

Hokuetsu Corporation



HOKUETSU
GROUP

Corporate Report 2019

HOKUETSU GROUP Corporate Report 2019 Editorial Policy

The objective of this Corporate Report is to deepen communication with all of our stakeholders by providing an integrated report that summarizes not only financial information, such as our management strategy and business results of our five main businesses, but also non-financial information, such as ESG information pertaining to the environment, society, and governance. It is our hope that this Corporate Report will deepen understanding of our stakeholders of the HOKUETSU GROUP, which is striving to increase corporate value across the pulp and paper industry. We have also published even further detailed information on our company website, and we encourage you to refer to this resource as well.

Companies covered by this report:
HOKUETSU GROUP (Hokuetsu Corporation and main affiliated subsidiaries, etc.)

Period covered by the Report:
April 1, 2018 - March 31, 2019 (Some activities that took place after the end of this term are also reported.)

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Contributing to SDGs

The 2030 Agenda for Sustainable Development (SDGs) was adopted at the UN General Assembly in 2015. SDGs are the 169 targets in 17 goals (including poverty, inequality, education, and environment) that all countries and regions aim for to realize a better international society. The Group contributes to SDGs through the practices of the Group Corporate Philosophy and the Group Code of Conduct.



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Aiming for evolution and growth by leveraging changes in the business environment



岸本 哲夫

Sekio Kishimoto
President and CEO

The economy in Japan in fiscal 2018 was on a steady overall recovery path, but the global economy slowed due to the intensifying trade friction between the United States and China, which has started to have a large effect mainly in Japanese manufacturing.

The business environment for the pulp and paper industry has become more severe due to the impact of the digitization of communication media that has reduced demand for printing and communication paper, soaring logistics costs and raw material and fuel prices, and changes in the structure of society.

Last year, we declared that we would transform ourselves for a new future, and changed the company name to Hokuetsu Corporation, and also strengthened our Group competitiveness through efforts such as establishing a new Group Corporate Philosophy, Group Code of Conduct, and Group symbol.

In addition, as per the final stage of Vision 2020, our long-term management plan for 2020, the Group has steadily implemented management strategies to achieve the targets of the “V-DRIVE” Medium-Term Management Plan. As a result, the Group consolidated net sales for the fiscal year ended March 31, 2019 increased by 2.5% from the previous fiscal year to ¥275.8 billion, marking a record high for the fourth consecutive year. For the fiscal year ending March 31, 2020, we are aiming for record sales of ¥285 billion, operating income of ¥16.5 billion, and ordinary income of ¥18.0 billion, and are implementing management strategies such as diversifying the business portfolio principally in our five core businesses.

First, in Japan, we have been strategically expanding exports from Japan to foreign countries, with a record high of about 300,000 tons per year. To cope with cost increases caused by soaring raw material and fuel prices and increased logistics costs, we revised the price for paper from January 2019. And we stopped the No.6 paper machine at the Niigata Mill at the end of March 2019 in order to optimize the balance between supply and demand for the domestic printing paper market. We later restarted the No.6 paper machine for a limited period of two months to primarily do OEM supply for other manufacturers in response to the extremely short supply of printing paper in Japan. As we have already announced, we will invest ¥1.8 billion to upgrade the No.6 paper machine and enter the corrugated medium base paper business, where demand is expected to increase for food and online shopping. The upgrade has been underway since July 2019, and production and sales are planned for 2020.

Overseas, the pulp business of Alberta-Pacific Forest Industries (Al-Pac) in Canada continues to make a significant contribution to the Group's consolidated net sales and earnings, and we expect this stable performance to continue in fiscal 2020. In addition, the Group has decided to make a ¥3 billion investment in the thermal paper business in Changxing County, Zhejiang Province, China in November 2018, to establish new revenue bases following Bernard Dumas in France, Jiangmen Xinghui Paper Mill and Shanghai Toh Tech in China, and Al-Pac in Canada. The distribution of a wide variety of products has been increasing every year with the spread of e-commerce in China, and the demand for thermal paper for labels used in product delivery is rapidly expanding, so we have plans at this mill in China to process the base paper produced at the Kishu Mill. Currently, we are rapidly proceeding with the construction of the mill so we can start commercial production in 2020.

Based on the content of the SDGs (Sustainable Development Goals) put forth by the United Nations, the Group has established concrete CSR activity implementation targets in compliance with the International Organization for Standardization (ISO 26000), and is promoting ongoing and highly effective CSR activities. With respect to environmental management, our measures against global warming by reducing CO2 emissions, biodiversity measures such as forest preservation activities, and product measures that comply with the international FSC® certification, won praise from Nikkei Inc. in its annual Environmental Management Survey where we won first place in the pulp and paper industry for the third consecutive year.

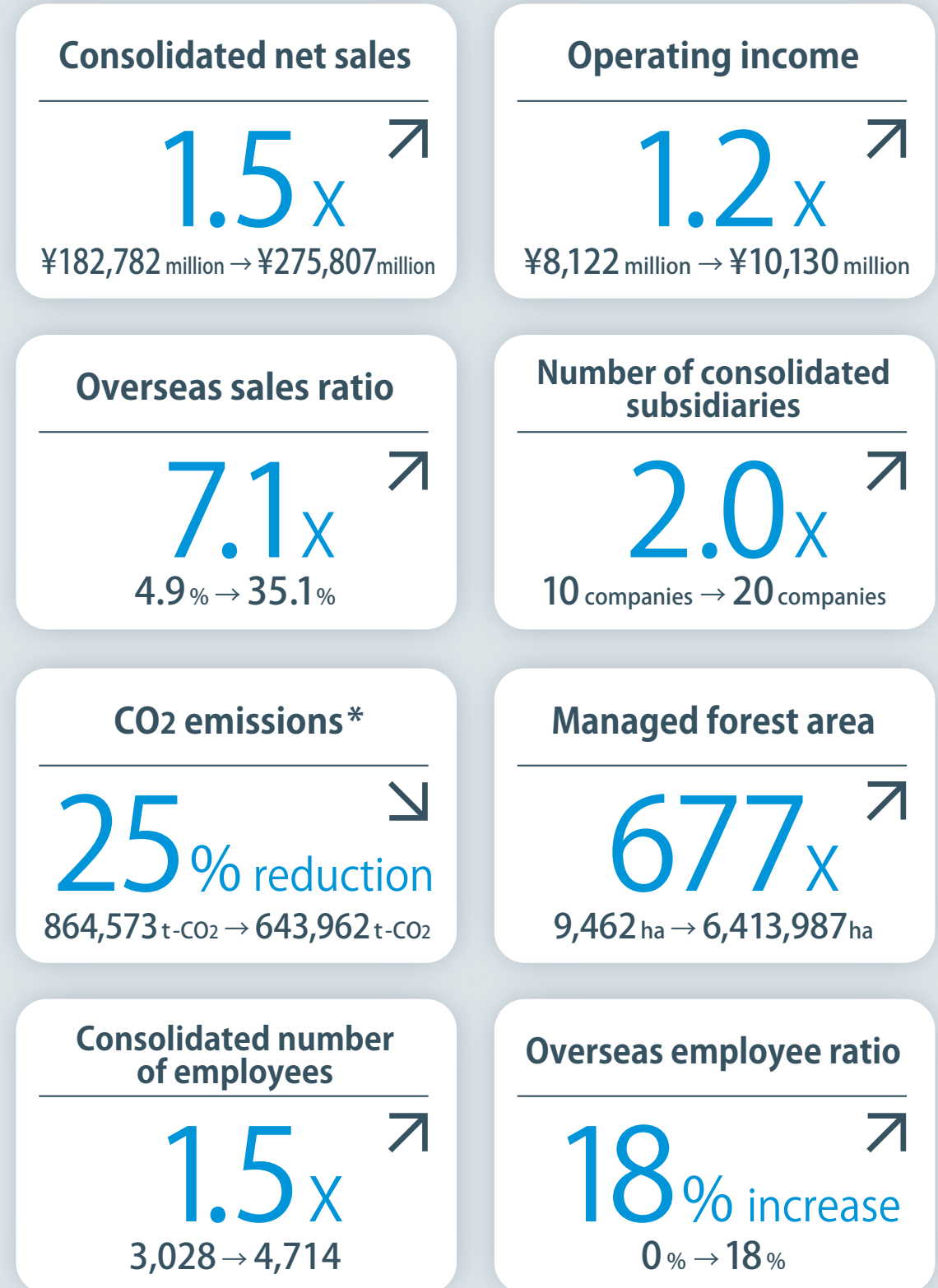
At the Central Research Laboratory in Nagaoka, we are actively engaged in joint research and development with the Industrial Research Institute of Niigata Prefecture and Nagaoka University of Technology on new possibilities for paper and pulp. Additionally, the Group has developed a new composite material that combines next-generation cellulose nanofibers and advanced carbon fibers. We have already established the mass-production technology for this at our Group company, Hokuetsu Toyo Fibre.

The Group will continue to innovate by leveraging new knowledge and technologies in the development of new and existing products, and will further enhance the Group's competitiveness. We will diversify our business portfolio by reinforcing our business in Japan and expanding our business overseas, as well as continuing to evolve and grow with a view to the next generation based on the trust of all our stakeholders.

(Hokuetsu Corporation FSC license code: FSC-C005497)

The Group's growth over the past decade

Comparison of key financial and non-financial information between fiscal year ended March 2009 and fiscal year ended March 2019



*CO2 emissions are shown on a non-consolidated basis, as it is difficult to compare with 10 years ago due to the expansion of business.



Group Corporate Philosophy

私たちは人間本位の企業として、自然との共生のもと技術を高め、最高のものづくりによって、世界の人々の豊かな暮らしに貢献します。

As a people focused business group, we work to improve society globally, by providing socially and environmentally responsible products through innovative manufacturing on a global scale.

我们作为以人为本的企业，在与自然共生的基础上提升技术，通过最佳的产品生产，为全世界人们的富足生活做贡献。

En tant que groupe d'entreprises axé sur les personnes, nous travaillons afin d'améliorer la société à l'échelle mondiale, en fournissant des produits socialement responsables et respectueux de l'environnement grâce à des procédés de fabrication innovateurs.

“People-focused business group” is the expression of our vision for the future, what we want to become, our goal.

- A business group that values its connection to its stakeholders and the relationship of trust with them
- A business group that pursues the happiness of its employees
- A business group that respects diversity and empowers its people

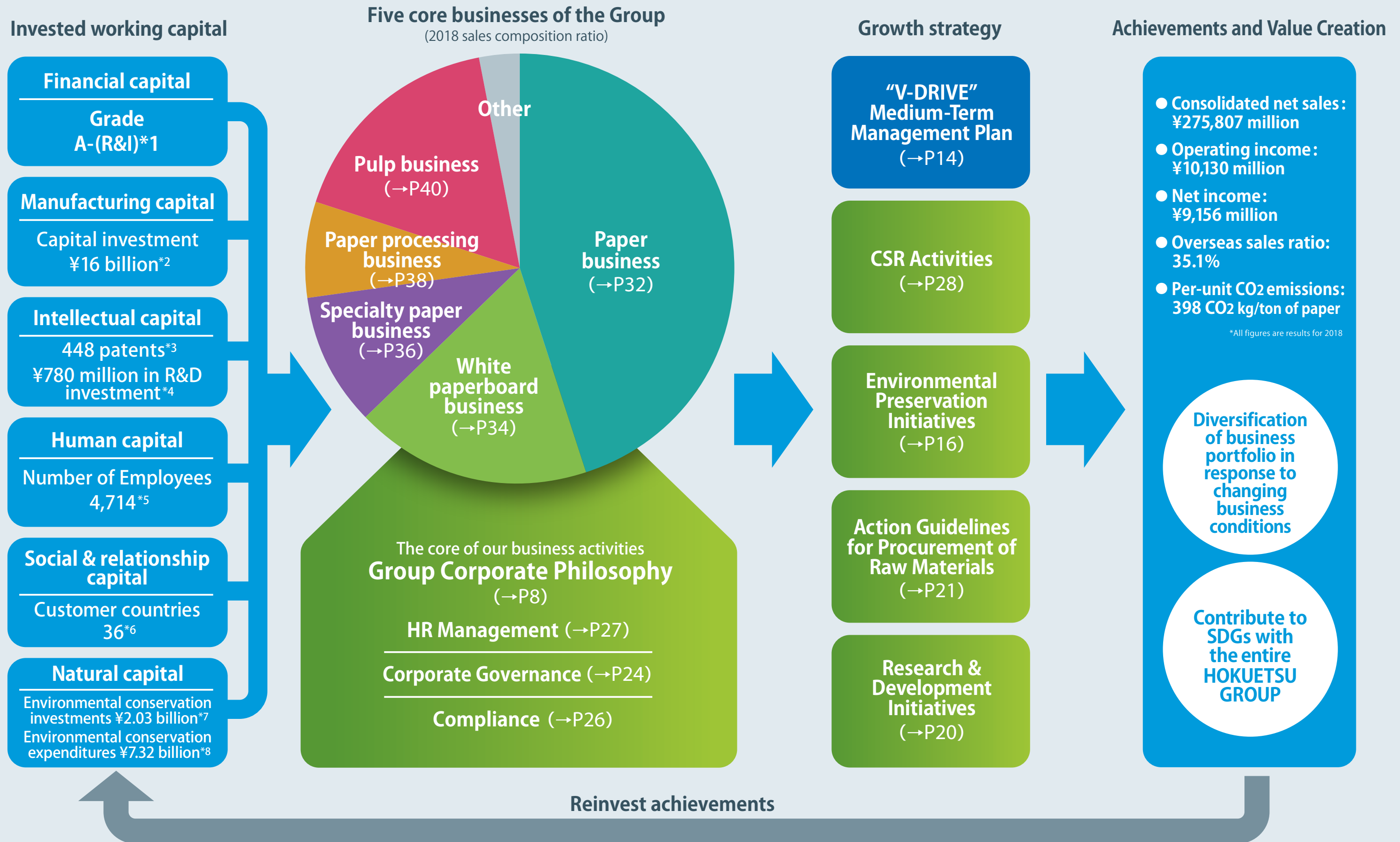
“Socially and environmentally responsible” means to create a sustainable society in harmonious coexistence with nature, guided by the concept of “minimum impact” to keep all impact on the natural environment to the minimum at each stage from the procurement of raw materials to the manufacture of end products.

“Products through innovative manufacturing on a global scale” means to pursue innovation, to aim at delivering the greatest satisfaction to our customers by enhancing our technological capabilities.

“Socially and environmentally responsible,” “products through innovative manufacturing on a global scale”: these are the values, the philosophy, that we uphold. It is the mission of our corporate group, the foundation of our existence, to **“work to improve society globally”** through these values.

To improve society globally

The Group combines the trust of stakeholders and a wide range of capital to respond flexibly to changes in the business environment, and constantly creates maximum value through a business model based on future predictions of risks and opportunities.



Growth Strategy and Foundation for Value Creation

Learn about the Group's growth strategy and the foundation in our value creation process.

The final stage of the "Vision 2020" Long-Term Management Plan Reaching the goals of the "V-DRIVE" Medium-Term Management Plan

The HOKUETSU GROUP formulated and announced the long-term management vision, Vision 2020, in April 2011. In FY2019, we have been making progress in the "V-DRIVE" Medium-Term Management Plan focused on our five core businesses with the aim the achieving "Vision 2020."

