

Consolidated Quarterly Financial Results for the Six Months Ended September 30, 2020 [Japanese GAAP]

November 13, 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: November 13, 2020

Scheduled date of commencement of dividend payments: December 2, 2020

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for institutional investors and analysts)

(Figures rounded down to the nearest million yen)

1. Consolidated Business Results for the Six Months Ended September 30, 2020 (April 1, 2020 through September 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	%
Six months ended September 30, 2020	103,304	(24.4)	(3,253)	–	(678)	–	1,859	(71.6)
Six months ended September 30, 2019	136,714	1.4	7,301	276.9	9,557	118.7	6,544	145.3

(Note) Comprehensive income: Six months ended September 30, 2020: 1,265 million yen (-72.0%)
Six months ended September 30, 2019: 4,515 million yen (173.3%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2020	11.07	9.78
Six months ended September 30, 2019	34.62	33.22

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	354,139	181,058	50.9
As of March 31, 2020	344,731	180,861	52.3

(Reference) Equity: As of September 30, 2020: 180,421 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	–	7.00			
Fiscal year ending March 31, 2021 (forecast)			–	7.00	14.00

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

3. Forecast of Consolidated Financial Results for the Fiscal 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
Full year	210,000	(20.6)	1,000	(91.1)	5,500	(64.9)	7,500	(7.1)	44.67

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

*** Notes**

(1) Changes in significant subsidiaries during the six months ended September 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 September 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 September 30, 2020	20,131,547 shares	As of March 31, 2020	20,140,702 shares
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(iii) Average number of shares during period:

Six months ended September 30, 2020	167,921,057 shares	Six months ended September 30, 2019	189,055,612 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 Half; (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 Half

(1) Qualitative Information Concerning Consolidated Operating Results

During the current six months, net sales amounted to 103,304 million yen (down 24.4% year on year), the operating loss was 3,253 million yen (compared to operating profit of 7,301 million yen in the same period of the previous fiscal year), the ordinary loss was 678 million yen (compared to ordinary profit of 9,557 million yen in the same period of the previous fiscal year), and profit attributable to owners of parent came to 1,859 million yen (down 71.6% 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 disease (COVID-19).

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets increased 9,408 million yen from the end of the previous fiscal year, to 354,139 million yen. This was attributable primarily to increases of 11,486 million yen in cash and deposits, 9,205 million yen in investment securities, and 3,721 million yen in deferred tax assets included in investments and other assets, which more than offset decreases of 7,647 million yen in notes and accounts receivable - trade, 1,623 million yen in electronically recorded monetary claims - operating, 1,742 million yen in merchandise and finished goods, 1,460 million yen in raw materials and supplies, and 2,108 million yen in property, plant and equipment due mainly to depreciation.

Total liabilities rose 9,211 million yen from the end of the previous fiscal year, to 173,081 million yen. This was attributable primarily to an increase of 16,792 million yen in interest-bearing liabilities, which more than offset decreases of 4,108 million yen in notes and accounts payable - trade, 1,162 million yen in electronically recorded obligations - operating, and 511 million yen in income taxes payable.

Net assets increased 196 million yen from the end of the previous fiscal year, to 181,058 million yen. This chiefly reflected increases of 863 million yen in retained earnings due in part to profit attributable to owners of parent and 636 million yen in valuation difference on available-for-sale securities, which more than offset a decrease of 1,407 million yen in foreign currency translation adjustment.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

No change has been made to the full-year financial forecasts announced on September 30, 2020.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2020	As of September 30, 2020
(Assets)		
Current assets		
Cash and deposits	21,383	32,869
Notes and accounts receivable - trade	50,078	42,431
Electronically recorded monetary claims - operating	6,427	4,804
Merchandise and finished goods	29,200	27,458
Work in process	2,429	2,074
Raw materials and supplies	22,722	21,261
Other	5,445	5,834
Allowance for doubtful accounts	(6)	(5)
Total current assets	137,679	136,728
Non-current assets		
Property, plant and equipment		
Buildings and structures	84,722	84,544
Accumulated depreciation	(52,954)	(53,358)
Buildings and structures, net	31,767	31,185
Machinery, vehicles, tools, furniture and fixtures	429,962	435,115
Accumulated depreciation	(366,006)	(371,195)
Machinery, vehicles, tools, furniture and fixtures, net	63,955	63,919
Other, net	31,667	30,175
Total property, plant and equipment	127,390	125,281
Intangible assets	2,984	2,815
Investments and other assets		
Investment securities	70,366	79,571
Other	8,734	12,166
Allowance for doubtful accounts	(2,425)	(2,423)
Total investments and other assets	76,675	89,314
Total non-current assets	207,051	217,411
Total assets	344,731	354,139

(Million yen)

	As of March 31, 2020	As of September 30, 2020
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	19,360	15,252
Electronically recorded obligations - operating	6,317	5,155
Short-term loans	19,338	22,409
Commercial papers	7,000	15,000
Current portion of bonds payable	—	10,000
Income taxes payable	1,086	574
Provision	3,574	3,629
Other	14,853	13,232
Total current liabilities	71,531	85,253
Non-current liabilities		
Bonds payable	30,000	20,000
Long-term loans	48,460	54,301
Provision	1,376	1,385
Retirement benefit liability	7,266	7,465
Asset retirement obligations	2,441	2,076
Other	2,792	2,598
Total non-current liabilities	92,337	87,827
Total liabilities	163,869	173,081
Net assets		
Shareholders' equity		
Share capital	42,020	42,020
Capital surplus	45,341	45,341
Retained earnings	100,879	101,743
Treasury shares	(9,708)	(9,702)
Total shareholders' equity	178,533	179,403
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,159	2,795
Deferred gains or losses on hedges	21	8
Foreign currency translation adjustment	337	(1,069)
Remeasurements of defined benefit plans	(868)	(716)
Total accumulated other comprehensive income	1,650	1,018
Share acquisition rights	81	86
Non-controlling interests	596	550
Total net assets	180,861	181,058
Total liabilities and net assets	344,731	354,139

