	6.00	–		
Fiscal year ending March 31, 2019 (forecast)				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
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 nine months ended December 31, 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 December 31, 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 December 31, 2018	20,239,700 shares	As of March 31, 2018	20,298,290 shares
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(iii) Average number of shares during period:

Nine months ended December 31, 2018	188,997,630 shares	Nine months ended December 31, 2017	188,817,769 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 Nine-Month Period; (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 Nine-Month Period

### (1) Qualitative Information Concerning Consolidated Operating Results

During the current nine months, due primarily to a steep rise in raw fuel prices despite increased revenues as a result of strong sales at overseas subsidiaries, net sales amounted to 206,121 million yen (up 2.7% year on year) but operating income decreased to 4,307 million yen (down 47.2% year on year). Ordinary income fell to 6,150 million yen (down 43.0% year on year) and net income attributable to owners of parent company came to 3,654 million yen (down 47.6% year on year).

### (2) Qualitative Information Concerning Consolidated Financial Position

Total assets increased 4,712 million yen from the end of the previous fiscal year, to 371,160 million yen. Major factors included increases in cash and deposits of 1,414 million yen, notes and accounts receivable - trade of 2,603 million yen, and raw materials and supplies of 2,706 million yen, offsetting a decrease in property, plant and equipment of 2,385 million yen due mainly to depreciation.

Total liabilities rose 8,404 million yen from the end of the previous fiscal year, to 182,875 million yen. This was primarily due to an increase in interest-bearing debt of 9,091 million yen.

Net assets declined 3,692 million yen from the end of the previous fiscal year, to 188,284 million yen. This was chiefly attributable to decreases in unrealized holding gains on available-for-sale securities, net of taxes, of 3,409 million yen, and foreign currency translation adjustment of 1,297 million yen, offsetting an increase in retained earnings of 1,283 million yen mainly due to income attributable to owners of 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 December 31, 2018
(Assets)		
Current assets		
Cash and deposits	14,315	15,730
Notes and accounts receivable - trade	69,178	71,782
Electronically recorded monetary claims	5,954	6,751
Merchandise and finished goods	23,500	22,842
Work in process	2,030	1,880
Raw materials and supplies	23,659	26,365
Other	6,033	6,730
Allowance for doubtful accounts	(82)	(67)
Total current assets	144,590	152,017
Non-current assets		
Property, plant and equipment		
Buildings and structures	82,098	83,746
Accumulated depreciation	(49,456)	(50,395)
Buildings and structures, net	32,641	33,350
Machinery, vehicles, tools, furniture and fixtures	418,924	426,535
Accumulated depreciation	(342,140)	(351,392)
Machinery, vehicles, tools, furniture and fixtures, net	76,783	75,143
Other, net	30,547	29,093
Total property, plant and equipment	139,972	137,587
Intangible assets	3,091	3,039
Investments and other assets		
Investments in securities	71,725	71,501
Other	9,505	9,449
Allowance for doubtful accounts	(2,437)	(2,435)
Total investments and other assets	78,793	78,516
Total non-current assets	221,857	219,143
Total assets	366,447	371,160

(Million yen)

	As of March 31, 2018	As of December 31, 2018
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	21,840	21,656
Electronically recorded obligations	7,118	7,022
Short-term debt	21,941	22,903
Commercial papers	11,000	15,000
Current portion of bonds	10,000	10,000
Income taxes payable	1,801	1,517
Provision	3,277	2,217
Other	13,852	15,812
Total current liabilities	90,832	96,130
<b>Non-current liabilities</b>		
Bonds payable	20,000	20,000
Long-term debt, less current maturities	45,064	49,170
Provision	977	1,595
Liability for defined benefit	11,772	12,071
Asset retirement obligations	2,950	2,697
Other	2,873	1,210
Total non-current liabilities	83,638	86,745
Total liabilities	174,470	182,875
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	42,020	42,020
Capital surplus	45,524	45,293
Retained earnings	98,814	100,097
Treasury stock	(9,976)	(9,946)
Total shareholders' equity	176,383	177,465
<b>Accumulated other comprehensive income</b>		
Unrealized holding gains on securities, net of taxes	11,360	7,951
Unrealized losses on hedging derivatives, net of taxes	(21)	5
Foreign currency translation adjustment	3,064	1,767
Remeasurements of retirement benefit, net of taxes	367	314
Total accumulated other comprehensive income	14,770	10,038
Subscription rights to shares	121	106
Non-controlling interests	701	674
Total net assets	191,977	188,284
Total liabilities and net assets	366,447	371,160

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

	(Million yen)	
	For the nine-month ended December 31, 2017	For the nine-month ended December 31, 2018
Net sales	200,667	206,121
Cost of sales	161,833	171,157
Gross profit	38,833	34,964
Selling, general and administrative expenses	30,681	30,656
Operating income	8,151	4,307
Non-operating income		
Interest income	55	58
Dividends income	933	923
Equity in income of affiliates	1,238	771
Other	1,733	1,851
Total non-operating income	3,961	3,604
Non-operating expenses		
Interest expenses	490	596
Environmental expenses	434	679
Other	392	485
Total non-operating expenses	1,317	1,761
Ordinary income	10,795	6,150
Extraordinary income		
Gain on sales of property, plant and equipment	259	222
Gain on sales of investment in securities	46	0
Gain on change in equity of affiliates	-	256
Gain on liquidation of subsidiaries and associates	30	-
Gain on transfer of business	-	87
Insurance income	138	50
Other	1	1
Total extraordinary income	475	617
Extraordinary losses		
Loss on sales and retirement of property, plant and equipment	2,378	955
Impairment loss	-	5
Loss on disaster	161	348
Loss on reduction of property, plant and equipment	35	34
Loss on sales of shares of subsidiaries and associates	54	-
Other	0	-
Total extraordinary losses	2,630	1,343
Income before income taxes	8,640	5,424
Income taxes - current	1,501	2,512
Income taxes - deferred	26	(565)
Total income taxes	1,527	1,946
Net income	7,112	3,478
Net income (loss) attributable to non-controlling interests	137	(176)
Net income attributable to owners of parent company	6,975	3,654

Quarterly Consolidated Statements of Comprehensive Income  
(Nine-month period)

(Million yen)

	For the nine-month ended December 31, 2017	For the nine-month ended December 31, 2018
Net income	7,112	3,478
Other comprehensive income		
Unrealized holding gains (loss) on securities, net of taxes	1,960	(2,938)
Unrealized gains (loss) on hedging derivatives, net of taxes	38	26
Foreign currency translation adjustment	758	(1,349)
Remeasurements of retirement benefit, net of taxes	(53)	(89)
Share of other comprehensive income of associates accounted for using equity method	969	(433)
Total other comprehensive income	3,673	(4,784)
Comprehensive income	10,785	(1,305)
Comprehensive income attributable to owners of parent company	10,637	(1,077)
Comprehensive income attributable to non-controlling interests	148	(228)

(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 current 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."