"Vision 2020": Corporate Vision for 2020 (announced April 2011)

- Be environmentally conscious in all corporate activities and promote **environmental management**
- Offer **attractive products** with excellent quality and competitiveness using advanced technology
- Work with passion and seek **steady growth and ever greater challenges**
- **Sales target: ¥300 billion or above** (overseas sales ratio: 25%)

"V-DRIVE" Medium-Term Management Plan

Variation: Promote the creation of new fields and the reform of the business structure

Value: Enhance the corporate value

Victory: Ride to victory by achieving "Vision 2020"

DRIVE: Accelerate corporate activities for these three "V"s

Overview of "V-DRIVE" management plan

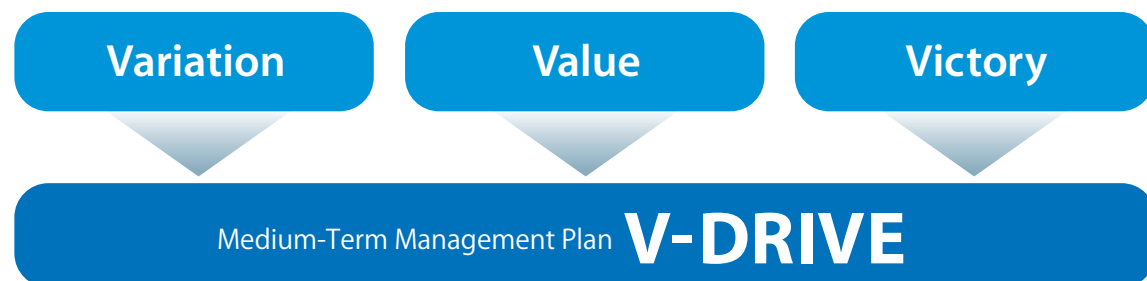
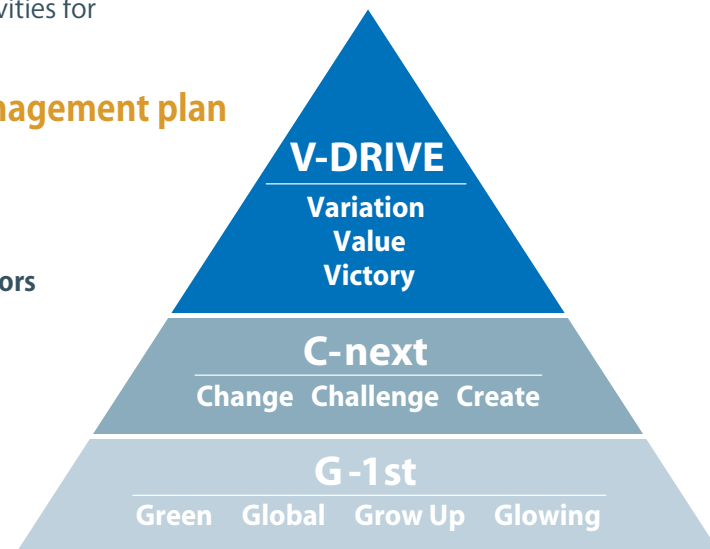
Period of the Plan

From April 1, 2017, through March 31, 2020 (three years)

Consolidated management indicators

Net sales: ¥300 billion
 Operating income: ¥15 billion
 Net sales operating income ratio: 5.0% or above
 ROE: 6.0% or above
 EBITDA: ¥40 billion
 Net debt-equity ratio: 0.6 or less

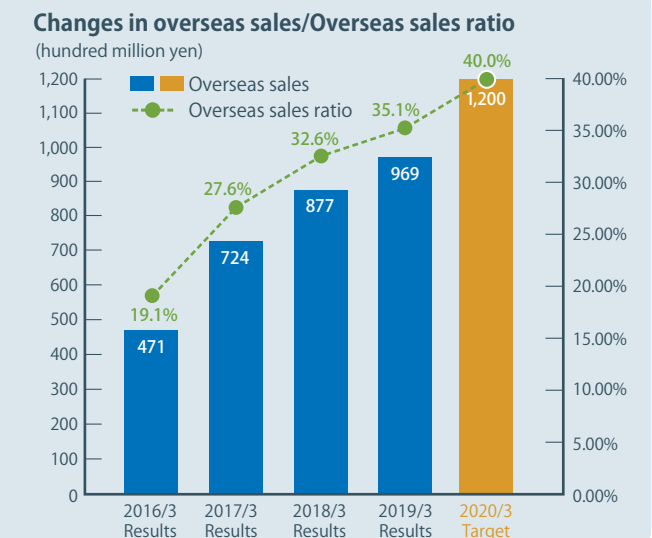
Vision 2020



Basic policy and main strategy of "V-DRIVE" Medium-Term Management Plan

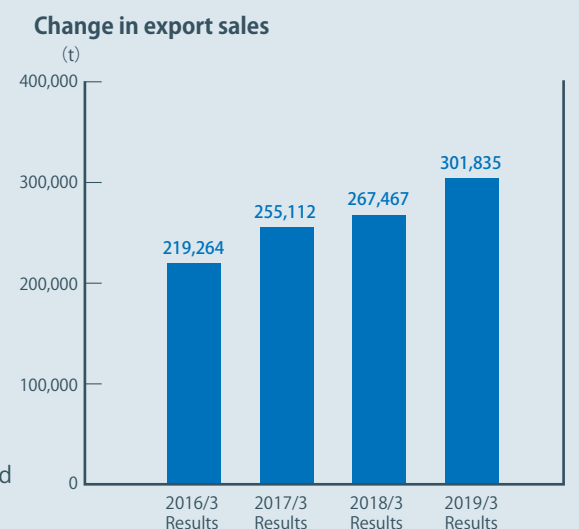
1. Expand overseas business

- Transform portfolio to increase overseas sales ratio
Overseas sales ratio of 35.1%
- Grow white paperboard business of Jiangmen Xinghui Paper Mill Co., Ltd. in China (p. 34–35)
- Develop pulp business
 - Expand profits of subsidiary Alberta-Pacific Forest Industries (p. 40–41)
 - Resource and Pulp Business Division as our fifth business Launched in January 2019
- Established Zhejiang Yue Hong New Materials Co., Ltd. for the thermal paper business in China



2. Recover and reinforce the competitiveness of our mills

- Revised prices (packaging paper, printing and communication paper, paper for liquid package cartons)
- Expanded export sales to more than 300,000t
- Stop the No.6 paper machine at Niigata Mill, upgrade it, and start production of linerboard and corrugated medium (scheduled for February 2020)
- Realize environmentally-friendly logistics
 - Launched new chip carrier Snow Camellia (Eco-ship with 15% lower fuel consumption than conventional carriers)
 - Facilitate modal shift to 20-foot shipping containers
- Develop environmentally-friendly products (products such as base paper for paper muddlers, spoons, cups, and straws, and CNF reinforcement material)



3. Strengthen our consolidated management system

- Established Group Basic Policy (April 2019)
Group Environmental Charter, Group Fundamental Policy for Raw Materials Procurement, Group Basic Policy for Information Security
- Issued a newsletter summarizing the points of our management book and conducted self-checks by Group companies to strengthen the Group corporate management system (from July 2018)
- Held overseas Group governance conferences (April and July with another scheduled for December 2019)

Carrying out Environmental Initiatives in a systemic Group-wide manner in line with new Group Environmental Charter

The Group formulated a Group Environmental Charter based on the Group Corporate Philosophy and Group Code of Conduct, and carried out a wide variety of different Group-wide environmental conservation initiatives.

Group Environmental Charter

Philosophy

We shall apply the concept of “minimum impact” to all our business activities in order to keep the impact of all our business activities on the natural environment to the minimum and contribute to the creation of an abundant future where humankind and nature coexist in harmony.

Basic Policies

- | | |
|--|---|
| 1. We shall pursue environmentally friendly manufacturing. | 5. We shall reduce and reuse waste effectively. |
| 2. We shall combat global warming. | 6. We shall aggressively invest in facilities to reduce environmental burden. |
| 3. We shall nurture forests in a sustainable manner. | 7. We shall enhance environmental communication. |
| 4. We shall recycle resources. | |

Concept of minimum impact

As long as humans exist, our impact on the natural world cannot be reduced to zero. This is why it is necessary to make that impact as small as possible (to a minimum). In addition to reducing waste, our fundamental objective in environmental conservation is to reduce all negative impacts on the environment, such as air pollution, wastewater, and odors, and uphold the highest environmental standards in the world.

We aim for “minimum impact” to keep all impacts on the natural environment and ecosystems to the minimum from raw materials to products, so that humans and nature can coexist forever.

Measures to combat global warming

The Group considers measures to combat global warming as it is the most important environmental issue in the world, and is working on initiatives, such as transitioning to energy with low CO₂ emissions and efforts to conserve energy. In addition, we named our approach to reducing CO₂ emissions “Slim CO₂” and created an easily-recognizable symbol.



1. Use of biomass energy

Biomass refers to renewable organic resources derived from organisms, and the energy obtained from biomass is called biomass energy. Biomass absorbs CO₂ as it grows, so even if it is burned, the amount of CO₂ in the atmosphere does not increase as a result. Black liquor extracted in the process of making pulp, the raw material for paper made from wood chips, is also classified as biomass energy.

Examples of biomass boilers in the company



Niigata Mill
Black liquor recovery boiler



Kishu Mill
Wood biomass boiler



Kanto Mill (Katsuta)
Wood biomass boiler

2. Promoting the use of gas

We use fossil fuels for energy that cannot be covered by biomass energy alone, and among these, we promote the use of gas with low CO₂ emissions. Our Kanto Mill (Ichikawa) first started gas power generation in 1995. Following that, we installed a gas turbine at the Niigata Mill, and converted the all boilers at the Nagaoka Mill to run on gas.



Kanto Mill (Ichikawa)
Gas heat exhaust boiler

Group environmental preservation topics

1. Implementation of environmental auditing

Environmental auditing of the Group is implemented primarily by the Environmental Management Department. The auditing was carried out at all mills and research laboratories of Hokuetsu Corporation, and two Group companies in FY2018. Environmental auditing entails checking compliance with environment-related laws, but we also see it as a

precious opportunity to observe actual onsite conditions and provide advice to relevant staff members. In particular, it provides a good opportunity to engage in communication with environment-related staff members at Group companies, and contributes to the creation of a Group management system that provides a sense of unity.

2. Promotion of environmental education

The Environmental Management Department and environment-related staff members at each mill are taking the lead in conducting environmental positioning training sessions that bring together different mills. In FY2018, we had enthusiastic discussions among environment-related staff members on areas such as case studies on responses to trouble at each mill and examples of introducing environmental instruments. We also continue to hold waste compliance training throughout the Group for those engaged in waste management. In FY2018, we conducted training which included basic information that those

engaged in waste management and everyone as an employee of the Group should know.



3. Enhancing environmental communication

In order to enhance environmental communication, which is one of the fundamental policies of the Group Environmental Charter, the Group exhibits at EcoPro, the largest environmental exhibition in Japan. Exhibiting at EcoPro allows us to share information with our stakeholders as this show attracts most

general visitors of all the exhibitions. At EcoPro 2018, held in December 2018, we exhibited new materials and paper products related to the issue of marine plastics, which has become a hot topic in recent years.

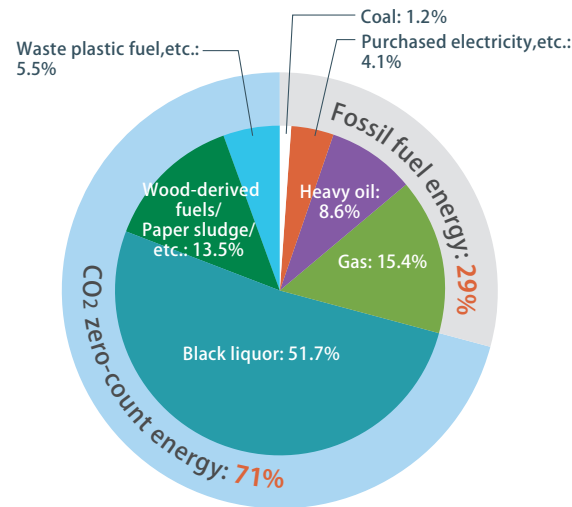


The Group's booth at EcoPro 2018

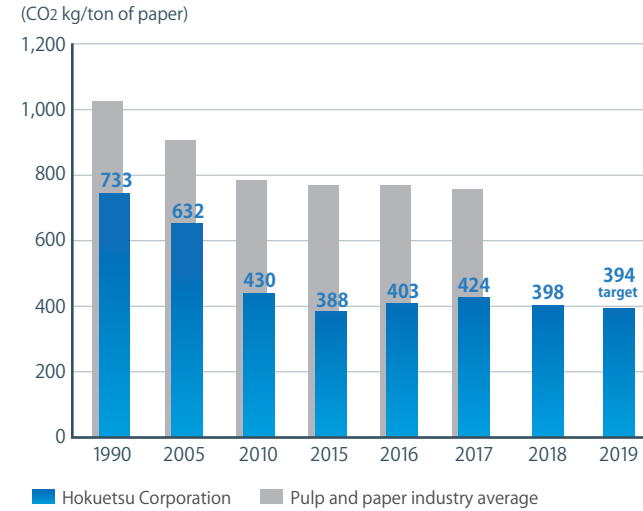


The Group employs a minimum environmental impact policy at all of our production bases as a participant in the global challenge of reducing CO2 emissions. Our per-unit emission level is one of the best in the industry, through use of CO2 zero-count natural gas with competitively low emissions.

Hokuetsu Corporation's energy composition ratio (results for FY2018)



Hokuetsu Corporation's per-unit CO2 emission trend



Material Balance (results for FY2018)

Scope: Hokuetsu Corporation

Input		Output	
Fossil energy input	10,882,000 GJ	CO2	644,000 t
Non-fossil energy input	26,263,000 GJ	SOx	586 t
Input of water resources	95,774,00 m ³	NOx	2,207 t
Raw material consumption	Wood chips 1,920,000t	Soot and dust	113 t
	Purchased pulp 74,000t	Chemical substances subject to the PRTR law	Discharge 1.6 t Transported 0 t
	Used paper 251,000t		
		Wastewater BOD*1	405 t
		Wastewater COD*1	908 t
		Wastewater SS	567 t
		Industrial waste generated	280,000t
		Industrial waste final disposal volume	7,000 t
		Paper/paperboard production volume	1,620,000 t

Changes in Environmental Performance

	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 target	
Global warming	CO2*1	kg/ton of paper	393	388	403	424	398	394
Air	SOx	kg/ton of paper	0.13	0.14	0.21	0.33	0.36	0.24
	NOx	kg/ton of paper	1.28	1.32	1.36	1.45	1.36	1.39
	Soot and dust	kg/ton of paper	0.07	0.07	0.06	0.07	0.07	0.07
Water quality	Water consumption	m ³ /ton of paper	55.4	56.4	57.3	58.1	59.1	58.8
	Wastewater BOD*2	kg/ton of paper	0.25	0.28	0.25	0.26	0.29	0.27
	Wastewater COD*2	kg/ton of paper	5.55	3.97	3.33	3.54	3.94	4.22
	Wastewater SS	kg/ton of paper	0.41	0.35	0.28	0.28	0.35	0.34
Chemical substances	Volume of chemicals subject to the PRTR law discharged/transported	g/ton of paper	2.49	1.73	1.45	0.91	0.99	1.57
Industrial waste	Final disposal	kg/ton of paper	5.2	4.1	5.7	4.5	4.3	4.0

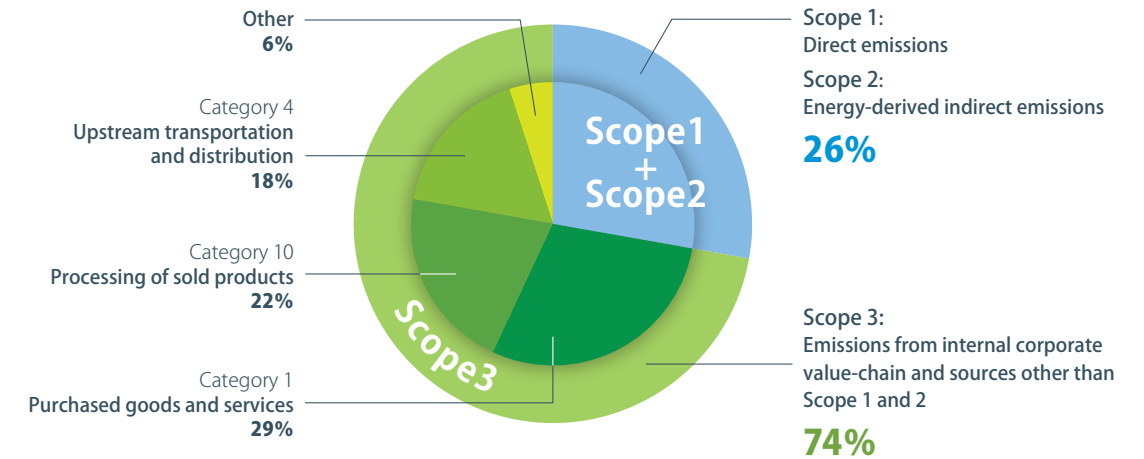
*1 Energy input and CO2 emissions are provisional values as of August 2019.

*2 Mills that discharge wastewater to rivers use BOD, while mills that discharge wastewater to the sea use COD to manage wastewater quality.

Reduction of Greenhouse Gas Emissions Across the Corporate Value-Chain

We believe it is important to ascertain and manage greenhouse gas emission levels across the entire product lifecycle, from raw materials procurement to product usage and disposal, and estimate the indirect greenhouse gas emissions across the entire corporate value-chain (Scope 3 emissions), not just during our own production stages, as part of efforts to effectively reduce greenhouse gas emissions. From FY2017, we have been working toward effectively reducing greenhouse gas emissions as a Group, in addition to expanding our scope to overseas Group companies.

Estimates of greenhouse gas emissions across the entire corporate value-chain of the Group (results for FY2018)



Environmental Preservation Cost

Scope of calculations: Hokuetsu Corporation
Target period: April 1, 2018 - March 31, 2019
Monetary unit: Millions of yen

Category	Major activities and their results	Investment	Cost
1. Business area costs: Environmental preservation costs to control environmental impact that results from key business operations within the business area		2,030	6,245
Composition	(1) Pollution control cost	517	2,856
	a. Air pollution	34	449
	b. Water pollution	478	2,313
	c. Noise, vibration, and odor	4	93
	(2) Global environmental preservation cost	1,201	1,238
	a. Prevention of global warming	688	1,229
	b. Energy preservation	69	(Included in manufacturing cost)
	c. Tree farms in Japan	76	5
	d. Afforestation activity overseas	366	3
	(3) Resource circulation cost	312	2,150
	a. Efficient utilization of resources	259	(Included in manufacturing cost)
	b. Reduction, recycling, treatment, disposal, etc., of industrial waste	53	2,150
2. Upstream/downstream costs: Environmental preservation costs to control environmental impact that results from key business operations upstream and downstream		-	509
Composition	(1) Purchase of materials, etc., with smaller environmental impact	-	5
	(2) Recycling and collection of containers and packaging	-	504
3. Administrative costs: Environmental preservation costs stemming from administrative activities		-	248
Composition	(1) Environmental training of employees, etc.	-	3
	(2) Building, implementation, and obtaining certification for an environmental management system	-	10
	(3) Monitoring and measuring environmental impact	-	84
	(4) Running costs for an environmental preservation system, etc.	-	149
4. R&D costs: Environmental preservation costs stemming from R&D activities		-	148
Composition	(1) R&D to develop products that contribute to environmental preservation	-	33
	(2) R&D and planning to curtail environmental impact at the manufacturing stage, etc.	-	114
5. Social activity costs: Environmental preservation costs stemming from social activities		-	68
Composition	(1) Planting of greenery, beautification, etc.	-	37
	(2) Support, etc., of environmental preservation activities by the local community	-	2
	(3) Support for environmental groups	-	14
	(4) Disclosure of environmental information and related advertisements	-	14
6. Environmental remediation costs: Costs incurred from dealing with environmental degradation		-	96
Total		2,030	7,316

Examples of Environmental Conservation Benefits

Monetary unit: Millions of yen

Classification by relationship with business activities	Examples of benefits	Performance
Environmental preservation benefit related to resources input into business activities	Energy-saving effect	66

Advancing the development of new materials in a plastic-free era

Our research and development department is comprised around our Central Research Laboratories, Novel Materials Development Office, and Technical & Development Department under the Technical & Development Division. Recently, it has been focused on developing cellulose nanofibers (CNF).

