

**Consolidated Financial Results
for the Year Ended March 31, 2020 [Japanese GAAP]**

May 15, 2020

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 Scheduled date of ordinary general meeting of shareholders: June 26, 2020
 Scheduled date of commencement of dividend payment: June 29, 2020
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 Supplementary documents for financial results: Yes
 Results briefing: None

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(Figures rounded down to the nearest million yen)

1. Consolidated financial results for the year ended March 31, 2020 (April 1, 2019 through March 31, 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	%
Year ended March 31, 2020	264,618	(4.1)	11,208	10.6	15,652	20.3	8,072	(11.8)
Year ended March 31, 2019	275,807	2.5	10,130	(11.2)	13,015	(6.4)	9,155	(11.3)

(Note) Comprehensive income: The year ended March 31, 2020: 677 million yen (-78.9%)
 The year ended March 31, 2019: 3,210 million yen (-75.3%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	43.45	40.95	4.3	4.4	4.2
Year ended March 31, 2019	48.44	47.73	4.8	3.5	3.7

(Reference) Investment income by equity method: The year ended March 31, 2020: 4,580 million yen
 The year ended March 31, 2019: 1,259 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	344,731	180,861	52.3	1,073.08
As of March 31, 2019	368,082	192,861	52.2	1,016.16

(Reference) Equity: As of March 31, 2020: 180,183 million yen
 As of March 31, 2019: 192,104 million yen

(3) Consolidated Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2020	43,974	(20,199)	(17,261)	21,383
Year ended March 31, 2019	21,626	(19,274)	(934)	15,202

2. Dividends

	Annual dividend per share					Total dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2019	–	6.00	–	6.00	12.00	2,274	24.8	1.2
Year ended March 31, 2020	–	6.00	–	6.00	12.00	2,148	27.6	1.1
Year ending March 31, 2021 (forecast)	–	7.00	–	7.00	14.00		31.3	

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)	120,000	(12.2)	2,000	(72.6)	3,500	(63.4)	1,500	(77.1)	8.93
Full year	250,000	(5.5)	9,000	(19.7)	13,000	(16.9)	7,500	(7.1)	44.67

*** Notes**

(1) Changes in significant subsidiaries during the year (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

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

(i) Changes in accounting policies due to amendment 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

(3) Shares outstanding (common stock)

(i) Number of shares outstanding at the year-end (treasury stock included):

As of March 31, 2020 188,053,114 shares As of March 31, 2019 209,263,814 shares

(ii) Number of treasury stock at the year-end:

As of March 31, 2020 20,140,702 shares As of March 31, 2019 20,213,382 shares

(iii) Average number of shares during the year:

For the year ended March 31, 2020 185,800,021 shares For the year ended March 31, 2019 189,007,882 shares

(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for the year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

(1) Non-consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2020	174,709	(1.7)	2,994	–	9,824	236.1	2,732	–
Year ended March 31, 2019	177,811	0.9	(2,091)	–	2,923	64.3	(5,810)	–

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Year ended March 31, 2020	14.67	14.66
Year ended March 31, 2019	(30.66)	–

(Note) Diluted earnings per share for the fiscal year ended March 31, 2019 are not stated because basic earnings per share are negative although there are dilutive shares.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	260,526	115,008	44.1	682.16
As of March 31, 2019	279,110	129,841	46.5	684.37

(Reference) Equity: As of March 31, 2020: 114,926 million yen
As of March 31, 2019: 129,737 million yen

*** The summary of financial results is exempt from audits conducted by certified public accountants 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. For assumptions of business forecasts and a note about the use of business forecasts, please refer to page 5 “1. Summary of Operating Results (4) Future outlook.”

