

# Consolidated Quarterly Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]

August 7, 2020

Company: **Hokuetsu Corporation**

Stock Exchange Listing: Tokyo

Stock Code: 3865

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

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Scheduled date of filing quarterly report: August 11, 2020

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, 2020

(April 1, 2020 through June 30, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2020	51,438	(28.1)	(1,277)	–	877	(87.2)	2,490	(49.1)
Three months ended June 30, 2019	71,560	4.7	5,935	114.0	6,828	27.1	4,891	31.2

(Note) Comprehensive income: Three months ended June 30, 2020: 1,554 million yen (-62.1%)  
Three months ended June 30, 2019: 4,103 million yen (808.2%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2020	14.83	13.99
Three months ended June 30, 2019	25.87	25.51

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2020	344,941	181,401	52.4
As of March 31, 2020	344,731	180,861	52.3

(Reference) Equity: As of June 30, 2020: 180,709 million yen  
As of March 31, 2020: 180,183 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, 2020	–	6.00	–	6.00	12.00
Fiscal year ending March 31, 2021	–				
Fiscal year ending March 31, 2021 (forecast)		7.00	–	7.00	14.00

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

## 3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2021

(April 1, 2020 through March 31, 2021)

(% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (Accumulated)	100,000	(26.9)	(2,000)	–	1,000	(89.5)	1,000	(84.7)	5.96
Full year	210,000	(20.6)	1,000	(91.1)	5,500	(64.9)	3,500	(56.6)	20.84

(Note) Revisions to business forecasts published most recently: Yes

## Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2020 (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 amendment of accounting standards: None

(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, 2020	188,053,114 shares	As of March 31, 2020	188,053,114 shares
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(ii) Number of treasury stock:

As of June 30, 2020	20,140,791 shares	As of March 31, 2020	20,140,702 shares
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(iii) Average number of shares during period:

Three months ended June 30, 2020	167,912,371 shares	Three months ended June 30, 2019	189,050,357 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 51,438 million yen (down 28.1% year on year), the operating loss was 1,277 million yen (compared to operating profit of 5,935 million yen in the same period of the previous fiscal year), ordinary profit decreased to 877 million yen (down 87.2% year on year), and profit attributable to owners of parent came to 2,490 million yen (down 49.1% year on year) due primarily to a sharp decline in demand in the overall industry as a result of the spread of the novel coronavirus infection disease (COVID-19).

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

Total assets increased 210 million yen from the end of the previous fiscal year, to 344,941 million yen. This was attributable primarily to increases of 906 million yen in merchandise and finished goods, 679 million yen in raw materials and supplies, 1,616 million yen in investment securities, and 3,090 million yen in deferred tax assets included in investments and other assets, which more than offset decreases of 4,763 million yen in notes and accounts receivable - trade and 1,621 million yen in property, plant and equipment due to depreciation, etc.

Total liabilities fell 328 million yen from the end of the previous fiscal year, to 163,540 million yen. This was attributable primarily to decreases of 2,396 million yen in notes and accounts payable - trade, 734 million yen in income taxes payable, and 1,594 million yen in provisions, which more than offset an increase of 4,548 million yen in interest-bearing liabilities.

Net assets rose 539 million yen from the end of the previous fiscal year, to 181,401 million yen. This chiefly reflected increases of 1,467 million yen in retained earnings due in part to profit attributable to owners of parent and 1,340 million yen in valuation difference on available-for-sale securities, which more than offset a decrease of 2,431 million yen in foreign currency translation adjustment.

### (3) Qualitative Information Concerning Consolidated Earnings Forecasts

Domestic and overseas demand for paper products and pulp is rapidly decreasing due to the impact of COVID-19, which is causing a fall in net sales and other adverse effects on the financial performance of the Hokuetsu Group. In light of more serious damage inflicted on the sales of printing and communication paper and pulp constituting the core products of the Hokuetsu Group, the Group now expects that net sales, operating profit, ordinary profit, and profit attributable to owners of parent for the fiscal year ending March 31, 2021, to fall below the levels of its previous forecast.