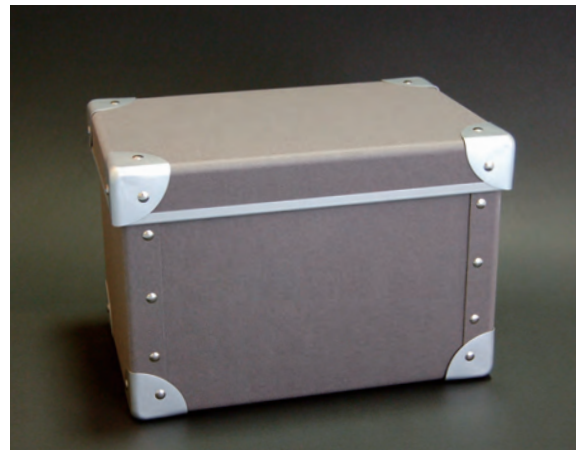
Research & Development

Working to enhance competitiveness by developing and applying new functional materials

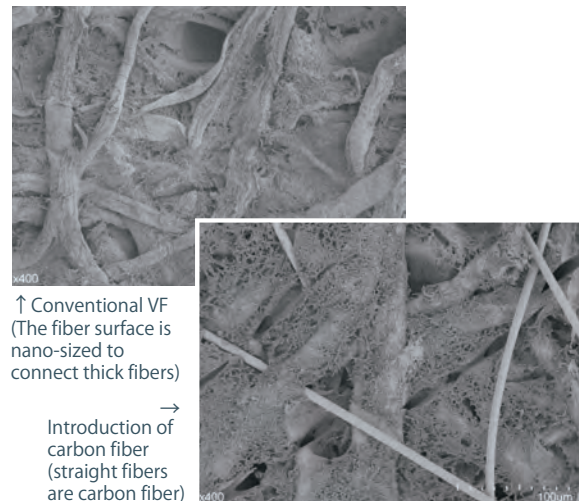
Focusing on developing new materials in a plastic-free era

The Group is developing a new composite material that combines the next-generation material of cellulose nanofibers with the advanced material of carbon fibers. Specifically, we have succeeded in developing a composite material that is approximately 20% lighter than conventional vulcanized fiber (VF) by blending a small amount of carbon fiber with VF, an all-cellulose CNF reinforced material, for a material that maintains workability and strength while suppressing expansion and contraction due to changes in the surrounding environment. Hokuetsu Toyo Fibre, part of the Group, has already established the mass production technology for

this composite material. VF is a material obtained by treating paper (cellulose) with special chemicals, and has the unique property of being strong but biodegradable. The Group has analyzed this material through its basic research and has confirmed for the first time in the world that during the chemical treatment process, cellulose becomes CNF and is strongly bonded. VF is highly anticipated as a next-generation “substitute for plastic,” and we are now working with the Industrial Research Institute of Niigata Prefecture to create functional materials that leverage the characteristics of VF.



Example of processing with a composite material that fuses CNF and carbon fiber



Quality Control

Strict quality control initiatives and providing correct information

An independent body tasked with auditing quality

An independent body tasked with auditing quality Based on the Group’s Basic Principles related to the Quality Control of Products, we are careful to ensure the safety of products and at the same time we make efforts to supply attractive products that fulfill the needs of our customers. Our internal quality auditor carries out regular checks on the safety of raw materials, the compliance with in-house standards of products to be used as food containers and wrapping, the proportion of recycled paper included in pulp, and the regulatory compliance of each production department, etc. An independent body (quality management office) has been created within the Technical & Development Division to carry out the auditing.

Basic Principles Related to the Quality Control of Products

1. In order to provide attractive products, we promote product improvement and new product development based on customers’ requests.
2. We manufacture products with stable quality that are safe and that customers can use with confidence, while obeying all relevant laws and regulations.
3. In order to improve our cost competitiveness and moreover in order to maintain our relative superiority in relation to other companies, we promote control of intellectual property.
4. We respond sincerely to any complaints about our products and strive to provide a speedy and appropriate response in such cases. Further, through implementing measures to prevent recurrence, we promote quality improvement and obtain the trust of our customers.

Promoting procurement of raw materials that carefully consider the environment and society for corporate social responsibility

As there are structural changes such as a declining population, digitalization and the spread of e-commerce and are external changes such as the strengthening of environmental regulations in China, a labor shortage in logistics in Japan and demand for fuel, the procurement environment for raw materials (resources, materials, fuel, etc.) used in our mills has been changing. Along with promoting procurement in accordance with the Group Fundamental Policy for Raw Materials Procurement established in April 2019, we also focus on globalization of our human resources to procure raw materials from overseas efficiently.

Group Fundamental Policy for Raw Materials Procurement

We shall promote CSR(Corporate Social Responsibility) procurement that gives due regard to the environment and society under the following policy in procuring raw materials based on the Group Philosophy and the Group Code of Conduct in order to fulfill our social responsibility.

1. We shall comply with the applicable laws, regulations and international norms.
2. We shall procure raw materials giving due regard to environment, society, and human rights.
3. We shall procure wood giving due regard to sustainability of forests and biodiversity.
4. We shall open our doors to all suppliers and engage in fair trade.
5. We shall develop a mutual trust relationship and a mutual development with business suppliers.
6. We shall control the information that we get through our transactions appropriately.

Request to Business Partners

Our Group values our entire supply chain to pursue “innovative manufacturing” in order to fulfill our corporate responsibility.

As such we ask our business partners to pay careful attention to the following issues.

1. Compliance with the applicable laws, regulations and international norms
2. Reduction of the burden on the environment
3. Timber product procurement giving due regard to the sustainability of forests and biodiversity
4. Respect for human rights (ban on unreasonable discrimination, forced labor, and child labor as well as any harassment)
5. Respect for labor rights and securing workplace safety and hygiene
6. Fair competition (ban on acts that restrict competition)
7. Appropriate management of confidential information and personal information acquired through transactions and respect for the intellectual property of others
8. Appropriate quality control, competitive pricing and stable supply

Biomass woodchips supplied by Hokuetsu Material

Hokuetsu Material, which is a part of the Group, contributes to reduce our environmental impact by focusing on the procurement of forest residue, unusable logs for sawn timber (to supply them) as energy sources. We have opened a new biomass woodchips mill to supply for large-scale biomass power plant in Yamagata Prefecture since 2018, and have started supplying biomass woodchips to the power plant, while Hokuetsu Material continues to supply biomass woodchips to the Group.

Policy on Procurement of Wood Material

1) Basic stance

Hokuetsu Corporation promotes the procurement of wood material produced in forests that are sustainably managed to provide products that customers can use with confidence. Based on our Group Fundamental Policy for Raw Materials Procurement, we also only procure wood that has been legally produced in protected, nurtured, and managed forests.

2) Secure supply chains that have been established legally and sustainability

We comply with the laws and social norms of the areas where wood materials are produced, and procure wood materials produced in forests proven to be its legal and sustainable. We work with suppliers to confirm that procurement of timber, wood chips, lumber, pulp products, and forest products is done fairly throughout the entire supply chain.

1. Secure the traceability of wood materials

To prove the traceability of wood materials, we confirm the following facts:

- Name of the producer/supplier, Forest certification, Species of the wood material, Production area, Forest classification (natural, re-growth, plantation & sawmill residue, etc.), Place of shipping, Quantity, Law to be observed, Forest management system

2. Proof of legality and sustainability

We promote the procurement of certified materials in order to ensure that procured wood material is produced in forests that establish sustainable forest resources and legally-produced wood material, and confirm that the following wood is not included:

- Illegally harvested wood
- Wood harvested in violation of traditional and civil rights
- Wood harvested in forest that has a high conservation value and whose value is threatened by management activities
- Wood harvested by logging for the purpose of converting from natural forest
- Wood produced by genetic recombination

3. Transparency

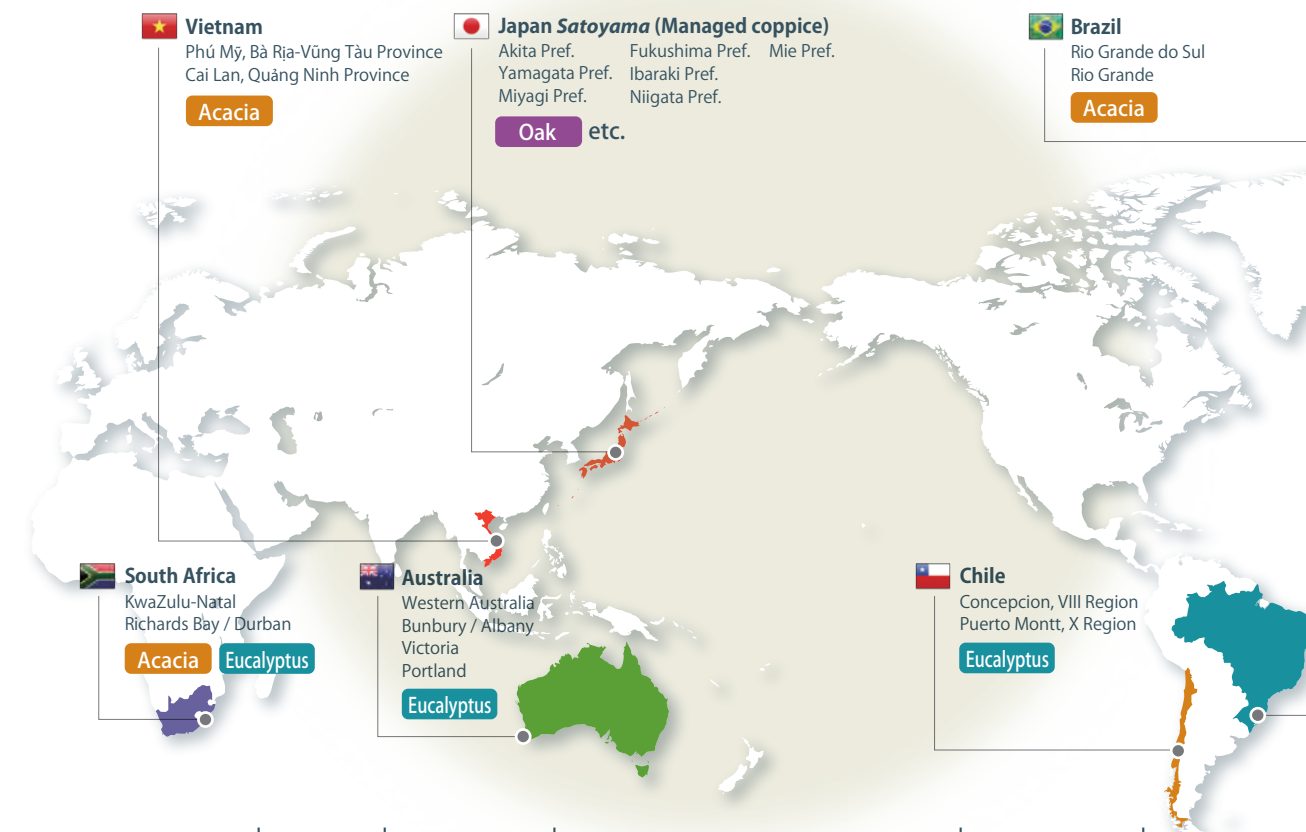
We disclose information on wood materials that we procure on our website and in corporate reports.

3) Maintenance of biodiversity

We procure wood materials produced in forests that take into account biodiversity conservation. In the forests that we own and manage in Japan and abroad, we run several forest operations taking into consideration biodiversity, such as securing conservation forest around water streams, securing protection areas, preserving high conservation value forest, and selecting appropriate planting species according to location.

Procurement of Woodchips in FY2018

Hokuetsu Corporation exports virtually all of its woodchips demand. The global woodchips market has varied significantly, i.e. China became the largest importer of hardwood chips since 2016 and Indonesia once an exporter became an importer after 2018. We are striving for stable procurement by further strengthening the relationship with our wood chip suppliers that we have cultivated so far and only procure secured legal woodchips in accordance with our Policy on Procurement of Wood Material so that our customers can buy and use our paper products with confidence.



Country	Species	Forest classification (natural, re-growth, plantation & sawmill residue, etc.)			Method of verifying legality			Overseas / Domestic woodchips purchase volume(K BDT)	Percentage by forest classification
		Plantation	Re-growth	Residue	Traceability report	Declaration legality of timber	Forest certification System		
Brazil	Acacia	●	—	—	●	●	●	1,879	98%
Chile	Eucalyptus	●	—	—	●	●	●		
South Africa	Acacia	●	—	—	●	●	●		
Australia	Eucalyptus	●	—	—	●	●	●		
Vietnam	Acacia	●	—	—	●	●	●		
Japan	Oak, etc.	—	●	—	●	●	(*)	41	2%
Total								1,920	100%

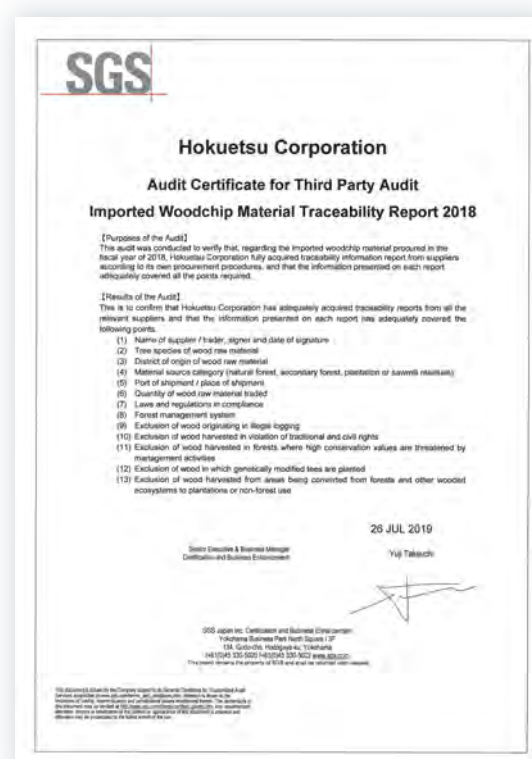
*We carried out a risk assessment of domestic woodchips based on Japan's National Risk Assessment (NRA), approved in August 2014; and we were approved to handle domestic woodchips as controlled woodchips.

Check by Third-Party Audits and Internal Auditing

We have consumed (1) FSC® certified woodchips and (2) Controlled woodchips in the Niigata and Kishu mills. These woodchips have met the principles and standards set forth by the FSC and are woodchips made of the wood introduced in FSC-certified forests and/or wood that has been confirmed as the wood introduced in well-managed forest confirmed by a third-party organization based on a risk assessment of the requirements of managed wood (controlled wood) defined by the FSC.

We also have our own traceability system* and periodically confirm the information relating to woodchips consumed at the two mills, and regularly verify items such as legality, sustainability, and biodiversity preservation status, etc. In addition, we also have had external audits, such as Japan Paper Association which is the paper industry organization, and SGS Japan Inc. which is a third-party organization, to enhance the verification accuracy of this system.

(Hokuetsu Corporation FSC license code: FSC-C005497)



Audit certificate issued by SGS Japan Inc.

Marine transport of woodchips by eco-ship wood chip carrier

Woodchips that we consume are transported by woodchip carriers based on long-term charter contracts with shipping companies. The Southern Treasure, scheduled to in service in 2019, is a state-of-the-art eco-ship (with 15% lower fuel consumption and equipped with a scrubber) that also meets the coming SOx regulations that will go into effect from January 2020.

We are also working to reduce the environmental impact by the marine transportation of woodchips.