*** 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. Summary of operating results

(1) Summary of operating results during the year

(Operating results during the year)

During the current year, net sales decreased due to weak demand in Japan and declining sales prices overseas, despite the revision of paper prices implemented in January 2019. On the profit side, both operating and ordinary profits rose, mainly reflecting the revision of paper prices and the effect of a range of cost reduction initiatives. However, profit attributable to owners of parent decreased chiefly due to an impairment loss on non-current assets posted by Jiangmen Xinghui Paper Mill Co., Ltd. The Group's consolidated financial results for the current year were as follows:

Net sales	264,618 million yen	(down 4.1% year on year)
Operating profit	11,208 million yen	(up 10.6% year on year)
Ordinary profit	15,652 million yen	(up 20.3% year on year)
Profit attributable to owners of parent	8,072 million yen	(down 11.8% year on year)

The performance of major segments is as follows:

(i) Pulp and paper business

(Million yen)

	Previous year	Current year	Difference
Net sales	248,253	237,895	(10,358)
Operating profit	7,956	9,321	1,365

In the pulp and paper business, net sales decreased due to weak demand in Japan and declining sales prices overseas, despite the revision of paper prices implemented in January 2019. Profits rose, mainly reflecting the revision of paper prices and a range of successful cost reduction initiatives.

By product type, sales of paper surpassed the level in the previous year in Japan, reflecting revised prices effective from January 2019, although demand was on the decline due to the digitization of advertising media and mail-order catalogs. In exports, however, sales fell short of the year ago level due to the impact of the U.S.-China trade friction, among other factors.

With regard to white paperboard, sales of special white paperboard and coated duplex board (with gray-back) remained strong for use in the pharmaceutical business; however, they fell short of the previous year's level for use in businesses related to cosmetics and souvenirs due to a significant decrease in inbound demand. Sales of special white paperboard declined from the level in the previous year, reflecting sluggish sales for use in POP in stores, different types of cards, and covers for publications.

Regarding specialty paper, in the area of functional paper, sales of base paper for chip carrier tapes used to carry electronic parts and those of filters for air purifiers were lower than in the previous year, the former attributable to the U.S.-China trade friction and the latter due to a decrease in orders for export. With respect to the overall situation of fancy paper, downgrading to general paper continued to occur, as well as a decline in demand. In addition, sales of high-grade printing paper, which had remained firm, started to show signs of a slowdown. Regarding communication paper, sales fell below the previous year's level because of the continuation of a decrease in use for adhesive postcards for notices and vouchers, as well as a shift to electronic media.

Sales of pulp decreased from the previous fiscal year, reflecting a decline in pulp prices due to the impact of the U.S.-China trade friction.

(ii) Packaging/Paper processing business

(Million yen)

	Previous year	Current year	Difference
Net sales	19,192	18,227	(964)
Operating profit	841	418	(423)

In the packaging/paper processing business, a decrease in net sales and profits was posted, reflecting a decline in orders for fluid containers and a fall in the use for cosmetics due to a decrease in inbound demand.

(iii) Other businesses

(Million yen)

	Previous year	Current year	Difference
Net sales	8,361	8,494	133
Operating profit	709	890	181

As for other businesses such as the wood business, the used paper wholesale business, the construction business, the transportation and the warehousing business, net sales increased due to a rise in external orders received by the wood business, although the overall orders environment was difficult. In terms of profitability, an increase in profits was recorded, mainly reflecting the effect of a range of cost reduction initiatives.

(2) Summary of financial conditions during the fiscal year

(Million yen)

	End of previous year	End of current year	Change
Total assets	368,082	344,731	(23,351)
Net assets	192,861	180,861	(11,999)
Equity ratio	52.2%	52.3%	0.1%
Basic earnings per share	1,016.16 yen	1,073.08 yen	56.92 yen
Interest-bearing debt at year-end	109,725	106,832	(2,893)

Total assets decreased 23,351 million yen from the end of the previous year, to 344,731 million yen. Main factors included increases in cash and deposits of 6,180 million yen and merchandise and finished goods of 3,187 million yen, which were more than offset by decreases in notes and accounts receivable - trade of 17,630 million yen, raw materials and supplies of 3,957 million yen, investment securities of 2,920 million yen, and property, plant and equipment of 7,489 million yen due to depreciation.

Total liabilities decreased 11,351 million yen from the end of the previous year, to 163,869 million yen. This was chiefly due to decreases in interest-bearing debt of 2,893 million yen, note and accounts payable - trade of 2,048 million yen, income taxes payable of 1,444 million yen, and retirement benefit liability of 4,747 million yen.

