

# Consolidated Quarterly Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]

August 10, 2021

Company: **Hokuetsu Corporation**

Stock Exchange Listing: Tokyo

Stock Code: 3865

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

Representative: Sekio Kishimoto, President & CEO

Contact: Tomonari Maruyama, General Manager, Corporate Management Department TEL: +81-3-3245-4500

Scheduled date of filing quarterly report: August 11, 2021

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, 2021

(April 1, 2021 through June 30, 2021)

(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, 2021	62,286	21.1	4,715	–	6,963	693.6	7,499	201.1
Three months ended June 30, 2020	51,438	(28.1)	(1,277)	–	877	(87.2)	2,490	(49.1)

(Note) Comprehensive income: Three months ended June 30, 2021: 9,808 million yen (530.9%)  
Three months ended June 30, 2020: 1,554 million yen (-62.1%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	44.65	44.60
Three months ended June 30, 2020	14.83	13.99

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2021	357,223	203,936	56.9
As of March 31, 2021	363,075	195,419	53.6

(Reference) Equity: As of June 30, 2021: 203,207 million yen  
As of March 31, 2021: 194,702 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, 2021	–	7.00	–	7.00	14.00
Fiscal year ending March 31, 2022	–				
Fiscal year ending March 31, 2022 (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, 2022

(April 1, 2021 through March 31, 2022)

(% 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)	125,000	21.0	7,500	–	10,000	–	11,000	491.5	65.51
Full year	255,000	14.6	15,000	781.4	20,000	105.0	17,000	19.9	101.24

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

## Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2021 (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, 2021	188,053,114 shares	As of March 31, 2021	188,053,114 shares
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(ii) Number of treasury stock:

As of June 30, 2021	20,067,866 shares	As of March 31, 2021	20,131,789 shares
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(iii) Average number of shares during period:

Three months ended June 30, 2021	167,956,529 shares	Three months ended June 30, 2020	167,912,371 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

Demand declined significantly across the industry in the previous fiscal year under the effects of COVID-19. However, signs of a recovery appeared in the first quarter of the current year. Sales volumes increased for paper and white paperboard in particular. As a result, net sales for the first quarter of the current year amounted to 62,286 million yen (up 21.1% year on year). Operating profit came to 4,715 million yen (compared to an operating loss of 1,277 million yen), ordinary profit totaled 6,963 million yen (up 693.6% year on year), and profit attributable to owners of parent was 7,499 million yen (up 201.1% year on year).

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020) and related implementation guidance at the beginning of the current first quarter. The application of the Standard affected its financial conditions and operating results. More information is provided in (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies) under 2. Quarterly Consolidated Financial Statements and Key Notes.

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

Total assets decreased 5,851 million yen from the end of the previous fiscal year, to 357,223 million yen. Significant factors included a decrease in cash and deposits of 13,688 million yen, which more than offset increases in merchandise and finished goods of 1,372 million yen and raw materials and supplies of 4,336 million yen.

Total liabilities decreased 14,369 million yen from the end of the previous year, to 153,286 million yen. This was primarily due to a decrease in interest-bearing debt of 15,378 million yen.

Net assets rose 8,517 million yen from the end of the previous fiscal year, to 203,936 million yen. This mainly reflected increases in retained earnings of 6,200 million yen due to profit attributable to owners of parent and foreign currency translation adjustment of 2,938 million yen.

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

No change has been made to the full-year financial forecasts announced on May 14, 2021.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2021	As of June 30, 2021
(Assets)		
Current assets		
Cash and deposits	29,846	16,157
Notes and accounts receivable - trade	49,653	–
Notes and accounts receivable - trade, and contract assets	–	50,347
Electronically recorded monetary claims - operating	5,701	5,833
Merchandise and finished goods	22,374	23,747
Work in process	2,378	2,052
Raw materials and supplies	22,712	27,049
Other	7,355	7,561
Allowance for doubtful accounts	(3)	(3)
Total current assets	140,020	132,745
Non-current assets		
Property, plant and equipment		
Buildings and structures	85,263	84,106
Accumulated depreciation	(53,994)	(53,094)
Buildings and structures, net	31,268	31,012
Machinery, vehicles, tools, furniture and fixtures	438,380	438,459
Accumulated depreciation	(374,249)	(373,912)
Machinery, vehicles, tools, furniture and fixtures, net	64,130	64,546
Other, net	31,049	31,603
Total property, plant and equipment	126,448	127,162
Intangible assets	2,668	2,581
Investments and other assets		
Investment securities	86,829	87,740
Other	9,528	9,408
Allowance for doubtful accounts	(2,420)	(2,414)
Total investments and other assets	93,937	94,734
Total non-current assets	223,055	224,478
Total assets	363,075	357,223

(Million yen)