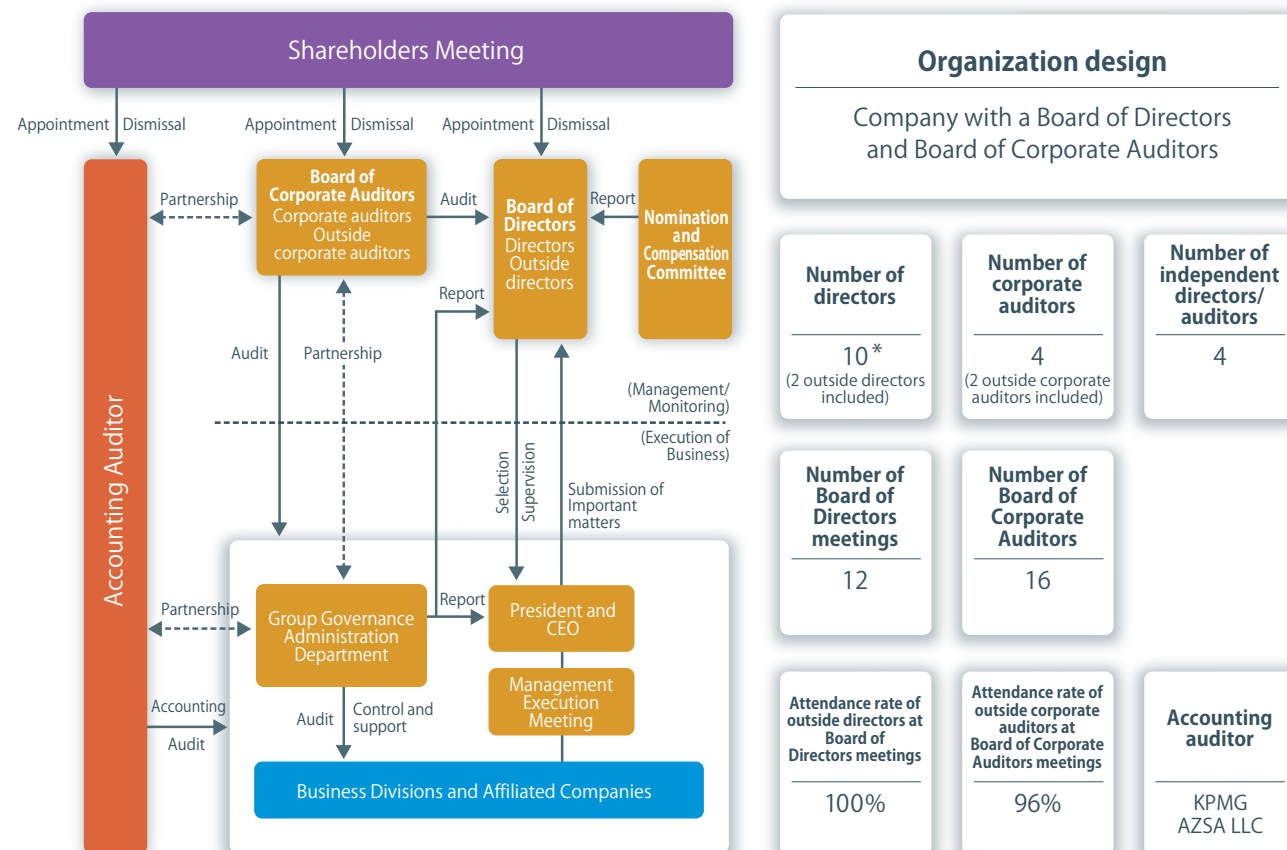
The Southern Treasure under construction

Aiming for transparent, fair, prompt and decisive decision-making that improves corporate value

By realizing the “Group Corporate Philosophy,” the Group aims to be a company that is trusted by all stakeholders, and has established a Nomination and Compensation Committee to further strengthen its governance system.

Organizational Structure of Corporate Governance

FY2018 Results



*11 as of June 26, 2019.

Creation of a Nomination and Compensation Committee

In order to further improve our corporate governance, we established a voluntary Nomination and Compensation Committee in the fall of 2018. The committee deliberates on matters concerning the nomination and compensation of directors in response to the request of the Board of Directors, which they then determine. In FY2018, the Nomination and Compensation Committee convened six times, and the Board of Directors met twice based on the reports of the Nomination and Compensation Committee.

Determining Compensation of the Board of Directors

Director compensation is composed of basic remuneration as a fixed remuneration determined by position, etc., an annual incentive (performance-linked bonus), and medium- to long-term incentive (stock-based remuneration) linked to performance of the company and contribution to said performance. The indicators related to performance-linked compensation are consolidated net sales, consolidated operating income, and contribution to ESG (environment, society, and corporate governance). The compensation for outside directors consists of only basic remuneration.

Basic Policy on Corporate Governance (excerpts)

Article 2: Basic Philosophy of Corporate Governance

- In order to achieve long-term stable improvement of our corporate value, which is the most important management issue, we have built an appropriate corporate governance system in accordance with the following basic concepts.
 - We respect the rights of our shareholders and will strive to establish an environment in which shareholders can exercise their rights appropriately and to secure equality between shareholders.
 - We recognize the importance of corporate social responsibility and will strive to collaborate appropriately with shareholders and other stakeholders in order to develop a corporate culture in which business is conducted with self-discipline in a sound manner.
 - We will ensure transparency and fairness in our decision-making by establishing an executory system for timely disclosure and by conducting the timely and appropriate disclosure of non-financial information beyond requirements mandated by laws and regulations.
 - We will strive to secure the effectiveness of the Board of Directors based on our fiduciary responsibilities and accountability to our shareholders. We will also enhance the strategic, decision-making, and supervisory functions of the Board of Directors through its analysis and assessment.
 - We will actively and constructively engage in dialogue with our shareholders based on a basic policy established separately to support the enhancement of our stable, long-term corporate value.
- The Board of Directors shall establish and disclose the Group Code of Conduct to be shared by all employees and executive officers of our corporate group.

Article 3: Role of the Board of Directors

- The Board of Directors strives to enhance the common interest of our shareholders and achieve appropriate corporate governance, in order to enhance stable, long-term corporate value.
- The Board of Directors performs a supervisory function over all management, including the execution of the duties of the corporate management team and decides important matters as prescribed by laws and regulations, our articles of incorporation, and our Rules for the Board of Directors.
- The Board of Directors delegates the decision-making for business matters other than those listed above to corporate management in order to enhance the mobility of the business and management vitality, while also exercising oversight of the status of the execution by the corporate management.
- Outside directors give advice from a neutral position independent from management for enhancing our stable, long-term corporate value, and play a significant role in the decision-making for the important management issues of our company. They also supervise conflicts of interest between our company and management.
- The Board of Directors establishes the institutional systems for internal discipline, and cooperates with the relevant departments to supervise and ensure that they are operating effectively.
- The Board of Directors determines the appointment and dismissal of directors based on the evaluation of the Nomination and Compensation Committee.

Article 7: The Role of Corporate Auditors and the Board of Corporate Auditors

- Our corporate auditors and our Board of Corporate Auditors conduct operational audits and accounting audits from an independent and objective perspective on the basis of their fiduciary duties towards our shareholders. Our corporate auditors also audit the execution of the duties of each director, and express their appropriate opinions at Board of Directors meetings on the basis of their aforementioned fiduciary duties.
- Our corporate auditors and our Board of Corporate Auditors enhance their effectiveness by organically combining the robust independence of the outside corporate auditors and the high information gathering capacity of the standing corporate auditors.
- Our Board of Corporate Auditors evaluates the outside accounting auditor on the basis of their duties to shareholders and investors by confirming the independence and the institutional business operations for quality control, both of which are required of an outside accounting auditor.

The Basic Policy on Corporate Governance is published on our website.

Steadily enhancing our compliance system as a global company

The Group formulated its Group Corporate Philosophy, to fulfill its responsibilities as a global company, and its Group Code of Conduct, as the set of rules to achieve its philosophy, on April 1, 2018. These are practiced by all executives and employees of the Group in Japan and overseas, and we are implementing various measures to further enhance our compliance system.

Formulating and sharing Group policies

The Group formulated its Group Policy, based on our Group Code of Conduct, as a basic policy that should be shared and realized by the entire Group for each major field of business, and implemented it on April 1, 2019. It is comprised of the Group Environmental Charter, Group Fundamental Policy for Raw Materials Procurement, and Group Basic Policy for Information Security. These Group policies have been translated into English, French, and Chinese, and are shared with the entire Group, including our overseas subsidiaries. In addition, we are working to share and explain the purpose and content of the policies through opportunities such as at Group Governance Meetings, which are described below.

Creation of the new Legal Affairs & Compliance Department

On April 1, 2019, we merged the Compliance Affairs which previously belonged to the Group Governance Administration Department with the Legal Affairs which belonged to the General Affairs Department, to create the Legal Affairs & Compliance Department. The new department is headed by an in-house lawyer, and with the heads of the Personnel Department and General Affairs Department as members, working under the



leadership of the Chief Compliance Officer, is responsible for formulating compliance measures (training, etc.) for the entire Group, including domestic and overseas subsidiaries, and responding to whistle-blowing. As of July 1, an in-house lawyer joined as a new member. Going forward, we will continue to strengthen the compliance system of the entire Group and improve our ability to respond to unforeseen circumstances, with the Legal Affairs & Compliance Department as the hub.

Overseas Group Governance Meetings

The Group held its first Overseas Group Governance Meeting at Jiangmen Xinghui Paper Mill, China in December 2017. The second Overseas Group Governance Meeting was held at Bernard Dumas in France in April 2019, followed by another meeting at AI-Pac in Canada in July later that year. At the first Meeting, the Chief Operating Officers (COO) of four overseas subsidiaries attended, but now the Meetings are held with the CEO of Hokuetsu Corporation visiting each overseas subsidiary individually for more substantial discussions. In particular, in addition to our CEO, members of our Board of Directors, including outside corporate auditors, also attended the meeting at AI-Pac, in Canada which has large business scale. Both meetings hosted lively discussions on compliance, governance, internal control, and other matters. Another Overseas Group Governance Meeting is scheduled to be held at a subsidiary in China in December 2019, and this meeting will also be held regularly in the future.



The Overseas Group Governance Meeting held at Bernard Dumas



Members of the Overseas Group Governance Meeting held at AI-Pac

Creating a workplace where all employees can work safely and securely with purpose and vigor

The Group is striving to establish a workplace where employees can work safely and securely with purpose and vigor. The entire Group is working to improve the environment, including training for working in new ways that are in line with the times and mental health measures.

Actively improving the work environment and developing human resources

● Toward works style reforms

In July 2019, we held in-basket training for managers and time management training for general employees as specific initiatives created by the Work Style Reform Promotion Committee established in 2018. In the time management training, many participants became aware of time-wasting habits that they had not thought of on a daily basis through hands-on and participatory programs.

Moving forward, we will establish a labor-management subcommittee at each office/mill and review the work system in order to have shop-floor discussions based on the draft proposals of the Work Style Reform Promotion Committee.

Moreover, we will promote the use of IT to improve the efficiency and quality of work. From April 2019, the Corporate Officer in charge of the General Affairs Department also became in charge of the Information Systems Department. Doing so will make it possible to improve the efficiency of routine work by using IT while achieving the overall optimization of our internal systems.



Time management training attended by approximately 25 employees, including Group companies

● Health and productivity management initiative

The Group is working on the early detection and prevention of illness among employees. Specifically, we have tied up with the Group Health Insurance Association to review the content of health checkups, expand cancer screening assistance, expand support for flu vaccinations, and conduct dietary guidance from a registered dietitian. We conduct stress checks for mental health every October and are working to use the results of group analysis by feeding them back to management and managers at each workplace. From FY2019, we expanded the number of external consultation services to prevent mental health problems.

Change in average age and average years of employment

Average age

	2017	2018	2019
Male	43.1	42.8	43.2
Female	38.8	39.8	39.2
Average	42.8	42.6	42.8

(Hokuetsu Corporation, non-consolidated)

Average years of employment

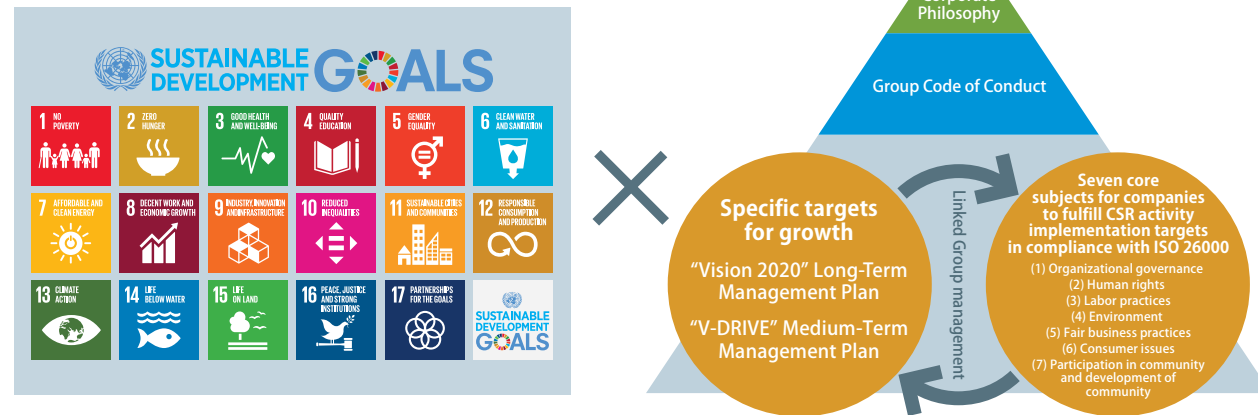
	2017	2018	2019
Male	18.5	18.6	19.3
Female	11.9	11.3	11.7
Average	18.1	18.1	18.8

(Hokuetsu Corporation, non-consolidated)

Promoting CSR activities as one of the drivers of management throughout the entire Group

The Group established its Group Corporate Philosophy in 2018 at the same time it changed its company name, and is developing specific activity goals that comply with the seven core issues of social responsibility stipulated in the ISO 26000 international standard and is promoting CSR activities. Part of this initiative is based on the same philosophy as the goals and targets set forth in the SDGs for the realization of a better international community.

The Group's approach to CSR activities



Inspections for FY2018 goals

- (1) Organizational governance (governance)**
 - The Group Corporate Philosophy, Group Code of Conduct, and Group symbol were established in line with the change of company name, and the meanings of the Group Corporate Philosophy and Group Code of Conduct were published in various communication media compliance handbooks with the aim of sharing it with the entire Group.
- (2) Human rights (respect for the rights given to all people)**
 - Issued newsletters to employees during Human Rights Week.
 - Established the Group Fundamental Policy for Raw Materials Procurement stating that we promote procurement that takes human rights into consideration.
- (3) Labor practices (work style)**
 - We established the Work Style Reform Promotion Committee to promote work improvements to improve the appropriate working environment.
- (4) Environment (promotion of environmental management)**
 - Our initiatives on the environment are described on p. 16–19 of this report.
- (5) Fair business practices (strict compliance)**
 - Our compliance initiatives are described on p. 26 of this report.
- (6) Consumer issues (responsibility to customers)**
 - Our customer initiatives are described mainly in the value creation business models described from p. 30–41 of this report.
- (7) Participation in community and development of community (Coexistence with local community)**
 - We continue to support Kyu-Can-Cho Project of Pan Akimoto Co., and used our chip carrier to distribute canned bread to elementary schools in Eswatini in July and January. We also use our chip carrier to deliver donated athletic shoes (used) from elementary schools in Tochigi Prefecture to elementary schools in Eswatini.
 - Approximately 1,600 people a year take part in tours at the Niigata Mill.
 - In addition to starting joint research with the Industrial Research Institute of Niigata Prefecture, the Central Research Laboratory received the Nagaoka Innovation Award from the Regional Renaissance Creation Association, to which Nagaoka City and Nagaoka University of Technology belong.
 - See p. 29 of the report for communication with local communities.

Priority CSR Activity Goals for FY2019

No.	Seven core subjects in compliance with ISO 26000	Connection to SDGs (items that the Group can engage in)	Activity Goals for FY2019
1	Organizational governance (governance)		Promote the creation of an organization to maximize the corporate value of the Group
2	Human rights (respect for the rights given to all people)	5 Gender equality	Respect the rights given to all people and maintain an appropriate working environment
3	Labor practices (work style)	5 Gender equality 8 Decent work and economic growth	Promote work-life balance and improve productivity through innovative and improved work styles
4	Environment (promotion of environmental management)	6 Clean water and sanitation 7 Affordable and clean energy 11 Sustainable cities and communities 13 Climate action 15 Life on land	Reduce environmental impact, aim for eradicating environmental claims, and realize a "Minimum Impact Mill"
5	Fair business practices (strict compliance)		Strengthen the Group compliance system through sustained education and training
6	Consumer issues (responsibility to customers)	12 Responsible production and consumption 14 Life below water	Work to improve customer satisfaction
7	Participation in community and development of community (Coexistence with local community)	2 Zero hunger	Seek coexistence with local communities through communication with local communities and social contribution activities

Aiming to be an approachable company by interacting with local communities

As part of social contribution activities, the Group actively promotes exchanges with local communities. We also provide ongoing support for mill tours, community clean-up activities, community events, internships and hands-on learning for students, as well as the "Kyu-Can-Cho Project" that has provided canned bread for disaster relief supplies to Eswatini since 2014.

Active participation in community events

The Group participates in various local events and deepens exchanges with the local community. In July 2018, we had a paper-making corner to create original postcards as a kick-off event for the 150th anniversary of the opening of the Port of Niigata at Umifesta Niigata held in Niigata City, Sado City, and Seiro Town.

In August, we participated in the minyo-nagashi folk dance parade at the Niigata Festival and danced to a Bon odori folk song called "Niigata Jinku." Also, many local residents participated in the "Mill Bon Odori Dance Festival" held at the Niigata Mill and, in a new initiative, we distributed medaka (Japanese rice fish) raised in the clean water of the Niigata Mill.



Niigata Festival minyo-nagashi folk dance

Ordering the manufacture of pallets at a welfare factory for the physically disabled

Hokuetsu Pallet Co., Ltd., part of the Group, has traditionally supported the philosophy of the social welfare corporation Keyaki no Sato as part of its work in support for persons with disabilities, and orders the production of wooden pallets from the corporation's Yamabiko Works in Kawagoe City, Saitama Prefecture. Each carefully-made wooden pallet is used primarily by printing companies. Yamabiko Works is greatly trusted and has earned the praise of its customers by making high-quality products while delivering them on time.



Making pallets at Yamabiko Works

Actively welcoming mill tours

As part of our efforts to "coexist in harmony with communities," the Group conducts mill tours for various educational institutions and local residents on an ongoing basis. In FY2018, approximately 1,600 people took part in tours of our Niigata Mill, with approximately 2,300 people taking tours across the entire Group. The mill tours are for elementary, junior high, and high school students, and local residents. The tour offers an easy-to-understand introduction to our environmental measures such as reducing the Group's CO2 emissions and the initiatives of the Group as a global corporate group.



A mill tour conducted at the Kanto Mill (Ichikawa)



Value Creation Business Model

We provide a summary of our five core businesses in FY2018.

Strengthening our measures for the global market through efforts such as expanding export destinations and modal shifts

Business Overview

The main product of the Paper Business is printing and communication paper used for books, magazines, catalogs, and brochures.