Net assets fell 11,999 million yen from the end of the previous year, to 180,861 million yen. This mainly reflected decreases in retained earnings of 4,719 million yen primarily due to the retirement of treasury shares and valuation difference on available-for-sale securities of 6,716 million yen.

(3) Summary of cash flow during the fiscal year

(Million yen)

	Previous year	Current year	Change
Cash flows from operating activities	21,626	43,974	22,347
Cash flows from investing activities	(19,274)	(20,199)	(924)
Cash flows from financing activities	(934)	(17,261)	(16,327)
Effect of exchange rate change on cash and cash equivalents	(496)	(332)	163
Net increase (decrease) in cash and cash equivalents	920	6,180	5,260
Cash and cash equivalents at beginning of the year	14,281	15,202	920
Cash and cash equivalents at end of the year	15,202	21,383	6,180

Cash and cash equivalents as of the end of current year increased 6,180 million yen year on year, to 21,383 million yen.

(Cash flow from operating activities)

Net cash provided by operating activities was 43,974 million yen (up 103.3% year on year.)

Major inflows were income before taxes of 12,711 million yen, depreciation of 18,450 million yen, impairment loss of 6,382 million yen, and decrease in trade receivables of 17,550 million yen. Major outflows were gain on contribution of securities to retirement benefit trust of 4,874 million yen, share of profit of entities accounted for using equity method of 4,580 million yen and income taxes paid of 4,860 million yen.

(Cash flow from investing activities)

Net cash used in investing activities amounted to 20,199 million yen (up 4.8% year on year).

A major factor was the purchase of investment securities of 4,569 million yen, and purchase of property, plant and equipment of 14,857 million yen.

(Cash flow from financing activities)

Net cash used in financing activities was 17,261 million yen (Outflow of 934 million yen in the previous year).

Major outflows were a decrease in commercial paper of 3,500 million yen, repayments of long-term borrowings of 15,551 million yen, purchase of treasury shares of 10,097 million yen and dividends paid of 2,274 million yen. The inflow was attributable to proceeds from long-term borrowings of 16,000 million yen.

(4) Future outlook

(i) Forecast on financial results for the next fiscal year

The Japanese economy is deteriorating sharply due to the impact of COVID-19. This extremely difficult situation is expected to continue for some time. In addition, there are concerns regarding the risk of the infectious disease putting additional downward pressure on the economic situation in both Japan and overseas.

Under these circumstances, given a range of factors such as rapid changes in the trend of domestic demand and global market prices, there is growing uncertainty in the business environment surrounding the pulp and paper industry. The Group will continue to work on full-scale cost reductions to strengthen its financial conditions. In addition, it will aim to achieve stable profitability as soon as possible with respect to the corrugated board base paper business whose commercial production commenced in April this year.

The following business forecast was prepared by considering these circumstances comprehensively.

The following forecast was based on information currently available to the Company at the time of the release of these materials. Actual result may differ from the above forecast due to various factors.

	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
The year ending March 31, 2021 (forecast)	250,000	9,000	13,000	7,500	44.67
The year ended March 31, 2020 (actual)	264,618	11,208	15,652	8,072	43.45
% change from the previous corresponding period	(5.5)	(19.7)	(16.9)	(7.1)	

(ii) Forecast on dividends for the next fiscal year

The Company continues to make investments for growth to boost its corporate value consistently and from a long-term perspective. With this in mind, it established the basic guidelines for capital policy with an emphasis on the implementation of continuous and stable dividend payments based on the capital policy of maintaining a balance between financial soundness, capital efficiency and shareholder returns.

The Company has made certain achievements in management initiatives implemented based on its long-term management vision. Taking these achievements and other factors comprehensively into consideration, with respect to dividend forecasts for the next fiscal year, the company plans to increase its interim dividends to 7 yen per share, year-end dividends to 7 yen per share and annual dividends to 14 yen per share.