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

	(Million yen)	
	For the six -month ended September 30, 2019	For the six -month ended September 30, 2020
Net sales	136,714	103,304
Cost of sales	109,248	88,812
Gross profit	27,466	14,491
Selling, general and administrative expenses	20,164	17,745
Operating profit	7,301	(3,253)
Non-operating income		
Interest income	47	16
Dividends income	685	523
Share of profit of entities accounted for using equity method	2,578	2,297
Others	839	989
Total non-operating income	4,151	3,828
Non-operating expenses		
Interest expenses	339	226
Foreign exchange losses	941	322
Leave allowance	-	354
Others	614	349
Total non-operating expenses	1,895	1,253
Ordinary profit	9,557	(678)
Extraordinary income		
Gain on sales of non-current assets	27	17
Gain on sales of investment securities	153	137
Gain on change in equity	-	267
Gain on reversal of asset retirement obligations	-	327
Insurance claim income	46	252
Total extraordinary income	226	1,002
Extraordinary losses		
Loss on sales and retirement of non-current assets	697	658
Impairment loss	0	2
Loss on disaster	561	-
Loss on tax purpose reduction entry of non-current assets	-	12
Loss on sales of investment securities	-	3
Loss on valuation of investment securities	16	753
Business restructuring expenses	-	799
Total extraordinary losses	1,275	2,230
Profit (loss) before income taxes	8,508	(1,906)
Income taxes - current	1,781	393
Refund of income taxes	-	(391)
Income taxes - deferred	176	(3,821)
Total income taxes	1,957	(3,819)
Profit	6,551	1,912
Profit attributable to non-controlling interests	7	52
Profit attributable to owners of parent	6,544	1,859

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

(Million yen)

	For the six -month ended September 30, 2019	For the six -month ended September 30, 2020
Profit	6,551	1,912
Other comprehensive income		
Valuation difference on available-for-sale securities	(856)	454
Deferred gains or losses on hedges	(1)	(9)
Foreign currency translation adjustment	47	(1,421)
Remeasurements of defined benefit plans, net of tax	(54)	55
Share of other comprehensive income of entities accounted for using equity method	(1,170)	274
Total other comprehensive income	(2,035)	(646)
Comprehensive income	4,515	1,265
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,517	1,227
Comprehensive income attributable to non-controlling interests	(1)	38

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	For the six -month ended September 30, 2019	For the six -month ended September 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	8,508	(1,906)
Depreciation	9,302	8,074
Impairment loss	0	2
Amortization of goodwill	63	61
Insurance claim income	(46)	(252)
Increase (decrease) in net defined benefit liability	105	311
Interest and dividend income	(732)	(540)
Interest expenses	339	226
Share of profit of entities accounted for using equity method	(2,578)	(2,297)
Loss on tax purpose reduction entry of non-current assets	–	12
Loss (gain) on sales and retirement of non-current assets	670	640
Business restructuring expenses	–	799
Decrease (increase) in notes and accounts receivable - trade	11,016	8,830
Decrease (increase) in inventories	1,288	2,788
Decrease (increase) in consumption taxes refund receivable	115	95
Increase (decrease) in notes and accounts payable - trade	(2,368)	(5,118)
Increase (decrease) in accrued consumption taxes	(86)	(422)
Other	1,291	(913)
Subtotal	26,890	10,393
Interest and dividend income received	969	903
Interest paid	(317)	(162)
Income taxes paid	(4,135)	(503)
Proceeds from insurance income	162	239
Net cash provided by (used in) operating activities	23,570	10,870
Cash flows from investing activities		
Payments for purchases of investment securities	(26)	(7,064)
Proceeds from sales of investment securities	342	201
Payments for purchases of property, plant and equipment	(6,037)	(7,563)
Proceeds from sales of property, plant and equipment	31	21
Payments of loans receivable	(114)	(151)
Collection of loans receivable	123	119
Other	(2,645)	(559)
Net cash provided by (used in) investing activities	(8,327)	(14,996)

(Million yen)

	For the six -month ended September 30, 2019	For the six -month ended September 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(1,990)	1,459
Net increase (decrease) in commercial papers	(10,500)	8,000
Proceeds from long-term loans	1,000	10,000
Repayments of long-term loans	(1,900)	(2,336)
Dividends paid	(1,137)	(1,010)
Dividends paid to non-controlling interests	(80)	(84)
Payments for purchases of treasury stock	(0)	(0)
Other	(65)	(63)
Net cash provided by (used in) financing activities	(14,674)	15,963
Translation (loss) gain on cash and cash equivalents	(375)	(352)
Net increase (decrease) in cash and cash equivalents	192	11,486
Cash and cash equivalents at beginning of period	15,202	21,383
Cash and cash equivalents at end of period	15,395	32,869

(4) 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.