Within the product line-up, coated paper is our key product, and its production volume in 2018 had the second highest share in the domestic industry.

Furthermore, our sales of colored wood-free paper with its tradition and rich product line-up have allowed us to maintain a share of over 65% of the market in Japan, which shows our brand is loved by a wide range of customers.

Performance Highlights

Total domestic shipments for printing and communication paper manufacturers in 2018 have fallen for five consecutive years since 2014. The demand for paper continues to decline due to the continuing digitalization of media from the spread of smartphones and tablets, lower budgets for advertising on paper media, and the declining birthrate. In this environment, we will work to recover demand by combining the respective benefits of paper and digital mediums, and taking advantage of the functionality of paper that cannot be replaced digitally.

In addition, the worldwide movement to eliminate plastics is becoming more prominent, and the demand for cup base paper and packaging paper is growing. This is an opportunity to accelerate progress in developing new products and, we will continue to maintain our price, further pursue optimum production and efficiency improvements, and stably provide high quality products.

In our exports for 2018, we were able to expand our sales areas and volume as stated in our plan. The company-wide export volume exceeded 300,000 tons, of which the 291,000 tons from the Niigata Mill increased 23% compared to 2017. Our export volume to our six key destinations of the United States, Hong Kong, Vietnam, Taiwan, Thailand and Malaysia increased from 153,000 tons in 2017 to 179,000 tons in 2018. We also saw a significant increase in sales to India and Pakistan, where we have focused on growing our sales. Over the long term, we will strive to further strengthen our competitiveness in overseas markets and develop new customers as demand in Japan declines.

Future Issues and Initiatives

With the third year of the "V-DRIVE" Medium-Term Management Plan in the final step of "Vision 2020," the Paper Business Division will ensure the Niigata Mill, Kishu Mill, and the Sales Department are aligned in the same direction working together, and engaged in full-fledged efforts to enhance our competitiveness. To respond to rapid changes in the external environment, we will strive to improve our domestic market share. In exports, we will build a production system that can compete in the global market, and take bold measures to strengthen the competitiveness of the Paper Business Division as detailed in "V-DRIVE." Specifically, we will focus on the following:

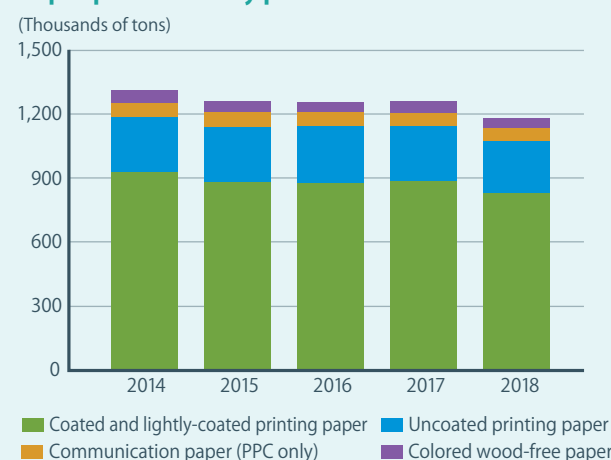
Production

- (1) Thoroughly pursue optimum production and lower costs at the Niigata and Kishu mills, while ensuring stable operations and supply.
- (2) Improve the reliability of quality and strengthen the relationships of trust we have with our users.
- (3) Reduce the environmental impact of our production operations through the effective use of resources.

Sales

- (1) Improve sales share through development of competitive new products based on our coated and wood-free paper, and further advance new uses for colored wood-free paper.
- (2) Conduct regular visits of our users by the Sales Department and staff at our mills to strengthen relationships and ensure reliable quality and sales.
- (3) Accurately grasp overseas market trends, maintain and strengthen relationships with existing customers while further strengthening export sales.

Paper production by product



Business Topics

Increasing export sales of paper

The Group has been exporting and expanding mainly printing and communication paper since 2008, and has continued to supply it without being affected by fluctuations in foreign exchange rates. As a result, the relationship of trust we have developed with customers through these efforts has led to the recent expansion of sales volumes.

In 2018, exports exceeded 300,000 tons. Exports, mainly in coated paper, are expected to decline in 2019, but the Niigata Mill has developed new products with coated paper intended for use overseas and is expanding sales in India, in addition to developing new markets in the Philippines and Indonesia.

In order to meet global demands for alternatives to plastic, the Kishu Mill has been exporting base paper for products such as paper cups and straws as well as other processed paper, and is expanding its sales volume for East Asia and India.

We aim to increase our sales volume over the long term not only by exporting products such as wood-free paper and coated paper to neighboring areas that have been our core accounts, but also by expanding both our areas and product types.

Augmenting our large containers

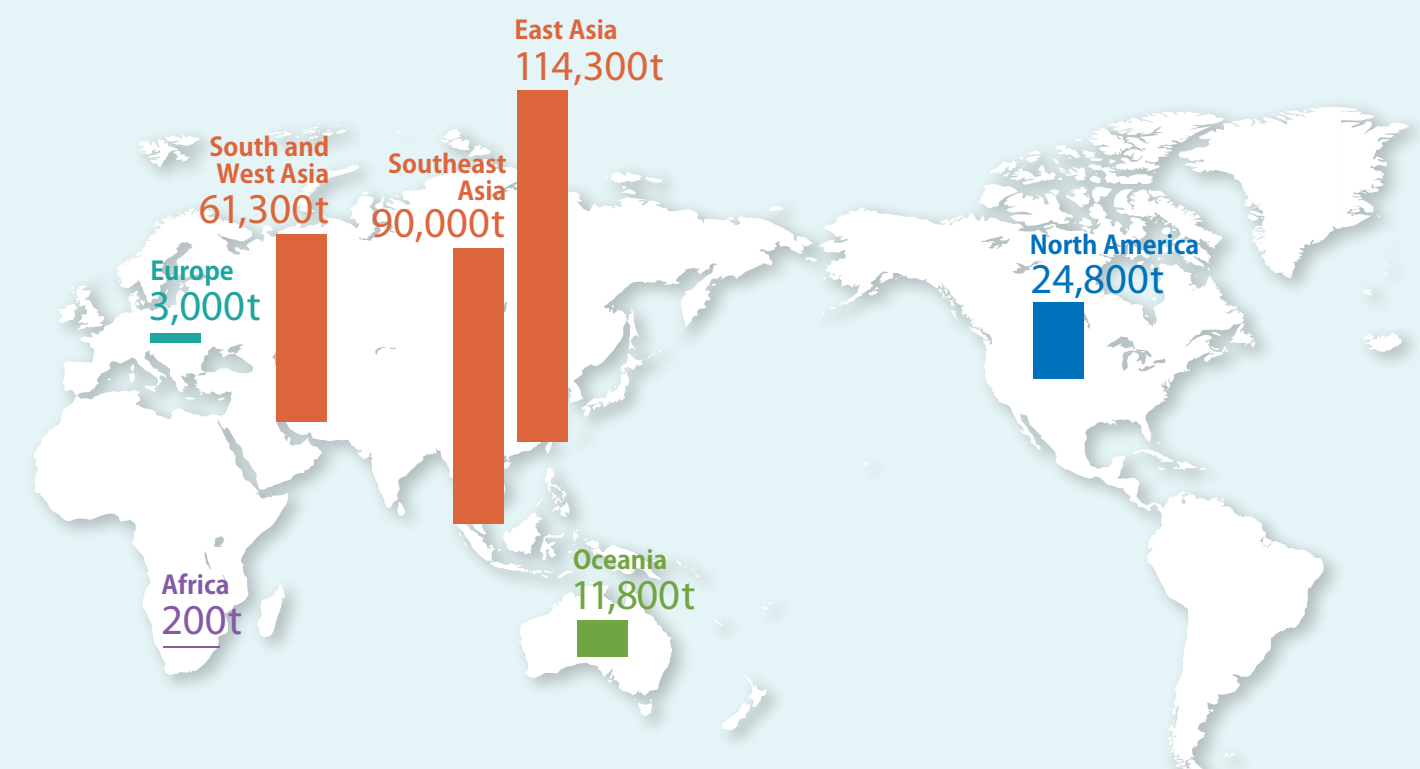
We began using 20-foot containers (10 ton) in October 2018.

The shortage of truck drivers in recent years has been prominent, and the number of trucks secured from the Niigata Mill to the Kansai/Chubu area has decreased. This led us to introduce 20-foot containers as a transportation alternative to trucks. Using these containers has made trefoil formation (stacked) of rolled products possible, something that could not be done with existing 12-foot containers (5 ton), leading to an improvement in the direct delivery ratio of users.

As shown in the photo below, we adopted our corporate color for the container body and a design that makes the product name stand out. Moving forward, we hope that more people will know our company and products, and that they can actually hold those products in their hands.



Exports and destinations (2018)



Accurately understanding changes in demand structure and creating added value to improve customer satisfaction

Business Overview

Our department's main products are premium white paperboard, special white paperboard, coated duplex board (with gray back), cast-coated paper, etc. We feature a wide range of products in order to meet our customers' diverse needs. The major usage for our products is in commercial printing, which include packages, catalogs, POP advertising, postcards and the covers of publications. Our products are used in a wide range of fields. Production sites in Japan are at the Niigata Mill and Kanto Mill (Ichikawa and Katsuta) and overseas by Jiangmen Xinghui Paper Mill, located in Jiangmen, Guangdong Province in China. With HOKUETSU GROUP'S technical strength for top quality, high efficiency and less environmental impact which is cultivated over the course of many years, we will further strengthen our profit base by selling attractive products.

Performance Highlights

In 2018, total domestic shipment of white paperboard by manufacturers was approximately 1.36 million tons with the Group accounting for about 270 thousand tons, equal to 21% of the market share in Japan.

In the white paperboard business, domestic demand in fields such as food, medicine, and cosmetics remained strong. In the food product field, the number of retort food pouches has increased as in the previous year due to the growing trend of ready-made meals as a result of increasing numbers of nuclear families and their propensity to save. In the pharmaceutical field, there is an increasing trend due to more generic drugs and an increase in demand for high-functional products due to health consciousness.

On the other hand, in addition to a decrease due to structural factors accompanying the declining population, the aging population, and low birthrate, there is a continuing downward trend due to the trend toward smaller and softer packaging from increased strict cost-cutting measures by users and a decrease in the commercial printing and publishing fields due to the impact of digitization. Inbound demand remains stable as the number of foreign visitors to Japan continues to increase, despite flat shipment of goods for souvenirs compared to its peak.

To respond to changes in the demand structure of our customers, the Group has pursued total optimization by building a production system that fully leverages the characteristics of the three production sites in Niigata, Katsuta, and Ichikawa. We are also working on initiatives in the functional paper sector in cooperation with the Specialty Paper Business Division and expect it to grow in the future.

Future Issues and Initiatives

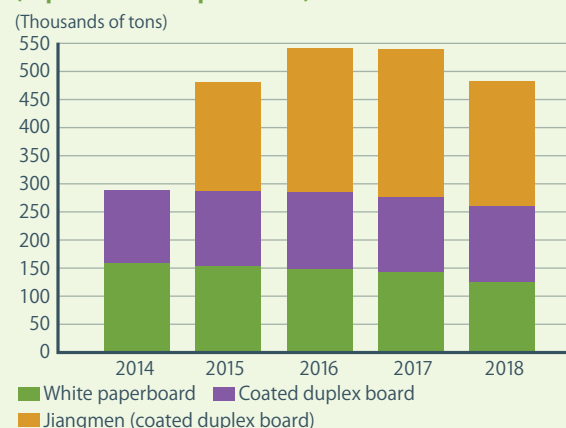
Important Issues

- (1) Strengthen the foundations for environmental conservation, governance, and compliance.
- (2) Promote work style reforms rooted in creating an attractive workplace, and build safe workplaces that integrate human resources and Group companies.
- (3) Work to expand business areas and expand sales through environmentally-oriented strategies such as using FSC-certified paper and ending the use of plastics.
- (4) Reinforce our competitiveness by implementing total optimization of production, inventories, and sales, and promoting logistics reform.
- (5) Thoroughly implement measures to prevent the recurrence of operational problems and perform preventive maintenance on equipment.
- (6) Realize advantageous procurement in response to changes in the procurement environment of raw materials for Jiangmen Xinghui Paper Mill in China, and secure profits by improving efficiency.
- (7) Contribute to the profits of the entire Group by further strengthening the cooperation with the Paper Processing Business Division and other divisions, and sharing information and sales strategies with our Group companies, Hokuetsu Package and Hokuetsu Paper Sales.

Specific Initiatives

- (1) Proceed with developing demand for primary food containers and pharmaceutical applications as a growth field and promote the development of quality, including in new products.
- (2) Had Maricoat and NEW-DV flagship white paperboard FSC® certified.
- (3) Consolidate multiple warehouses at the Kanto Mill (Ichikawa) to further improve convenience as part of logistics reforms.

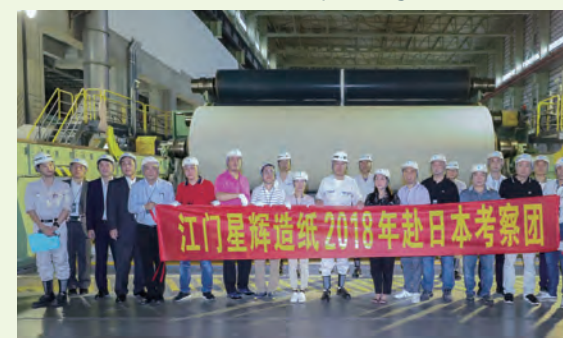
White paperboard production by type (Japan + China operations)



Business Topics (White paperboard business in China / Jiangmen Xinghui Paper Mill)

Stabilizing and expanding sales

Continuing from October 2016, a group of major customers (15 people from eight companies) of Jiangmen Xinghui Paper Mill visited our Niigata Mill and head office in September 2018 where they were presented with a commemorative plate for being excellent sales customers. During the tour of the Niigata Mill, we showed them equipment, such as the No. 8 and No. 9 paper machines and the black liquor recovery boiler, where they were able to experience the size of the mill and our excellent environmental measures. Going forward, we will continue to strengthen our relationships with major customers and cultivate new customers with the aim of expanding sales.



Commemorative photo at the Niigata Mill

Promoting further environmental protection measures

In line with the strengthening of environmental protections in China, departments related to the Ministry of Ecology and Environment frequently conduct inspections and examinations at the central, provincial, city, and district levels, such as when applying for imported used paper licenses. To respond to these conditions, we are working on thorough environmental protection measures, which include the beautification and cleaning of mills every week, promoting 5S activities, and strengthening the management of solid and hazardous waste, in addition to installing a roof over the entire used paper yard and making the sewage ditch visible. In October 2018, we were certified a "clean production company" by the city of Jiangmen.



Certification as a "clean production company" by the city of Jiangmen

Acquisition of a license for imported used paper

As part of efforts to strengthen environmental protections, the Chinese government started restricting used paper imports in 2018, including the prohibition of imported mixed used paper. The total amount of licensed imported used paper in 2018 was 18.16 million tons, a significant decrease compared to the 28.12 million tons in 2017. At the same time, Jiangmen Xinghui Paper Mill succeeded in taking various environmental protection measures and was able to obtain a used paper license in 2019.

Enhancing our lineup of FSC-certified paper in our White Paperboard Business

The Group has worked to expand its FSC-certified paper, said to be the most effective way to prevent deforestation, in order to ensure sustainability and preserve biodiversity. Although we have obtained FSC certification at all our mills, the White Paperboard Business Division received FSC certification for all its Maricoat and NEW-DV paper produced from October 2018, which is primarily used for paper containers in main products. Other brands have also been certified. At the Tokyo Olympics and Paralympic Games, where a management plan has been put in place that takes into account sustainability, the paper procurement standards set by the Organizing Committee calls for the "maximum use of used paper pulp and the use of materials with guaranteed sustainability, including FSC certification, for other pulps."



Example of use of FSC-certified paper (sample)

(Hokuetsu Corporation FSC license code: FSC-C005497)

Accelerating the expansion of business areas in growth markets

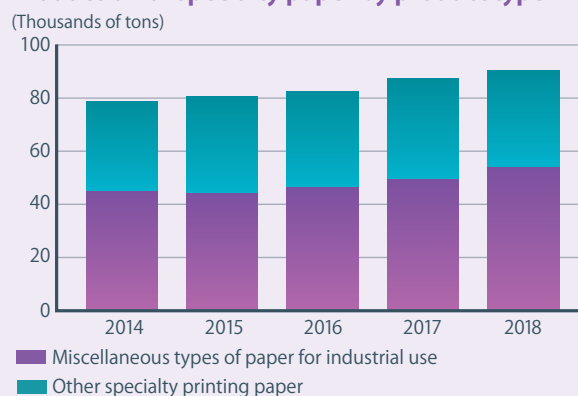
Business Overview

The main products of the Specialty Paper Business Division are premium printing paper, fancy paper, communication paper, paper for industrial use, specialty processed products, specialty fiber boards, and more. Among these, products such as abrasive-coated base paper, adhesive postcard paper, and chip carrier tape base paper boast a large share of the domestic market. Going forward, we will further solidify our domestic base while strengthening our competitiveness and revenue-earning capability in the global market.

Performance Highlights

Total shipments by the Specialty Paper Business Division in 2018 totaled 101% of shipments for the previous year. In the specialty paper field, fancy paper, such as colored paper, has been on the decline due to the effects of the declining birthrate, but premium printing paper used in brochures and packaging has remained firm in the publishing industry. In the communication paper field, sales to central government agencies struggled despite regional governments adopting adhesive postcard paper. Paper for forms and OCR paper continued to decline slightly, but thanks to efforts to expand sales of processed paper for use in applications in Japan and abroad, we were able to secure the sales volume in line with levels of the previous year. In the performance materials paper field, chip carrier tape base paper performed well due to higher demand for electronic components from advances in areas such as 5G technology and the computerization of automobiles, in addition to the greater functionality of smartphones. Abrasive-coated base paper showed steady shipments supported by demand related to construction and building materials, mainly in Japan. Air filter media was sluggish due to stagnation in large-scale investment demand from the economic slowdown. Sales of RO (water treatment) membrane backings for the water treatment sector remained firm in both Japan and abroad.