	As of March 31, 2021	As of June 30, 2021
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	17,571	18,421
Electronically recorded obligations - operating	5,898	6,990
Short-term loans	22,928	20,536
Current portion of bonds payable	20,000	10,000
Income taxes payable	720	767
Provision	3,375	2,084
Other	14,522	14,819
Total current liabilities	85,016	73,618
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans	59,142	56,043
Provision	1,096	1,169
Retirement benefit liability	6,940	6,238
Asset retirement obligations	2,256	2,250
Other	3,202	3,965
Total non-current liabilities	82,639	79,667
Total liabilities	167,656	153,286
Net assets		
Shareholders' equity		
Share capital	42,020	42,020
Capital surplus	45,341	45,344
Retained earnings	112,891	119,091
Treasury shares	(9,702)	(9,671)
Total shareholders' equity	190,550	196,786
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,343	3,663
Deferred gains or losses on hedges	(18)	1
Foreign currency translation adjustment	(949)	1,989
Remeasurements of defined benefit plans	775	766
Total accumulated other comprehensive income	4,151	6,420
Share acquisition rights	102	75
Non-controlling interests	614	654
Total net assets	195,419	203,936
Total liabilities and net assets	363,075	357,223

(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 months ended June 30, 2020	For the three months ended June 30, 2021
Net sales	51,438	62,286
Cost of sales	43,757	47,743
Gross profit	7,680	14,542
Selling, general and administrative expenses	8,957	9,826
Operating profit (loss)	(1,277)	4,715
Non-operating income		
Interest income	12	5
Dividends income	471	404
Share of profit of entities accounted for using equity method	1,462	1,630
Other	695	603
Total non-operating income	2,642	2,643
Non-operating expenses		
Interest expenses	113	110
Foreign exchange losses	-	140
Leave allowance	151	1
Other	222	142
Total non-operating expenses	487	394
Ordinary profit	877	6,963
Extraordinary income		
Gain on sales of non-current assets	5	2,805
Gain on sales of investment securities	100	0
Insurance claim income	12	31
Gain on reversal of retirement benefit obligations	-	77
Total extraordinary income	118	2,914
Extraordinary losses		
Loss on sales and retirement of non-current assets	343	255
Loss on tax purpose reduction entry of non-current assets	12	31
Loss on sales of investment securities	3	-
Loss on valuation of investment securities	1,111	-
Total extraordinary losses	1,471	286
Profit (loss) before income taxes	(474)	9,591
Income taxes - current	320	1,111
Income taxes - deferred	(3,303)	967
Total income taxes	(2,983)	2,078
Profit	2,508	7,512
Profit attributable to non-controlling interests	17	13
Profit attributable to owners of parent	2,490	7,499

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

(Million yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Profit	2,508	7,512
Other comprehensive income		
Valuation difference on available-for-sale securities	1,164	(446)
Deferred gains or losses on hedges	3	22
Foreign currency translation adjustment	(2,443)	2,965
Remeasurements of defined benefit plans, net of tax	49	0
Share of other comprehensive income of entities accounted for using equity method	271	(246)
Total other comprehensive income	(953)	2,295
Comprehensive income	1,554	9,808
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,548	9,769
Comprehensive income attributable to non-controlling interests	5	39

### (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)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020, hereinafter the "Revenue Recognition Standard") and related implementation guidance at the beginning of the current first quarter. Accordingly, the Company recognizes the amount expected to be received in exchange for promised goods or services as revenues at points where control over such goods and services moves to customers.

Previously, the Company had recognized the gross amount as revenues with regard to certain revenues from transactions. With the application of the Revenue Recognition Standard, the Company adopted the method of recognizing the net amount as revenues from transactions judged to be made as an agent based on the assessment of the roles of the Company in the provision of goods to customers. The Company had previously presented a portion of compensation paid to customers as selling, general and administrative expenses. With the application of the Revenue Recognition Standard, the Company adopted the presentation method of transaction prices with the compensation portion deducted.

The Company applies the Revenue Recognition Standard in accordance with transitional treatment set forth in the proviso in Paragraph 84 of the Revenue Recognition Standard. The Company began applying the new accounting policies to the balance of retained earnings at the beginning of the current first quarter, adding the amount of cumulative effect of retrospective application to the beginning balance of the current first quarter or subtracting such amount from the same balance. However, adopting the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the Company does not apply the new accounting policies retroactively to contracts prior to the beginning of the current first quarter wherein almost all revenues are recognized in accordance with the previous treatment. Further, applying the method prescribed in Subparagraph (1), Paragraph 86 of the Revenue Recognition Accounting Standard, the Company performs account processing for contract changes made prior to the beginning of the current first quarter based on contract terms after the reflection of all contract changes, adding the amount of the cumulative effects of such changes to retained earnings at the beginning of the current first quarter or subtracting the amount from the same retained earnings.

As a result, the changes stated above produced an immaterial impact on profits and losses in the current first quarter. They also had an immaterial impact on the balance of retained earnings at the beginning of the current first quarter.

The Company decided to present notes and accounts receivable - trade, which had been stated under current assets in the consolidated balance sheet for the previous fiscal year, by including them in notes and accounts receivable - trade, and contract assets from the current first quarter because it began applying the Revenue Recognition Accounting Standard and related implementation guidance. The Company did not revise its results for the previous fiscal year using a new presentation method in accordance with transitional treatment stipulated in Paragraph 89-2 of the same Accounting Standard.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019, hereinafter the "Fair Value Measurement Standard") and related implementation guidance at the beginning of the current first quarter. In accordance with the transitional treatment set forth in Section 19 of the Fair Value Measurement Standard and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019), the Company applies new accounting policies prescribed in the Fair Value Measurement Standard and related implementation guidance prospectively. Their application produces no impact on quarterly consolidated financial statements.