

Consolidated Quarterly Financial Results for the Nine Months Ended December 31, 2017 [Japanese GAAP]

February 13, 2018

Company: **Hokuetsu Kishu Paper Co., Ltd.**
 Stock Code: 3865
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 Scheduled date of submission of quarterly report: February 14, 2018
 Scheduled date of commencement of dividend payments: –
 Supplementary documents for quarterly results: None
 Quarterly results briefing: None

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(Figures rounded down to the nearest million yen)

1. Consolidated Business Results for the Nine Months Ended December 31, 2017 (April 1, 2017 through December 31, 2017)

(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, 2017	200,667	2.2	8,151	(8.1)	10,795	10.0	6,975	0.3
Nine months ended December 31, 2016	196,342	11.3	8,873	77.5	9,812	110.6	6,957	174.7

(Note) Comprehensive income:
 Nine Months Ended December 31, 2017: 10,785 million yen (89.4%)
 Nine Months Ended December 31, 2016: 5,695 million yen (79.4%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2017	36.94	36.08
Nine months ended December 31, 2016	36.92	35.65

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2017	372,307	189,811	50.8
As of March 31, 2017	362,205	181,034	49.8

(Reference) Equity:
 As of December 31, 2017: 189,036 million yen
 As of March 31, 2017: 180,294 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, 2017	–	6.00	–	6.00	12.00
Fiscal year ending March 31, 2018	–	6.00	–		
Fiscal year ending March 31, 2018 (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, 2018 (April 1, 2017 through March 31, 2018)

(% 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	4.8	12,000	(7.0)	16,000	13.8	11,000	6.0	58.25

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

*** Notes**

(1) Changes in significant subsidiaries during the nine months ended December 31, 2017 (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: 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 at the end of period (treasury stock included):

As of December 31, 2017	209,263,814 shares	As of March 31, 2017	209,263,814 shares
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(ii) Number of treasury stock at the end of period:

As of December 31, 2017	20,221,685 shares	As of March 31, 2017	20,794,944 shares
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(iii) Average number of shares during period:

Nine months ended December 31, 2017	188,817,769 shares	Nine months ended December 31, 2016	188,435,945 shares
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*** The quarterly business result report is exempt from the quarterly review procedure based on the Financial Instruments and Exchange Act.**

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

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, etc. 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, etc. for the Nine-Month Period

(1) Qualitative Information Concerning Consolidated Operating Results

During the nine months under review, net sales were 200,667 million yen (up 2.2% year on year), operating income was 8,151 million yen (down 8.1% year on year), ordinary income was 10,795 million yen (up 10.0% year on year) and net income attributable to owners of parent company was 6,975 million yen (up 0.3% year on year) due to increased revenue and improved profitability of overseas subsidiaries, while the raw fuel price rose sharply.

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets increased 10,102 million yen from the end of the previous fiscal year, to 372,307 million yen. Major factors included increases in cash and deposits of 5,348 million yen, merchandise and finished goods of 2,556 million yen and investment securities of 4,754 million yen, chiefly reflecting rising stock prices, in spite of a decrease in property, plant and equipment of 3,658 million yen due mainly to depreciation.

Total liabilities increased 1,325 million yen from the end of the previous fiscal year, to 182,496 million yen. This was mainly because notes and accounts payable - trade, notes payable - facilities and accounts payable - facilities included in others under current liabilities, and deferred tax liabilities included in others under non-current liabilities increased 1,411 million yen, 980 million yen, 889 million yen and 1,003 million yen, respectively, despite a decrease in interest-bearing debt of 2,975 million yen.

Net assets rose 8,776 million yen from the end of the previous fiscal year, to 189,811 million yen. This chiefly reflected an increase in retained earnings of 4,709 million yen, due mainly to net income attributable to owners of parent company, and an increase in unrealized holding gains on available-for-sale securities net of taxes of 2,903 million yen, due mainly to stock price increase.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