Production of specialty paper by product type



Future Issues and Initiatives

In the Specialty Paper Business Division, we are working closely with five strategic businesses and subsidiaries (Hokuetsu Toyo Fibre, HK Paper (USA), Shanghai Toh Tech, Bernard Dumas, and Nikkan) and have made an effort to shrink the distance between our customers on a global scale and link latent needs to commercialization, from the perspective of the whole Group. This effort promoted over the past few years with this thinking is steadily under way and we have been able to expand our business field. With this approach as a pillar to speed up this effort, the following six items will be used as a short-term vision to enter into promising markets and connect to surrounding business fields.

Initiatives

- Build a system to gradually increase the production of chip carrier tape base paper
- Strengthen glass fiber business
- Start a new mill for the new thermal processing paper business in the Chinese market
- Expand sales of RO (water treatment) membrane backings
- Develop and commercialize a functional substitute product to plastic
- Develop and commercialize functional paper products in partnership with specific major customers in Japan

Fancy & Media Paper

In the specialty paper business, although demand for fancy paper is expected to decline further in the future, we are working to expand sales related to premium printing paper and to develop environmentally-friendly products with added functionality. Although communication paper finds itself in a difficult market environment for both paper for forms and OCR paper, we are strengthening efforts for processed base paper applications, promoting new the development of new applications, and expanding sales of adhesive postcard paper.

Performance Materials Paper

Shipments continued to be sluggish in the first half of 2019 due to lower export-related demand stemming from trade friction between the United States and China. Chip carrier tape base paper is in an adjustment phase, coupled with the maturity of the smartphone market and the slowdown in the Chinese economy, but volume is expected to recover in the second half due to growth in sectors, including 5G and automotive components such as EVs. Even export sales of abrasive-coated base paper and air filter media, which have been steady, are currently sluggish. Specialty hardened fiber board has also slightly declined, but we are working to acquire new projects by developing multiple applications. In addition to strengthening each business, we will aim to expand our business while promoting the development of new projects.

Business Topics

Fancy & Media Paper

● **Developing environmentally-friendly products**
 In the specialty paper field, in response to the trend of eliminating plastic, inquiries are increasing for food cutlery applications, such as paper spoons, paper muddlers, and clear paper document folders that use our base paper. We have worked to bolster the presence of the entire Group. In 2018, we exhibited at EcoPro 2018, the largest event on the environment in Japan, and TOKYO PACK 2018, and actively participated in other user-centered exhibitions. Going forward, we will continue to expand sales of environmentally-friendly waterproof and oil-resistant "Poem-S" paper and develop new products.



Environmentally-friendly products on display at an exhibition

● Strengthening initiatives with hardware manufacturers

In the communication paper field, printer manufacturers are focusing on developing high-speed inkjet printers. We are collaborating with printer manufacturers for adhesive postcard paper to improve product quality, such as the coloring and bleeding of printed text, and stability of adhesion. We are also working on a lineup of products suitable for high-speed inkjet printers, as well as focusing on expanding sales. In addition, we will work on developing uncoated inkjet paper to further bolster our efforts for high-speed inkjet printers. Furthermore, we will take advantage of the stability of dimensions and workability of communication paper to strengthen development of release base paper and processed base paper for processing applications.

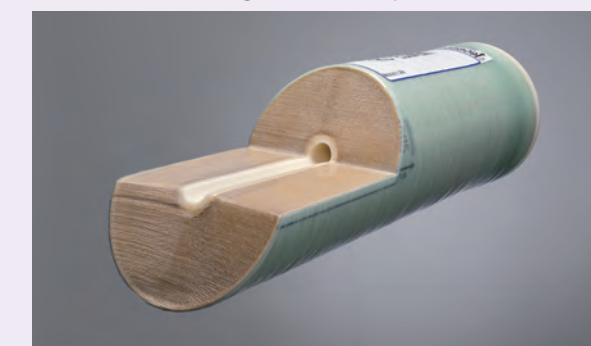


Adhesive postcard paper

Performance Materials Paper

● Supplying RO (water treatment) membrane backings for the water treatment sector

According to 2017 data from UNICEF and the WHO, 2.1 billion people (about 3 out of 10 people in the world) do not have access to safely managed water, of which 800 million do not even have basic drinking water. The Group has focused on stably mass producing membrane backings, focusing on RO membranes to desalinate seawater and recycle domestic wastewater into drinking water, and began full-scale sales to RO membrane manufacturers from April 2017. Going forward, we believe that the need for desalination or recycling domestic wastewater will continue to increase as the global population increases and living standards improve. We will continue our efforts to make this growth field a pillar of our business.



RO membrane element

● PASCO multi-use specialty hardened fiber board

PASCO is an environmentally-friendly specialty hardened fiber board made mainly of wood fiber. It is used in a variety of applications and fields, ranging from interior uses such as store fixtures, boxes, trunks, and from stationery products to electrical products and other industrial materials, as well as for a structural material in the insole of shoes in the footwear market. The material can be used to create unique products and has strength exceeding paper, excellent workability, moldability, and is available in 24 color variations. Its potential is attracting renewed attention as a gateway to the plastic-free era, which is an important topic in recent years, and as a substitute for wood and steel.



PASCO products

Creating new value with environmentally-friendly packaging

Business Overview

In the Paper Processing Business, our consolidated subsidiary, Hokuetsu Package Co., Ltd. (HPC), collaborates with our Paper Business Division, White Paperboard Business Division, and Specialty Paper Business Division to develop business by leveraging the strengths of its integrated production from making base paper and developing materials to the design, printing, and processing of finished products. HPC manufactures its products at Katsuta Production Department and Tokorozawa Production Department. The Katsuta Production Department produces "TOHEI-PAK" brand milk and drink cartons, primary food containers used at convenience stores and supermarkets, and high-quality processed paper with functionality and decorativeness used in packaging materials, cosmetics, and medical products packaging. The Tokorozawa Production Department produces print media products such as adhesive postcard paper, answer sheet paper, and business forms, RFID tags, and communication media products for data processing of personal information. We pursue the delivery of high-quality products to customers in all business fields, and the Katsuta Production Department, which handles packaging for food and beverages, has acquired FSSC 22000 Food Safety System Certification, the international food safety management standard, and is committed to health and safety management. The Tokorozawa Production Department, which handles customer information, has acquired ISMS Information Security Management System certification, and implements strict security management. HPC promotes environmentally-friendly manufacturing based on the Group Environmental Charter. Specifically, it provides milk and drink cartons and processed paper made from FSC- and PEFC-certified paper that promotes sustainable forest management on a global level, in addition to manufacturing products with clean energy from the largest biomass power generation in Japan at our Kanto Mill (Katsuta).

Performance Highlights

The processed paper field saw significantly higher sales supported by strong demand for metallized paper for cosmetics and paper with processing variations due to inbound travel. In the packaging materials field, we secured stable sales by acquiring products for paper cosmetics boxes and confectionery boxes, in addition to convenience store product materials. On the other hand, sales in the liquid container field and the printing and communication paper field are decreasing due to lower structural demand for gable top milk and drink cartons and printed materials. In order to change the current sales composition ratio of these two fields, which account for just under 70% of sales, we will introduce an eight-color rotogravure printing press and new processing paper equipment to increase the production of laminated products in the white paperboard field, where demand is firm.

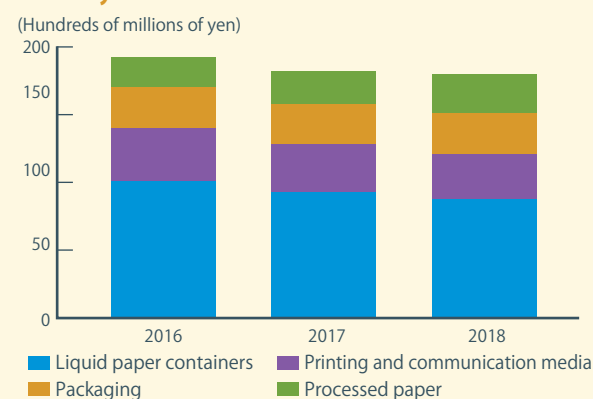
Also, sales of IPI's Italian aseptic filling systems (aseptic filling

machine and drink cartons), which enable the long-term shelf life of food and beverages, through an exclusive joint domestic distribution agreement with Mitsubishi Corporation Packaging, is now in full swing.

Future Issues and Initiatives

- (1) Pursue high quality and high efficiency**
In addition to boosting individual motivation and organizational cohesion, we will review all business processes based on ideas that are not bound by conventional frameworks, and simultaneously pursue improvements in quality and efficiency. We will also improve operational efficiency by promoting the use of IoT, such as backbone systems and RPA (robotic process automation), that were completely updated in April.
- (2) Flexibly respond to changes in the market environment**
We focus on the planning and development of new products and businesses that solve problems and challenges for customers and society. We will also enhance our ability to deal with external negative factors such as foreign exchange risk and increases in the cost of raw materials.
- (3) Demonstrate Group synergy**
The Paper Processing Business Division, responsible for the downstream business of the Group, will collaborate with other business divisions to rebuild an integrated production and sales system to expand the volume of base paper used and the sales volume of processed products. In addition, as the transition to a recycling-based economy is accelerating, we will continue to develop paper materials and applications that meet the need for alternatives to plastic.
- (4) Enhance governance system**
We will ensure thorough compliance and maintain and deepen voluntary internal controls through risk assessments and practicing the PDCA cycle.
- (5) Ensure mental and physical safety**
We will implement work style reforms and build a positive and comfortable workplace where all employees can feel safe and secure.

Sales by business



Business Topics

Installation of an eight-color rotogravure printing press

The Division installed an eight-color rotogravure printing press with a basic specification of 200 g/m² to 400 g/m² paperboard, and capable of printing on polyethylene laminated base paper. In addition to printing a maximum of eight colors on the front, it also has a reversing function, and can print fronts and backs in seven colors on the front and one on the back, or six colors on the front and two on the back. In addition, it has a wide range of

design specifications that enable oil- and water-based printing according to the product application, with paper widths of 1,300 mm to 500 mm and a printing speed (maximum) of 200 m/min.

The press has been in commercial production since November 2018, and we launched a paper cup made with base paper and made at the Kishu Mill, using rotogravure printing and polyethylene-laminate.

Going forward, we plan to increase new products while repeating printing tests.



Eight-color rotogravure printing press

Installation of an automatic box-making machine

The automatic box-making equipment automatically assembles gift boxes for souvenirs (confectioneries, sweet buns, etc.) sold at shopping arcades in train stations and sightseeing spots, and can process up to 55 boxes/min ranging from thick paper to cardboard, framed/unframed, and top/bottom padding. The equipment started commercial production from April 2019. While using white paperboard made at the Kanto Mill (Katsuta), we are launching the integrated production of confectionery boxes from rotogravure printing to stamping molding and box making under strict health and safety management.



Automatic box-making machine

Installation of a color inkjet printer

Batch production of printing and text printing. We installed a 1400IJCCF color inkjet printer that is scheduled for commercial production from October 2019. This model can print A3 paper on both sides, punch holes and cut corners. In addition, printing and text data can be produced in batches, improving work efficiency. Going forward, we will develop a digital on-demand printing business that supports not only the DPS field but also the small lot, multi-product business in the printing sector.



1400IJCCF

(Hokuetsu Package FSC license code: FSC-C105145)

Developing the pulp business and further improving corporate value

The Resource and Pulp Business Division sells the pulp produced by our Niigata and Kishu mills, and is an agent in Japan for our subsidiary, Alberta-Pacific Forest Industries Inc. (Al-Pac). Its mission is to work closely with other business divisions and Group companies to maintain a sustainable and stable production and sales system for the Group's pulp business, and to maximize profits for the entire Group.

Business Overview

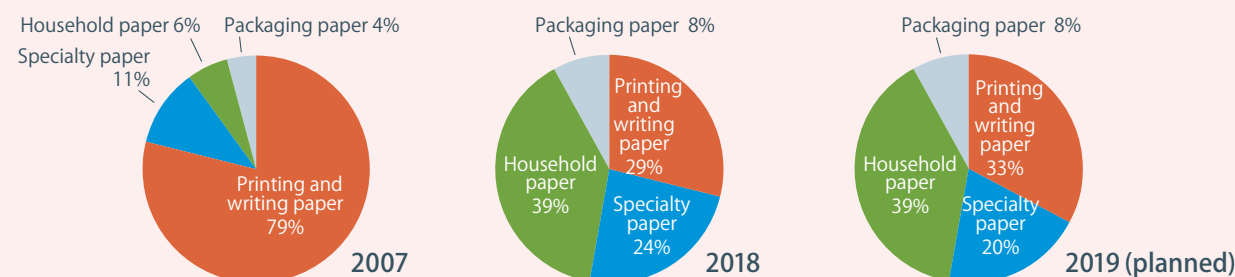
Pulp business in Japan

The pulp produced by our two mills is leaf bleached kraft pulp, which has earned the support of a wide range of customers due to its characteristics. In the past few years, we have adopted a policy to increase its sales volume and position it as our main product, in an effort to continue to expand our pulp business in Japan with a focus on domestic customers.

Pulp business in Canada

Our Canadian subsidiary Alberta-Pacific Forest Industries Inc. (Al-Pac) is responsible for the upstream sector of the Group, and is the heart of our pulp business. Al-Pac operates the largest kraft pulp mill in North America, boasting an annual output of 530,000 tons of leaf bleached kraft pulp and 90,000 tons of needle bleached kraft pulp (2018 results). Al-Pac is entrusted by the Government of Alberta with managing 6.4 million hectares of forest land (an area that is larger than Kyushu and Shikoku combined), and uses this resource as raw pulp material. It produces and sells high quality pulp with low dirt and a high fibre uniformity from the forest fibre managed by Al-Pac and sourced from other suppliers, using the mill's production technology. Thanks to their high quality, environmental measures, and accurate response to customer needs, Al-Pac has secured a stable customer base in North America, China, Japan, and South Korea.

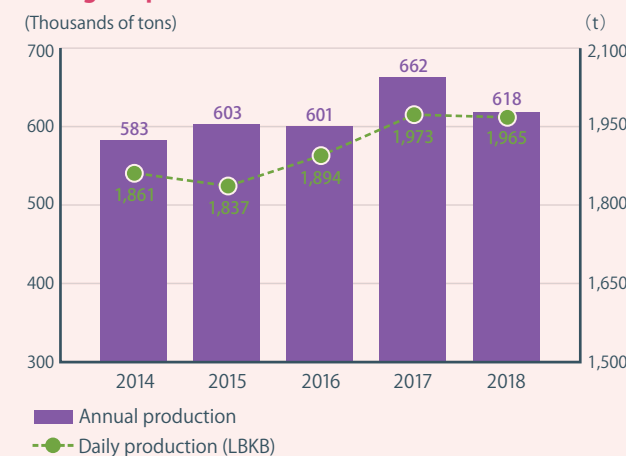
Sales ratio of Al-Pac pulp by usage



Performance Highlights (Al-Pac)

In 2018, Al-Pac conducted scheduled long-term maintenance (equipment inspections and repairs), deferred from 2017 in order to optimize periodic maintenance intervals. As a result, year over year production volume fell and costs increased, but due to strong market conditions the price of pulp rose. In addition, due to revenue growth from electricity sales, performance greatly exceeded that of the previous fiscal year, helping contribute to the profits of the entire Group. The Chinese market showed signs of sluggishness starting in the second half of 2018, and that sluggish market has become more prominent through 2019, with its impact being felt around the world. As market uncertainty increases, Al-Pac is building a portfolio that aims to be unaffected by printing and writing paper demand in order to maintain a strong platform of stable operations, maximizing production by through optimized maintenance intervals, and diversifying pulp sales (for household paper and specialty paper). Furthermore, Al-Pac is doing its utmost to have customers appreciate the quality and value of its products by offering FSC (Forest Stewardship Council) certified products, leading to further growth and sustainability.

Change in production



Future Issues and Initiatives (Al-Pac)

In order for Al-Pac to maintain its FSC certification, it must manage the vast forests in a "Ecologically, Economically, and Socially" responsible manner. By leveraging the market valuation of FSC certification, we aim to expand our ecological value chain from logs to the final product and end users, deploying this chain to differentiate the company's products. We intend to improve our sustainability and corporate value by strengthening our sales' system so that it is better protected from commodity market conditions. In addition, we intend to improve profitability by expanding our power generation business (through capital investment) with a view to rising electricity market prices caused by more stringent environmental measures. Currently, we are considering how we can use our existing facilities and potential investment feasibility, to further nurture business opportunities that offer sustainable improvement of our corporate value, like the FSC certification.

logistics' system so that can continue to reliably deliver the required quantities, at the required time, to customers in Japan.

Al-Pac's log crane upgrade work

Two portal cranes that efficiently receive and handle logs within the mill yard started operation in 1992. One crane was upgraded in 2006 while the other remained in operation after major upgrades and maintenance. However, in November 2017, our regular structural inspections determined that the second crane had reached the end of its life. This upgrade, approved by Al-Pac's BOD in January 2018, was completed and the crane re-entered service, at a total investment of CAD\$17 million, in July 2019 following work that took place over the course of two severe winters. With two cranes now back in operation, log yard operations will return to their normal efficiency, and the cost increase associated with operating a single crane will be eliminated.

