

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

August 9, 2019

Company: **Hokuetsu Corporation**

Stock Exchange Listing: Tokyo

Stock Code: 3865

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Scheduled date of filing quarterly report: August 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 Three Months Ended June 30, 2019

(April 1, 2019 through June 30, 2019)

(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, 2019	71,560	4.7	5,935	114.0	6,828	27.1	4,891	31.2
Three months ended June 30, 2018	68,367	1.7	2,773	(26.8)	5,370	13.5	3,727	(2.6)

(Note) Comprehensive income: Three months ended June 30, 2019: 4,103 million yen (808.2%)
Three months ended June 30, 2018: 451 million yen (-87.5%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2019	25.87	25.51
Three months ended June 30, 2018	19.72	19.37

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2019	372,996	195,590	52.2
As of March 31, 2019	368,082	192,861	52.2

(Reference) Equity: As of June 30, 2019: 194,802 million yen
As of March 31, 2019: 192,104 million yen

2. Dividends

	Annual dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
Fiscal year ended March 31, 2019	–	6.00	–	6.00	12.00
Fiscal year ending March 31, 2020	–				
Fiscal year ending March 31, 2020 (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, 2020

(April 1, 2019 through March 31, 2020)

(% 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)	140,000	3.8	7,000	261.3	7,000	60.1	4,500	68.7	23.80
Full year	285,000	3.3	16,500	62.9	18,000	38.3	11,500	25.6	60.83

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

Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2019 (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 to 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, 2019	209,263,814 shares	As of March 31, 2019	209,263,814 shares
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(ii) Number of treasury stock:

As of June 30, 2019	20,213,496 shares	As of March 31, 2019	20,213,382 shares
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(iii) Average number of shares during period:

Three months ended June 30, 2019	189,050,357 shares	Three months ended June 30, 2018	188,976,247 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 71,560 million yen (up 4.7% year on year) and operating profit amounted to 5,935 million yen (up 114.0% year on year), due primarily to the price revision of paper in January 2019 and increased sales in overseas subsidiaries. Ordinary profit rose to 6,828 million yen (up 27.1% year on year) and profit attributable to owners of parent came to 4,891 million yen (up 31.2% year on year).

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets increased 4,913 million yen from the end of the previous fiscal year, to 372,996 million yen. This was attributable primarily to a rise in notes and accounts receivable – trade of 2,753 million yen and a rise in property, plant and equipment of 1,835 million yen due to a rise in right-of-use assets from the application of IFRS 16.

Total liabilities rose 2,185 million yen from the end of the previous fiscal year, to 177,405 million yen. This was attributable primarily to a rise in interest-bearing debt of 2,713 million yen due to a rise in lease liabilities from the application of IFRS 16, offsetting a decrease in provisions of 1,294 million yen.

Net assets rose 2,728 million yen from the end of the previous fiscal year, to 195,590 million yen. This chiefly reflected an increase in retained earnings of 3,508 million yen, due mainly to profit attributable to owners of parent despite a decline in valuation difference on available-for-sale securities of 1,388 million yen.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

The full-year consolidated earnings forecasts announced on May 17, 2019 remain unchanged.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2019	As of June 30, 2019
(Assets)		
Current assets		
Cash and deposits	15,202	13,764
Notes and accounts receivable - trade	67,708	70,462
Electronically recorded monetary claims - operating	6,228	6,420
Merchandise and finished goods	26,012	27,377
Work in process	2,247	2,170
Raw materials and supplies	26,679	28,414
Other	6,075	6,790
Allowance for doubtful accounts	(55)	(55)
Total current assets	150,098	155,345
Non-current assets		
Property, plant and equipment		
Buildings and structures	83,736	84,273
Accumulated depreciation	(50,949)	(51,527)
Buildings and structures, net	32,787	32,746
Machinery, vehicles, tools, furniture and fixtures	427,956	430,160
Accumulated depreciation	(354,882)	(358,276)
Machinery, vehicles, tools, furniture and fixtures, net	73,074	71,883
Other, net	29,018	32,085
Total property, plant and equipment	134,880	136,715
Intangible assets	2,907	3,165
Investments and other assets		
Investments in securities	73,287	71,598
Other	9,335	8,597
Allowance for doubtful accounts	(2,427)	(2,426)
Total investments and other assets	80,195	77,769
Total non-current assets	217,983	217,650
Total assets	368,082	372,996