2. Our basic philosophy on the selection of accounting standards

Taking into account the period comparability of consolidated financial statements, the Group currently prepares consolidated financial statements based on Japanese GAAP. With respect to the International Financial Reporting Standards (IFRSs) the Company will address the issue appropriately with consideration to the various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Million yen)

	As of March 31, 2019	As of March 31, 2020
(Assets)		
Current assets		
Cash and deposits	15,202	21,383
Notes and accounts receivable - trade	67,708	50,078
Electronically recorded monetary claims - operating	6,228	6,427
Merchandise and finished goods	26,012	29,200
Work in process	2,247	2,429
Raw materials and supplies	26,679	22,722
Other	6,075	5,445
Allowance for doubtful accounts	(55)	(6)
Total current assets	150,098	137,679
Non-current assets		
Property, plant and equipment		
Buildings and structures	83,736	84,722
Accumulated depreciation	(50,949)	(52,954)
Buildings and structures, net	32,787	31,767
Machinery, equipment and vehicles	422,189	423,773
Accumulated depreciation	(350,187)	(361,058)
Machinery, equipment and vehicles, net	72,001	62,715
Tools, furniture and fixtures	5,767	6,188
Accumulated depreciation	(4,695)	(4,948)
Tools, furniture and fixtures, net	1,072	1,240
Land	22,504	22,514
Leased assets	758	500
Accumulated depreciation	(487)	(395)
Leased assets, net	271	104
Right-of-use assets	–	2,619
Accumulated depreciation	–	(302)
Right-of-use assets, net	–	2,317
Construction in progress	3,151	4,251
Forestland	3,090	2,480
Total property, plant and equipment	134,880	127,390
Intangible assets	2,907	2,984
Investments and other assets		
Investment in securities	73,287	70,366
Long-term loans	220	206
Asset for retirement benefits	2,668	2,109
Deferred tax assets	2,067	1,840
Other	4,379	4,577
Allowance for doubtful accounts	(2,427)	(2,425)
Total investments and other assets	80,195	76,675
Total non-current assets	217,983	207,051
Total assets	368,082	344,731

(Million yen)

	As of March 31, 2019	As of March 31, 2020
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	21,409	19,360
Electronically recorded obligations - operating	6,632	6,317
Short-term loans	25,655	19,338
Commercial papers	10,500	7,000
Lease obligations	74	288
Income taxes payable	2,531	1,086
Accrued consumption taxes	449	892
Provision for bonuses	2,688	2,757
Provision for directors' bonuses	95	94
Provision for environmental measures	343	330
Provision for loss on disaster	161	214
Provision for reforestation	125	177
Notes payable - facilities	2,350	2,642
Other	11,277	11,030
Total current liabilities	84,293	71,531
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term loans	43,331	48,460
Lease obligations	164	1,744
Deferred tax liabilities	1,045	435
Provision for environmental measures	766	803
Provision for business structure improvement	246	197
Provision for reforestation	372	375
Retirement benefit liability	12,014	7,266
Asset retirement obligations	2,376	2,441
Other	609	612
Total non-current liabilities	90,926	92,337
Total liabilities	175,220	163,869
Net assets		
Shareholders' equity		
Share capital	42,020	42,020
Capital surplus	45,348	45,341
Retained earnings	105,599	100,879
Treasury shares	(9,933)	(9,708)
Total shareholders' equity	183,034	178,533
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,876	2,159
Deferred gains or losses on hedges	(1)	21
Foreign currency translation adjustment	(388)	337
Remeasurements of defined benefit plans	583	(868)
Total accumulated other comprehensive income	9,070	1,650
Share acquisition rights	104	81
Non-controlling interests	651	596
Total net assets	192,861	180,861
Total liabilities and net assets	368,082	344,731