## 2. Consolidated Quarterly Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2020	As of June 30, 2020
<b>(Assets)</b>		
Current assets		
Cash and deposits	21,383	22,017
Notes and accounts receivable - trade	50,078	45,314
Electronically recorded monetary claims - operating	6,427	5,429
Merchandise and finished goods	29,200	30,106
Work in process	2,429	2,017
Raw materials and supplies	22,722	23,402
Other	5,445	6,954
Allowance for doubtful accounts	(6)	(5)
Total current assets	137,679	135,236
Non-current assets		
Property, plant and equipment		
Buildings and structures	84,722	84,758
Accumulated depreciation	(52,954)	(53,211)
Buildings and structures, net	31,767	31,546
Machinery, vehicles, tools, furniture and fixtures	429,962	432,917
Accumulated depreciation	(366,006)	(368,701)
Machinery, vehicles, tools, furniture and fixtures, net	63,955	64,215
Other, net	31,667	30,007
Total property, plant and equipment	127,390	125,769
Intangible assets	2,984	2,860
Investments and other assets		
Investment in securities	70,366	71,982
Other	8,734	11,516
Allowance for doubtful accounts	(2,425)	(2,424)
Total investments and other assets	76,675	81,075
Total non-current assets	207,051	209,705
Total assets	344,731	344,941

(Million yen)

	As of March 31, 2020	As of June 30, 2020
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	19,360	16,964
Electronically recorded obligations - operating	6,317	6,423
Short-term loans	19,338	21,151
Commercial papers	7,000	10,000
Current portion of bonds payable	—	10,000
Income taxes payable	1,086	352
Provision	3,574	2,100
Other	14,853	14,550
Total current liabilities	71,531	81,541
Non-current liabilities		
Bonds payable	30,000	20,000
Long-term loans	48,460	48,360
Provision	1,376	1,256
Retirement benefit liability	7,266	7,334
Asset retirement obligations	2,441	2,336
Other	2,792	2,710
Total non-current liabilities	92,337	81,998
Total liabilities	163,869	163,540
Net assets		
Shareholders' equity		
Share capital	42,020	42,020
Capital surplus	45,341	45,341
Retained earnings	100,879	102,347
Treasury shares	(9,708)	(9,708)
Total shareholders' equity	178,533	180,000
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,159	3,500
Deferred gains or losses on hedges	21	21
Foreign currency translation adjustment	337	(2,093)
Remeasurements of defined benefit plans	(868)	(719)
Total accumulated other comprehensive income	1,650	708
Share acquisition rights	81	89
Non-controlling interests	596	602
Total net assets	180,861	181,401
Total liabilities and net assets	344,731	344,941

(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, 2019	For the three-month ended June 30, 2020
Net sales	71,560	51,438
Cost of sales	55,138	43,757
Gross profit	16,421	7,680
Selling, general and administrative expenses	10,486	8,957
Operating profit (loss)	5,935	(1,277)
Non-operating income		
Interest income	21	12
Dividends income	455	471
Share of profit of entities accounted for using equity method	547	1,462
Others	537	695
Total non-operating income	1,561	2,642
Non-operating expenses		
Interest expenses	172	113
Foreign exchange losses	305	-
Leave allowance	-	151
Others	189	222
Total non-operating expenses	668	487
Ordinary profit	6,828	877
Extraordinary income		
Gain on sales of non-current assets	20	5
Gain on sales of investment securities	88	100
Insurance claim income	7	12
Total extraordinary income	115	118
Extraordinary losses		
Loss on sales and retirement of non-current assets	302	343
Loss on tax purpose reduction entry of non-current assets	-	12
Loss on sales of investment securities	-	3
Loss on valuation of investment securities	17	1,111
Total extraordinary losses	320	1,471
Profit (loss) before income taxes	6,624	(474)
Income taxes - current	1,330	320
Income taxes - deferred	389	(3,303)
Total income taxes	1,719	(2,983)
Profit	4,904	2,508
Profit attributable to non-controlling interests	13	17
Profit attributable to owners of parent	4,891	2,490

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

(Million yen)

	For the three-month ended June 30, 2019	For the three-month ended June 30, 2020
Profit	4,904	2,508
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,397)	1,164
Deferred gains or losses on hedges	7	3
Foreign currency translation adjustment	640	(2,443)
Remeasurements of defined benefit plans, net of tax	(27)	49
Share of other comprehensive income of entities accounted for using equity method	(23)	271
Total other comprehensive income	(800)	(953)
Comprehensive income	4,103	1,554
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,080	1,548
Comprehensive income attributable to non-controlling interests	23	5

(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.