(Million yen)

	As of March 31, 2019	As of June 30, 2019
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	21,409	22,045
Electronically recorded obligations - operating	6,632	6,630
Short-term borrowings	25,655	22,709
Commercial papers	10,500	13,500
Income taxes payable	2,531	969
Provision	3,413	2,069
Other	14,152	15,812
Total current liabilities	84,293	83,736
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term borrowings	43,331	44,188
Provision	1,386	1,435
Retirement benefit liability	12,014	12,136
Asset retirement obligations	2,376	2,430
Other	1,818	3,478
Total non-current liabilities	90,926	93,669
Total liabilities	175,220	177,405
Net assets		
Shareholders' equity		
Share capital	42,020	42,020
Capital surplus	45,348	45,348
Retained earnings	105,599	109,107
Treasury shares	(9,933)	(9,933)
Total shareholders' equity	183,034	186,543
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,876	7,487
Deferred gains or losses on hedges	(1)	(14)
Foreign currency translation adjustment	(388)	242
Remeasurements of defined benefit plans	583	543
Total accumulated other comprehensive income	9,070	8,259
Share acquisition rights	104	112
Non-controlling interests	651	675
Total net assets	192,861	195,590
Total liabilities and net assets	368,082	372,996

(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, 2018	For the three-month ended June 30, 2019
Net sales	68,367	71,560
Cost of sales	55,422	55,138
Gross profit	12,944	16,421
Selling, general and administrative expenses	10,171	10,486
Operating profit	2,773	5,935
Non-operating income		
Interest income	18	21
Dividends income	494	455
Share of profit of entities accounted for using equity method	491	547
Foreign exchange gains	1,227	-
Others	736	537
Total non-operating income	2,967	1,561
Non-operating expenses		
Interest expenses	175	172
Foreign exchange losses	-	305
Others	195	189
Total non-operating expenses	370	668
Ordinary profit	5,370	6,828
Extraordinary income		
Gain on sales of non-current assets	1	20
Gain on sales of investment in securities	-	88
Gain on change in equity	16	-
Insurance claim income	24	7
Total extraordinary income	41	115
Extraordinary losses		
Loss on sales and retirement of non-current assets	333	302
Impairment loss	5	-
Loss on tax purpose reduction entry of non-current assets	16	-
Loss on valuation of investment securities	-	17
Total extraordinary losses	354	320
Profit before income taxes	5,058	6,624
Income taxes - current	1,231	1,330
Income taxes - deferred	121	389
Total income taxes	1,353	1,719
Profit	3,705	4,904
Profit (loss) attributable to non-controlling interests	(22)	13
Profit attributable to owners of parent	3,727	4,891

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

(Million yen)

	For the three-month ended June 30, 2018	For the three-month ended June 30, 2019
Profit	3,705	4,904
Other comprehensive income		
Valuation difference on available-for-sale securities	(182)	(1,397)
Deferred gains or losses on hedges	8	7
Foreign currency translation adjustment	(3,217)	640
Remeasurements of defined benefit plans, net of tax	(31)	(27)
Share of other comprehensive income of entities accounted for using equity method	169	(23)
Total other comprehensive income	(3,253)	(800)
Comprehensive income	451	4,103
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	481	4,080
Comprehensive income attributable to non-controlling interests	(29)	23

(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 IFRS commenced the application of IFRS 16: Lease in the first quarter of the current fiscal year. Therefore, the lessee shall recognize assets and liabilities for all leases in the balance sheet, in principle. In applying IFRS 16, practical expedient is followed and the cumulative effect of initially applying IFRS 16 at the date of application is recognized as an adjustment to retained earnings at the beginning of the first quarter of the current fiscal year.

As a result, other, net in property, plant and equipment, other in current liabilities, and other in non-current liabilities at the end of the first quarter of the current fiscal year rose 2,250 million yen, 209 million yen, and 1,597 million yen, respectively. Other in current assets, other in investments and other assets declined 110 million yen and 632 million yen, respectively. The impact on income in the first quarter of the current fiscal year is immaterial. In addition, retained earnings at the beginning of the current fiscal year was decreased by 248 million yen.