The full-year earnings forecasts announced on November 13, 2017 are not revised.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2017	As of December 31, 2017
(Assets)		
Current assets		
Cash and deposits	19,494	24,842
Notes and accounts receivable - trade	64,150	60,756
Electronically recorded monetary claims	3,858	5,508
Merchandise and finished goods	20,510	23,066
Work in process	1,976	1,885
Raw materials and supplies	22,402	24,349
Other	7,254	8,773
Allowance for doubtful accounts	(48)	(444)
Total current assets	139,598	148,738
Non-current assets		
Property, plant and equipment		
Buildings and structures	80,360	81,434
Accumulated depreciation	(47,394)	(48,706)
Buildings and structures, net	32,966	32,728
Machinery, vehicles, tools, furniture and fixtures	410,774	417,089
Accumulated depreciation	(328,827)	(338,560)
Machinery, vehicles, tools, furniture and fixtures, net	81,946	78,529
Other, net	29,468	29,465
Total property, plant and equipment	144,381	140,722
Intangible assets	3,172	3,063
Investments and other assets		
Investment securities	68,906	73,660
Other	8,606	8,566
Allowance for doubtful accounts	(2,460)	(2,444)
Total investments and other assets	75,052	79,782
Total non-current assets	222,606	223,569
Total assets	362,205	372,307

(Million yen)

	As of March 31, 2017	As of December 31, 2017
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	20,149	21,561
Electronically recorded obligations	7,737	8,018
Short-term loans payable	26,823	20,105
Commercial papers	11,000	15,500
Income taxes payable	1,334	1,064
Provision	3,109	2,085
Other	13,409	15,059
Total current liabilities	83,564	83,395
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term debt, less current maturities	48,540	47,919
Provision	840	965
Liability for defined benefit	13,656	13,928
Asset retirement obligations	2,056	2,676
Other	2,511	3,610
Total non-current liabilities	97,605	99,101
Total liabilities	181,170	182,496
Net assets		
Shareholders' equity		
Capital stock	42,020	42,020
Capital surplus	45,396	45,526
Retained earnings	90,752	95,462
Treasury stock	(10,160)	(9,920)
Total shareholders' equity	168,010	173,089
Accumulated other comprehensive income		
Unrealized holding gains on available-for-sale securities, net of taxes	10,534	13,438
Unrealized losses on hedging derivatives, net of taxes	(56)	(14)
Foreign currency translation adjustment	1,595	2,343
Remeasurements of retirement benefit, net of taxes	210	179
Total accumulated other comprehensive income	12,284	15,946
Share subscription rights	140	120
Non-controlling interests	600	654
Total net assets	181,034	189,811
Total liabilities and net assets	362,205	372,307

(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, 2016	For the nine-month ended December 31, 2017
Net sales	196,342	200,667
Cost of sales	157,480	161,833
Gross profit	38,862	38,833
Selling, general and administrative expenses	29,988	30,681
Operating income	8,873	8,151
Non-operating income		
Interest income	50	55
Dividends income	778	933
Foreign currency exchange gains	1,823	1,238
Other	931	1,733
Total non-operating income	3,584	3,961
Non-operating expenses		
Interest expenses	482	490
Foreign currency exchange losses	342	-
Costs in relation to suspending the operation of production equipment	1,261	-
Environmental expenses	-	434
Other	557	392
Total non-operating expenses	2,645	1,317
Ordinary income	9,812	10,795
Extraordinary income		
Gain on sales of property, plant and equipment	16	259
Gain on sales of investment securities	12	46
Gain on liquidation of associates	-	30
Insurance income	-	138
Other	1	1
Total extraordinary income	30	475
Extraordinary losses		
Loss on sales or disposal of property, plant and equipment	1,373	2,378
Loss on disaster	-	161
Loss on reduction of property, plant and equipment	1	35
Loss on sales of shares of associates	-	54
Other	12	0
Total extraordinary losses	1,387	2,630
Income before income taxes	8,455	8,640
Income taxes - current	968	1,501
Income taxes - deferred	578	26
Total income taxes	1,547	1,527
Net income	6,908	7,112
Net income (loss) attributable to non-controlling interests	(48)	137
Net income attributable to owners of parent company	6,957	6,975

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

(Million yen)

	For the nine-month ended December 31, 2016	For the nine-month ended December 31, 2017
Net income	6,908	7,112
Other comprehensive income		
Unrealized holding gains on available-for-sale securities, net of taxes	2,734	1,960
Unrealized gains on hedging derivatives, net of taxes	169	38
Foreign currency translation adjustment	(4,711)	758
Remeasurements of retirement benefit, net of taxes	(117)	(53)
Share of other comprehensive income of associates accounted for using equity method	712	969
Total other comprehensive income	(1,212)	3,673
Comprehensive income	5,695	10,785
Comprehensive income attributable to owners of parent company	5,845	10,637
Comprehensive income attributable to non-controlling interests	(149)	148

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

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

Not applicable.