Al-Pac's distributed control system (DCS) upgrade

Al-Pac has systematically updated DCS components since 2011 as the DCS ages. The recovery boiler DCS upgrade was completed in 2018, as was some work for the upgrade of the final fiber line. The fiber line system upgrade was completed in June 2019 during the scheduled major shut down. All DCS upgrades have now been completed, over the course of nine years, as scheduled and without any delays.

(Alberta-Pacific Forest Industries Inc. FSC license code: FSC-C022642)

Business Topics

Strengthening domestic pulp production and improving our shipment logistics

We plan to introduce, in 2019, an automatic pulp wrapping machine to increase our production volume, and are also considering adding new marine transportation options to complement our conventional truck and rail transportation, in an effort to address which is increasingly difficult availability. We will improve our



Alberta-Pacific Forest Industries Inc. (Al-Pac)



Sekio Kishimoto
President and CEO



Yoshinori Kawashima
Managing Director



Mitsushige Yamamoto
Managing Director



Shuji Sekimoto
Director



Yasuyuki Kondo
Director



Shigeru Wakamoto
Director



Hiroyuki Otsuka
Director



Masayuki Kuribayashi
Director



Shigeharu Tachibana
Director



Mitsuyasu Iwata
Outside Director



Kazuo Nakase
Outside Director



Junichi Horikawa
Standing Corporate Auditor



Kaoru Mashima
Standing Corporate Auditor



Jun Itoigawa
Outside Corporate Auditor



Keiji Watanabe
Outside Corporate Auditor

Corporate Officers

Makoto Yanagisawa Osamu Terao Shimpei Kusaka Shinobu Ogata Yoshitaka Hashimoto
Kazuhiko Itagaki Shoji Suzuki Yutaka Ishizuka Kunihiko Kashima Maou Sugimoto

(As of June 26, 2019)

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Consolidated Financial Highlights

Value up-10

G-1st

C-next

V-DRIVE

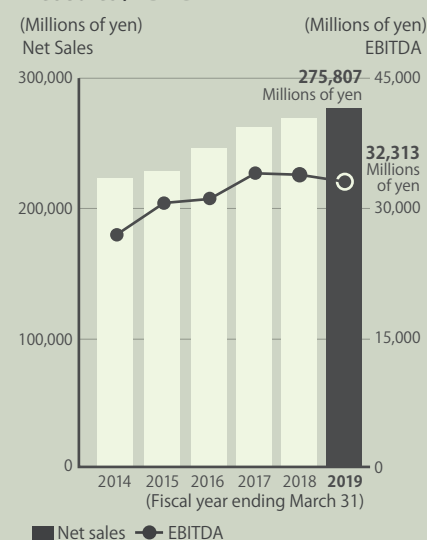
Financial data	Millions of yen											Thousands of U.S. dollars (Note 1)
	Year ending March 31, 2009	Year ending March 31, 2010	Year ending March 31, 2011	Year ending March 31, 2012	Year ending March 31, 2013	Year ending March 31, 2014	Year ending March 31, 2015	Year ending March 31, 2016	Year ending March 31, 2017	Year ending March 31, 2018	Year ending March 31, 2019	Year ending March 31, 2019
Net sales	¥182,782	¥193,952	¥217,013	¥230,570	¥208,280	¥223,865	¥228,400	¥246,849	¥262,398	¥269,100	¥275,807	\$2,484,524
Operating income	8,122	9,888	8,742	10,823	3,658	3,308	6,140	9,236	12,900	11,414	10,130	91,253
Ordinary income	6,593	9,436	10,148	13,781	10,516	8,481	11,463	10,588	14,056	13,908	13,015	117,242
Net income attributable to owners of parent company	1,750	7,106	5,296	12,673	8,169	6,105	8,359	7,477	10,381	10,327	9,156	82,479
EBITDA (Note 2)	25,695	31,580	32,336	35,283	25,538	26,974	30,582	31,125	33,938	33,871	32,313	291,082
Capital expenditures	31,376	6,286	8,635	7,977	12,160	23,919	11,128	9,425	12,751	14,710	16,089	144,933
Total assets	313,378	340,944	322,233	332,979	343,114	350,808	351,033	363,658	362,205	366,448	368,082	3,315,755
Net assets	135,029	138,173	137,870	150,628	158,794	158,824	168,573	169,529	181,035	191,977	192,861	1,737,330
Interest-bearing debt	137,060	136,640	121,157	117,144	129,137	136,387	123,724	129,586	116,754	108,240	109,726	988,433
Cash flows												
Cash flows from operating activities	9,620	36,484	25,719	28,953	21,203	18,676	27,858	20,944	28,918	19,742	21,627	194,820
Cash flows from investing activities	-34,804	-10,637	-6,209	-9,565	-25,127	-22,805	-16,261	-3,628	-13,649	-14,158	-19,275	-173,633
Per share data (Yen/U.S. dollars)												
Earnings per share (EPS)	8.25	33.75	25.55	62.09	40.08	30.54	44.39	39.69	55.09	54.68	48.44	0.44
Book value per share (BPS)	632.42	658.61	670.49	727.66	770.02	834.44	888.16	894.74	956.63	1,011.58	1,016.16	9.15
Dividends per share	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	0.11
Key ratios												
EBITDA/Net sales (%)	14.1%	16.3%	14.9%	15.3%	12.3%	12.0%	13.4%	12.6%	12.9%	12.6%	11.7%	
Operating income ratio (%)	4.4%	5.1%	4.0%	4.7%	1.8%	1.5%	2.7%	3.7%	4.9%	4.2%	3.7%	
Net income ratio (%)	1.0%	3.7%	2.4%	5.5%	3.9%	2.7%	3.7%	3.0%	4.0%	3.8%	3.3%	
Equity ratio (%)	42.8%	40.3%	42.6%	44.7%	45.6%	44.8%	47.7%	46.4%	49.8%	52.2%	52.2%	
ROA (%) (Note 3)	2.2%	2.9%	3.1%	4.2%	3.1%	2.4%	3.3%	3.0%	3.9%	3.8%	3.5%	
ROE (%)	1.3%	5.2%	3.9%	8.9%	5.4%	3.9%	5.2%	4.5%	6.0%	5.6%	4.8%	
Debt equity ratio (times)	1.02	0.99	0.88	0.79	0.82	0.87	0.74	0.77	0.65	0.57	0.57	

Notes

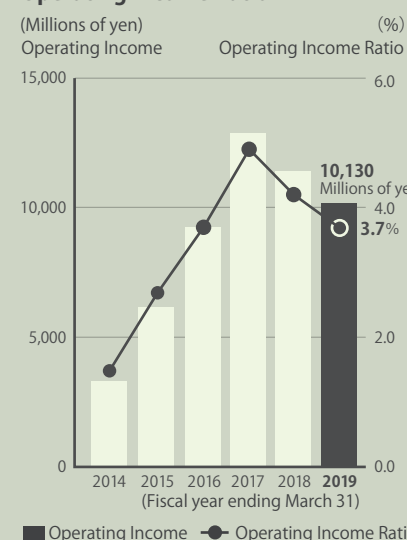
1. Amounts in US dollars were converted at ¥111.01 to one dollar, the currency exchange rate prevailing in the Tokyo Foreign Exchange Market as of March 31, 2019.
2. EBITDA = Ordinary income + interest expenses + depreciation and amortization costs + depreciation of goodwill - depreciation of negative goodwill
3. ROA = Ordinary income ÷ average total assets at the beginning and end of the fiscal year × 100

*The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 issued on February 16, 2018) has been applied from the beginning of the fiscal 2019. The primary business indicators, etc. pertaining to the fiscal 2018 are those after the retroactive application of the relevant accounting standards.

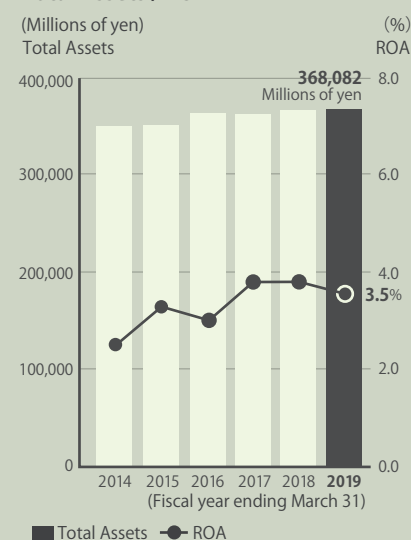
Net Sales / EBITDA



Operating Income / Operating Income Ratio



Total Assets / ROA



Management's Discussion and Analysis

Business Environment and Results

During fiscal year ended March 31, 2019, the Japanese economy continued on a moderate recovery trend against the backdrop of improvements in the employment income environment, corporate profits, and domestic demand-led growth due to strong capital investment demand, coupled with the recovery of the global economy. However, the business environment for the pulp and paper industry in Japan continues to be tough as a result of factors such as a decline in domestic demand for printing and communication paper and higher raw material and fuel prices.

For the Group, income increased due to strong exports and sales at overseas subsidiaries, but profits declined due to soaring raw material and fuel prices. The Group's results for this period were as follows.

Millions of yen		Change
Net sales:	¥275,807	+2.5%
Operating income:	¥10,130	-11.2%
Ordinary income:	¥13,015	-6.4%
Net income attributable to owners of parent company:	¥9,156	-11.3%

Business Results by Segment

1. Pulp and Paper Segment

For the Pulp and Paper Segment, income increased due to strong exports and sales at overseas subsidiaries. On the earnings front, profits fell due to soaring raw material and fuel prices.

By product type, sales of paper declined due to lower demand brought on by the influence of the digitization of advertising media and mail order catalogs. Although price revisions were implemented in January 2019, sales up to the third quarter were weak and fell below the previous year. On the other hand, exports reached record highs, especially in Asian countries.

Regarding whiteboard paper, coated duplex board remained strong in food products such as confectionery and retort pouches. With premium white paperboard, applications for luxury cosmetics were strong, but sales promotional products and storefront POP use related to convenience stores languished, with sales lower than the previous year. Also, specialty white paperboard sales remained steady for confectionery and souvenir packaging applications.

As for specialty paper, sales of chip carrier tape base paper for transporting electronic components were strong until the end of the year, but the new year was marked by slow shipments mainly in China. Air purification filters and other products are also strong in Japan, but fell below the previous year due to a decrease in orders after the end of the year. Despite a decline in demand for fancy paper in general while a downgrade to general paper continues, premium printing paper has been strong. With communication paper, sales of adhesive postcard paper for notifications were lower than the previous year due to fewer orders, and sales of communication paper as a whole saw a severe sales

situation as the use of forms decreased and the shift to digital media continues.

Pulp sales at Alberta-Pacific Forest Industries Inc. were healthy due to rising pulp market conditions, resulting in mainly sales exceeding the previous year.

In view of the above, the results in the Pulp and Paper segment were as follows.

Millions of yen		Change
Net sales:	¥248,253	+2.5%
Operating income:	¥7,956	-9.7%

2. Packaging and Paper Processing Segment

In the Packaging and Paper Processing segment, orders declined due to changes in the shape of liquid containers by some users and the shift to digital media in the communications media field, resulting in lower income and profits.

In view of the above, the results for the Packaging and Paper Processing Segment were as follows.

Millions of yen		Change
Net sales:	¥19,192	-1.2%
Operating income:	¥841	-25.4%

3. Others

In the Others segment (encompassing wood products, waste paper wholesale business, construction, transportation, warehousing and other businesses), sales increased due to an increase in external orders in the wood products segment despite the overall harsh order environment. On the earnings front, earnings fell due to higher transportation and warehousing costs.

In view of the above, the results in the Others segment were as follows.

Millions of yen		Change
Net sales:	¥8,361	+10.2%
Operating income:	¥709	-13.1%

Financial Position

Total assets as of the end of fiscal 2018 (March 31, 2019) increased ¥1,634 million from the previous year to ¥368,082 million. This increase was mainly due to cash and deposits increasing ¥887 million, merchandise and finished goods increasing ¥2,512 million, raw materials and supplies increasing ¥3,019 million, investment in securities increasing ¥1,562 million on one hand, accompanied by notes and accounts receivable-trade decreasing ¥1,470 million and property, plant and equipment decreasing ¥5,092 million due to depreciation expenses.

Total liabilities as of March 31, 2019 increased by ¥749 million to ¥175,220 million from the previous year. This increase was mainly due to interest-bearing debt increasing ¥1,485 million and income taxes payable increasing ¥729 million on one hand, accompanied by deferred tax liabilities decreasing ¥991 million and asset retirement obligations decreasing ¥574 million. Net assets as of March 31, 2019 increased by ¥884

million to ¥192,861 million from the previous year. The increase in net assets was brought about mainly by an increase in retained earnings from net income attributable to owners of parent company, etc. of ¥6,784 million on one hand, and a decrease in valuation difference on available-for-sale securities of ¥2,484 million and decrease in foreign currency translation adjustment of ¥3,452 million.

Cash Flows

The balance of cash and cash equivalents as of March 31, 2019 increased by ¥920 million from the previous year to ¥15,202 million.

Cash flows from operating activities

Funds gained from operating activities totaled ¥21,626 million (9.5% increase year-on-year).

The main sources of cash were ¥12,703 million in income before taxes and ¥18,390 million in depreciation and amortization. The main components of cash used were returns from investment through the equity method of ¥1,259 million, an increase of inventories of ¥7,114 million, and amount of corporate tax paid of ¥3,221 million.

Cash flows from investing activities

Net cash used in investing activities totaled ¥19,274 million (36.1% increase year-on-year).

The main components of cash used were ¥4,192 million for purchase of investment securities and ¥15,626 for the purchase of tangible fixed assets.

Cash flows from financing activities

Net cash used for financing activities totaled ¥934 million (91.2% decrease year-on-year).

The main components of the cash used were a ¥3,813 million decrease of short-term loans, ¥500 million decrease in commercial papers, ¥6,446 million repayment of long-term loans, and ¥2,273 million dividends paid. The main contributors to cash were ¥12,200 million in proceeds from long-term loans.

Basic Policies Regarding Earnings Distribution and Dividend Payments for Fiscal 2018 and Fiscal 2019

In order to continue growth investment for the improvement of long-term and stable corporate value, Hokuetsu Corporation implements capital policy in light of a balance of financial soundness, capital efficiency and returns to shareholders, and considers providing stable and continuous dividends as its "fundamental policy regarding capital measures." The dividend is distributed twice a year with an interim dividend and a year-end dividend, and the decision-making bodies for the company with respect to interim dividends and year-end dividends are, in compliance with the provisions of the Articles of Association, the Board of Directors and the General Meeting of Shareholders respectively.

Based on this fundamental policy, the company decided to distribute a year-end dividend of ¥6 per share in fiscal 2018, ended March 31, 2019. Combined with the interim dividend of ¥6, the annual dividend was maintained at ¥12 per share.

For fiscal 2019, ended March 31, 2020, the company currently plans to maintain ¥6 per share for both the interim and year-end dividends and the annual dividend at ¥12 per share.

Fiscal 2019 Outlook

The Japanese economy is gradually recovering and in the next period, due to continuing improvements in corporate earnings and the employment environment, it is expected to continue this gradual recovery. However, risk is a concern due to the impact of the uncertainty in overseas economies resulting from factors such as the direction of trade issues and the future of the Chinese economy.

Under these circumstances, the business environment for the pulp and paper industry is expected to remain uncertain going forward as a result of factors such as decline in domestic demand for printing and communication paper and the rise in raw material and fuel prices.

The effects of price revisions implemented in fiscal 2018 are expected to contribute to the Group throughout the fiscal year. We will continue to make thorough efforts to reduce costs to further strengthen our earnings structure.

Millions of yen		Change
Net sales:	¥285,000	+3.3%
Operating income:	¥16,500	+62.9%
Ordinary income:	¥18,000	+38.3%
Net income attributable to owners of parent company:	¥11,500	+25.6%

Major Business Risks

The Group currently considers the following to be its principal areas of business risk.