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Net sales	275,807	264,618
Cost of sales	224,668	213,143
Gross profit	51,138	51,474
Selling, general and administrative expenses	41,008	40,266
Operating profit	10,130	11,208
Non-operating income		
Interest income	82	93
Dividends income	980	1,030
Share of profit of entities accounted for using equity method	1,259	4,580
Insurance claim income	582	213
Other	2,061	1,420
Total non-operating income	4,967	7,338
Non-operating expenses		
Interest expenses	773	654
Foreign exchange losses	–	1,177
Environmental expenses	648	–
Other	660	1,062
Total non-operating expenses	2,082	2,894
Ordinary profit	13,015	15,652
Extraordinary income		
Gain on sales of non-current assets	227	56
Gain on sales of investment securities	632	897
Gain on change in equity	256	48
Gain on transfer of business	87	–
Gain on contribution of securities to retirement benefit trust	–	4,874
Insurance claim income	114	719
Other	1	23
Total extraordinary income	1,319	6,620
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,112	1,751
Impairment loss	142	6,382
Loss on disaster	342	675
Loss on tax purpose reduction entry of non-current assets	34	57
Loss on sales of investment securities	–	0
Loss on valuation of investment securities	–	27
Loss on sales of equity investment of subsidiary	–	666
Total extraordinary losses	1,631	9,561
Profit before income taxes	12,703	12,711
Income taxes - current	3,837	2,210
Income taxes - deferred	(93)	2,398
Total income taxes	3,743	4,609
Profit	8,960	8,101
Profit (loss) attributable to non-controlling interests	(195)	28
Profit attributable to owners of parent	9,155	8,072

Consolidated Statements of Comprehensive Income

(Million yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Profit	8,960	8,101
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,317)	(5,435)
Deferred gains or losses on hedges	24	16
Foreign currency translation adjustment	(3,501)	721
Remeasurements of defined benefit plans, net of tax	(39)	(1,404)
Share of other comprehensive income of entities accounted for using equity method	83	(1,322)
Total other comprehensive income	(5,750)	(7,424)
Comprehensive income	3,210	677
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,455	652
Comprehensive income attributable to non-controlling interests	(244)	24

(4) Consolidated Statement of Cash Flows

(Million yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	12,703	12,711
Depreciation	18,390	18,450
Impairment loss	142	6,382
Amortization of goodwill	133	125
Insurance claim income	(114)	(719)
Increase (decrease) in retirement benefit liability	188	186
Interest and dividend income	(1,063)	(1,124)
Interest expenses	773	654
Share of loss (profit) of entities accounted for using equity method	(1,259)	(4,580)
Loss on tax purpose reduction entry of non-current assets	34	57
Loss (gain) on sales and retirement of non-current assets	884	1,694
Loss (gain) on contribution of securities to retirement benefit trust	–	(4,874)
Decrease (increase) in trade receivables	110	17,550
Decrease (increase) in inventories	(7,114)	801
Decrease (increase) in consumption taxes refund receivable	435	(161)
Increase (decrease) in notes and accounts payables - trade	(563)	(2,338)
Increase (decrease) in accrued consumption taxes	229	446
Other	69	1,885
Subtotal	23,980	47,148
Interest and dividend income received	1,479	1,528
Interest paid	(720)	(605)
Income taxes paid	(3,221)	(4,860)
Proceeds from insurance income	108	763
Net cash provided by (used in) operating activities	21,626	43,974
Cash flows from investing activities		
Payments for purchases of investment securities	(4,192)	(4,569)
Proceeds from sales of investment securities	1,105	2,128
Payments for purchases of property, plant and equipment	(15,626)	(14,857)
Payments for retirement of property, plant and equipment	(875)	(1,002)
Proceeds from sales of property, plant and equipment	642	65
Payments of loan receivables	(124)	(119)
Collection of loans receivable	71	136
Other	(275)	(1,979)
Net cash provided by (used in) investing activities	(19,274)	(20,199)

(Million yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(3,813)	(1,463)
Net increase (decrease) in commercial papers	(500)	(3,500)
Proceeds from long-term loans	12,200	16,000
Repayments of long-term loans	(6,446)	(15,551)
Proceeds from issuance of bonds	10,000	–
Redemption of bonds	(10,000)	–
Dividends paid	(2,273)	(2,274)
Dividends paid to non-controlling interests	(77)	(80)
Proceeds from share issuance to non-controlling shareholders	63	–
Purchase of treasury shares	(1)	(10,097)
Other	(85)	(293)
Net cash provided by (used in) financing activities	(934)	(17,261)
Translation (loss) gain on cash and cash equivalents	(496)	(332)
Net increase (decrease) in cash and cash equivalents	920	6,180
Cash and cash equivalents at beginning of the year	14,281	15,202
Cash and cash equivalents at end of the year	15,202	21,383