- Fluctuations in product demand and prices
- Fluctuations in raw material and fuel market prices
- Foreign exchange rate fluctuations
- Overseas political and economic circumstances
- Interest rate fluctuations
- Legal regulations and litigation
- Natural and other disasters
- Capital investment
- Alliance-type contracts with other companies
- Mergers and acquisitions among other capital transactions

Consolidated Balance Sheets

Hokuetsu Corporation and Consolidated Subsidiaries
As of March 31, 2019 and 2018

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
CURRENT ASSETS:			
Cash and deposits (Notes 3, 4 & 8)	¥15,203	¥14,316	\$136,952
Notes and accounts receivable (Note 4)			
Trade	73,256	74,370	659,905
Unconsolidated subsidiaries and affiliates	681	763	6,135
Allowance for doubtful accounts	(56)	(83)	(504)
Inventories (Note 6)	54,940	49,191	494,910
Prepaid expenses and other	6,074	6,033	54,714
TOTAL CURRENT ASSETS	150,098	144,590	1,352,112
PROPERTY, PLANT AND EQUIPMENT:			
Land and timberland	25,596	25,897	230,574
Buildings and structures	83,737	82,098	754,319
Machinery and equipment	427,957	418,924	3,855,121
Leased assets	759	832	6,837
Construction in progress	3,151	4,392	28,385
	541,200	532,143	4,875,236
Less accumulated depreciation	(406,319)	(392,170)	(3,660,201)
NET PROPERTY, PLANT AND EQUIPMENT	134,881	139,973	1,215,035
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Notes 4 & 5)	29,347	31,995	264,364
Investments in and receivables from unconsolidated subsidiaries and affiliates	44,693	40,541	402,603
Long-term loans receivable	8	7	72
Guarantee deposits	356	473	3,207
Asset for retirement benefits (Note 17)	2,669	2,638	24,043
Deferred income taxes (Note 12)	2,067	2,054	18,620
Other (Note 7)	6,390	6,614	57,562
Allowance for doubtful accounts (Note 7)	(2,427)	(2,438)	(21,863)
TOTAL INVESTMENTS AND OTHER ASSETS	83,103	81,884	748,608
TOTAL ASSETS	¥368,082	¥366,447	\$3,315,755

The accompanying notes are an integral part of the consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
CURRENT LIABILITIES:			
Short-term loans (Notes 4 & 9)	¥11,795	¥15,525	\$106,252
Commercial paper (Note 4 & 9)	10,500	11,000	94,586
Current maturities of long-term debt (Notes 4 & 9)	13,936	16,489	125,538
Notes and accounts payable (Note 4 & 8)			
Trade	27,004	27,751	243,257
Unconsolidated subsidiaries and affiliates	1,037	1,208	9,342
Income taxes payable (Note 12)	2,531	1,802	22,800
Accrued expenses	9,196	9,733	82,839
Other	8,295	7,324	74,723
TOTAL CURRENT LIABILITIES	84,294	90,832	759,337
LONG-TERM LIABILITIES:			
Long-term debt (Notes 4 & 9), less current maturities	73,495	65,226	662,057
Deferred income taxes (Note 12)	1,045	2,035	9,414
Accrued environmental expenditures	767	298	6,909
Provision for business structure improvement	247	271	2,225
Provision for reforestation	373	409	3,360
Liability for retirement benefits (Note 17)	12,014	11,772	108,224
Asset retirement obligations (Note 18)	2,376	2,951	21,403
Other	610	676	5,496
TOTAL LONG-TERM LIABILITIES	90,927	83,638	819,088
CONTINGENT LIABILITIES (Note 10)			
NET ASSETS (Note 11)			
SHAREHOLDERS' EQUITY:			
Common stock:			
authorized			
—500,000,000 shares in 2019 and 2018			
issued and outstanding			
—209,263,814 shares in 2019 and 2018	42,021	42,021	378,533
Capital surplus	45,348	45,524	408,504
Retained earnings	105,599	98,815	951,257
Treasury stock	(9,933)	(9,977)	(89,479)
TOTAL SHAREHOLDERS' EQUITY	183,035	176,383	1,648,815
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Unrealized holding gains on securities, net of taxes	8,877	11,361	79,966
Unrealized losses on hedging derivatives, net of taxes	(2)	(22)	(18)
Foreign currency translation adjustment	(388)	3,065	(3,496)
Accumulated adjustments for retirement benefit, net of taxes (Note 17)	583	367	5,252
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAXES	9,070	14,771	81,704
SHARE SUBSCRIPTION RIGHTS	104	122	938
NON-CONTROLLING INTERESTS	652	701	5,873
TOTAL NET ASSETS	192,861	191,977	1,737,330
TOTAL LIABILITIES AND NET ASSETS	¥368,082	¥366,447	\$3,315,755

Consolidated Statements of Income

Hokuetsu Corporation and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
NET SALES (Notes 19)	¥275,807	¥269,100	\$2,484,524
COST OF SALES	224,668	216,847	2,023,854
GROSS PROFIT	51,139	52,253	460,670
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	41,009	40,839	369,417
OPERATING INCOME	10,130	11,414	91,253
OTHER INCOME(EXPENSES):			
Interest and dividend income	1,063	1,076	9,576
Interest expenses	(774)	(767)	(6,972)
Foreign exchange gains (losses)	405	76	3,648
Equity in income of affiliates	1,260	1,844	11,350
Gain on sales of investments in securities	633	46	5,702
Loss on devaluation of investments in securities	—	(58)	—
Loss on sales or disposal on property, plant and equipment	(1,113)	(2,602)	(10,026)
Impairment loss on property, plant and equipment (Note 14)	(142)	(88)	(1,279)
Loss on reduction of property, plant and equipment	(34)	(43)	(306)
Gain on revision to retirement benefit plan (Note 17)	—	2,104	—
Other, net	1,276	519	11,494
	2,574	2,107	23,187
INCOME BEFORE INCOME TAXES	12,704	13,521	114,440
INCOME TAXES (Note 12):			
Current	3,837	2,192	34,564
Deferred	(93)	827	(837)
	3,744	3,019	33,727
NET INCOME	8,960	10,502	80,713
NET INCOME(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(196)	175	(1,766)
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT COMPANY	¥9,156	¥10,327	\$82,479
		Yen	U.S. dollars (Note 1)
	2019	2018	2019
AMOUNTS PER SHARE OF COMMON STOCK (Note 2):			
Net income	¥48.44	¥54.68	\$0.44
Diluted net income	47.73	53.42	0.43
Cash dividends applicable to the year	12.00	12.00	0.11

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Hokuetsu Corporation and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
NET INCOME	¥8,960	¥10,502	\$80,713
OTHER COMPREHENSIVE INCOME (Note 21)			
Unrealized holding gains on securities, net of taxes	(2,318)	934	(20,881)
Unrealized gains on hedging derivatives, net of taxes	25	35	225
Foreign currency translation adjustment	(3,501)	1,489	(31,538)
Adjustments for retirement benefit, net of taxes	(39)	210	(351)
Share of other comprehensive income of associates accounted for using equity method	83	(161)	748
TOTAL OTHER COMPREHENSIVE INCOME	(5,750)	2,507	(51,797)
COMPREHENSIVE INCOME	¥3,210	¥13,009	\$28,916
Comprehensive income attribute to owners of the parent company	3,455	12,813	31,123
Comprehensive income attribute to non-controlling interests	(245)	196	(2,207)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

Hokuetsu Corporation and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥12,704	¥13,521	\$114,440
Depreciation and amortization	18,390	19,065	165,661
Impairment loss of property, plant and equipment	142	88	1,279
Loss (gain) on sales or disposal of property, plant and equipment	885	2,342	7,972
Loss on reduction of property, plant and equipment	34	43	306
Interest and dividend income	(1,063)	(1,076)	(9,576)
Interest expenses	774	767	6,972
(Increase) decrease in notes and accounts receivable	111	(6,649)	1,000
(Increase) decrease in inventories	(7,114)	(3,707)	(64,084)
Increase (decrease) in notes and accounts payable	(564)	890	(5,081)
Increase (decrease) liability for retirement benefits	188	144	1,694
Equity in (earnings) losses of affiliates	(1,260)	(1,844)	(11,350)
Other, net	754	(2,529)	6,793
SUBTOTAL	23,981	21,055	216,026
Interest and dividend income received	1,480	1,420	13,331
Interest paid	(720)	(761)	(6,486)
Income taxes paid	(3,222)	(2,155)	(29,024)
Insurance payment received	108	183	973
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,627	19,742	194,820
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchases of investment securities	(4,192)	(48)	(37,762)
Proceeds from sales of investment securities	1,105	80	9,954
Payments for purchases of property, plant and equipment	(15,627)	(13,705)	(140,771)
Proceeds from sales of property, plant and equipment	643	395	5,792
Other, net	(1,204)	(880)	(10,846)
NET CASH USED IN INVESTING ACTIVITIES	(19,275)	(14,158)	(173,633)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term loans	(3,813)	(1,365)	(34,348)
Increase (decrease) in commercial paper	(500)	—	(4,504)
Proceeds from long-term loans	12,200	3,871	109,900
Repayments of long-term loans	(6,446)	(10,538)	(58,067)
Proceeds from issuance of unsecured yen straight bonds	10,000	—	90,082
Redemption of unsecured yen straight bonds	(10,000)	—	(90,082)
Dividends paid	(2,274)	(2,274)	(20,485)
Proceeds from stock issuance to minority shareholders	63	—	568
Payments for purchases of treasury stock	(2)	(2)	(18)
Other, net	(162)	(337)	(1,460)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(934)	(10,645)	(8,414)
TRANSLATION (LOSS) GAIN ON CASH AND CASH EQUIVALENTS	(497)	58	(4,476)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	921	(5,003)	8,297
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,282	19,285	128,655
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	¥15,203	¥14,282	\$136,952

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Hokuetsu Corporation and Consolidated Subsidiaries
For the Years ended March 31, 2019 and 2018

														Millions of yen
	Number of shares	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustment	Accumulated adjustments for retirement benefit, net of taxes	Total accumulated other comprehensive income, net of taxes	Share subscription rights	Non-controlling interests	Total net assets
Balance at March 31, 2017	209,263,814	¥42,021	¥45,397	¥90,752	¥(10,160)	¥168,010	¥10,535	¥(57)	¥1,596	¥211	¥12,285	¥140	¥600	¥181,035
Net income attributable to owners of parent company	—	—	—	10,327	—	10,327	—	—	—	—	—	—	—	10,327
Cash dividends (¥12.00 per share)	—	—	—	(2,264)	—	(2,264)	—	—	—	—	—	—	—	(2,264)
Disposal of treasury stock	—	—	127	—	249	376	—	—	—	—	—	—	—	376
Purchases of treasury stock	—	—	—	—	(66)	(66)	—	—	—	—	—	—	—	(66)
Change in scope of affiliates under equity method	—	—	—	(0)	—	(0)	—	—	—	—	—	—	—	(0)
Net changes during the year	—	—	—	—	—	—	826	35	1,469	156	2,486	(18)	101	2,569
Balance at March 31, 2018	209,263,814	¥42,021	¥45,524	¥98,815	¥(9,977)	¥176,383	¥11,361	¥(22)	¥3,065	¥367	¥14,771	¥122	¥701	¥191,977
Net income attributable to owners of parent company	—	—	—	9,156	—	9,156	—	—	—	—	—	—	—	9,156
Cash dividends (¥12.00 per share)	—	—	—	(2,269)	—	(2,269)	—	—	—	—	—	—	—	(2,269)
Disposal of treasury stock	—	—	(3)	—	49	46	—	—	—	—	—	—	—	46
Purchases of treasury stock	—	—	—	—	(1)	(1)	—	—	—	—	—	—	—	(1)
Changes in equity resulted from increase in capital of consolidated subsidiaries	—	—	(173)	—	—	(173)	—	—	—	—	—	—	—	(173)
Increase in treasury stock by change in equity in affiliates under equity method	—	—	—	—	(4)	(4)	—	—	—	—	—	—	—	(4)
Change in scope of affiliates under equity method	—	—	—	(103)	—	(103)	—	—	—	—	—	—	—	(103)
Net changes during the year	—	—	—	—	—	—	(2,484)	20	(3,453)	216	(5,701)	(18)	(49)	(5,768)
Balance at March 31, 2019	209,263,814	¥42,021	¥45,348	¥105,599	¥(9,933)	¥183,035	¥8,877	¥(2)	¥(388)	¥583	¥9,070	¥104	¥652	¥192,861

														Thousands of U.S. dollars (Note 1)
	Number of shares	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustment	Accumulated adjustments for retirement benefit, net of taxes	Total accumulated other comprehensive income, net of taxes	Share subscription rights	Non-controlling interests	Total net assets
Balance at March 31, 2018	209,263,814	\$378,533	\$410,089	\$890,145	\$(89,875)	\$1,588,892	\$102,342	\$(198)	\$27,610	\$3,306	\$133,060	\$1,099	\$6,315	\$1,729,366
Net income attributable to owners of parent company	—	—	—	82,479	—	82,479	—	—	—	—	—	—	—	82,479
Cash dividends (\$0.11 per share)	—	—	—	(20,439)	—	(20,439)	—	—	—	—	—	—	—	(20,439)
Disposal of treasury stock	—	—	(27)	—	441	414	—	—	—	—	—	—	—	414
Purchases of treasury stock	—	—	—	—	(9)	(9)	—	—	—	—	—	—	—	(9)
Changes in equity resulted from increase in capital of consolidated subsidiaries	—	—	(1,558)	—	—	(1,558)	—	—	—	—	—	—	—	(1,558)
Increase in treasury stock by change in equity in affiliates under equity method	—	—	—	—	(36)	(36)	—	—	—	—	—	—	—	(36)
Change in scope of affiliates under equity method	—	—	—	(928)	—	(928)	—	—	—	—	—	—	—	(928)
Net changes during the year	—	—	—	—	—	—	(22,376)	180	(31,106)	1,946	(51,356)	(161)	(442)	(51,959)
Balance at March 31, 2019	209,263,814	\$378,533	\$408,504	\$951,257	\$(89,479)	\$1,648,815	\$79,966	\$(18)	\$(3,496)	\$5,252	\$81,704	\$938	\$5,873	\$1,737,330

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

Hokuetsu Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

Note 1: Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP")

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of HOKUETSU Corporation ("the Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information

included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥111.01 to U.S. \$1.00. The convenience translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Note 2: Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries ("the Companies"). All significant inter-company balances, transactions and unrealized profits have been eliminated in consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill, except for immaterial amounts, are amortized within twenty years from the day of the occurrence of goodwill for the period when the effect exists.

Investments in all significant unconsolidated subsidiaries and affiliates are accounted for by the equity method.

The number of consolidated subsidiaries and affiliates accounted for by the equity method is as follows:

	Number of Companies	
	2019	2018
Consolidated subsidiaries	20	22
Affiliates accounted for by the equity method	4	4

(Excluded) Kishu Kamiseisen Co., Ltd. and Keiyo Shigen Center Co., Ltd. (2 companies)

Kinan Sangyo Co., Ltd. and Kishu Kamiseisen Co., Ltd., both formerly consolidated subsidiaries, merged on April 1, 2018 with Kinan Sangyo Co., Ltd. as the surviving company. Subsequently thereafter the trade name was changed to Hokuetsu Paper Tec Kishu Co., Ltd.

Hokuetsu Forest Co., Ltd. and Keiyo Shigen Center Co., Ltd., both formerly consolidated subsidiaries, merged on April 1, 2018 with Hokuetsu Forest Co., Ltd. as the surviving company. Subsequently thereafter the trade name was changed to Hokuetsu Material Co., Ltd.

The consolidated financial statements are prepared

using their financial statements as of March 31 except for following companies;

Companies	Fiscal year end
Alberta-Pacific Forest Industries Inc.	December 31
Xing Hui Investment Holdings Co., Ltd.	December 31
Jiangmen Xinghui Paper Mill Co., Ltd.	December 31
Bernard Dumas S.A.S.	December 31
Shanghai Toh Tech Co., Ltd.	December 31

Significant transactions, which occurred during the period between these fiscal year ends and March 31, are adjusted in the accompanying consolidated financial statements.

(b) Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents, and which represent an insignificant risk of change in value.

(c) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rates as of the fiscal year end, with the translation gains or losses reported in profit or loss. Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rates as of the fiscal year end, and their income and expenses are translated into Japanese yen at the average exchange rates during the fiscal year with the translation gains or losses included in foreign currency translation adjustment and non-controlling interests in the net assets section of the consolidated balance sheet.

(d) Securities

Under the Japanese accounting standard for financial instruments, all companies are required to classify

those securities as (a) securities held for trading purposes ("trading securities"), (b) debt securities intended to be held to maturity ("held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliates or (d) all other securities that are not classified in any of the above categories ("avail-able-for-sale securities"). The Companies did not have the securities defined as (a) and (b) above in the years ended March 31, 2019 and 2018.

Equity securities issued by unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at the moving-average cost.

If the market value of available-for-sale securities declines significantly, such securities are stated at market value and the difference between market value and the carrying amount is recognized as loss in the period of the decline. If the market value of equity securities, except for those accounted for by the equity method, is not readily available, such securities should be written down to these fair values with a corresponding charge in the statement of income in the event net asset value declines significantly.

Available-for-sale securities are included in investments and other assets.

Available-for-sale securities with market values are stated at market value. Unrealized gain and loss on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income, net of tax in net assets section. Cost on sale of such securities are computed using the moving-average cost.

(e) Allowance for doubtful accounts

The Companies provide the allowance for doubtful accounts in an amount sufficient to cover probable losses on collection by estimating individually uncollectible amounts in addition to applying an historical rate of bad debts incurred in the past.

(f) Inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost or net sales value. Cost is primarily determined by the monthly average method for raw materials, supplies and merchandise and finished goods. Cost of work-in-process is primarily determined using the FIFO (first-in, first-out) method. Cost of timber is primarily determined using the specific identification method.

(g) Property, plant and equipment (excluding leased assets)

Property, plant and equipment are stated at cost. Subsidies related to the acquisition of assets are deducted directly from the cost of the related assets.

- Buildings, structures and machinery and equipment
Mainly straight-line method over the useful lives.
- Other tangible fixed assets
Mainly declining-balance method at rates determined based on the useful lives.

Expenditures for new facilities and those that substantially increase the future benefits of existing plant and equipment are capitalized. Maintenance, repair and minor renewals are charged to expenses as incurred.

(h) Finance leases

Finance leases, except for certain immaterial or short-term finance leases which are accounted for as operating leases, are capitalized.

Leased assets related to finance leases without transferring ownership are depreciated over the lease period as useful life using the straight-line method with no residual value.

(i) Accrued environmental expenditures

Accrued environmental expenditures are provided at an estimated amount for environmental expenses, including disposal cost of contaminated soil caused by the use of snow-melting agent by the Company's Canadian subsidiary and disposal of PCB (polychlorinated biphenyl) waste.

(j) Provision for loss on disaster

The Company sets aside an amount on the basis of estimated costs incurred in preparation for expenditures required for the restoration of assets damaged during a disaster.

(k) Provision for reforestation

Based on an agreement with the state government, the Company's Canadian subsidiary is engaged in forest harvesting for the purpose of procuring raw timber for pulp materials and the anticipated costs arising from reforestation and silviculture (coniferous forest) have been incorporated into accounts as liabilities.

(l) Provision for business structure improvement

A provision has been made for the amount of estimated losses incurred in connection with a review which was implemented to improve business structure.

(m) Issuance costs of stocks and bonds

Issuance costs of stocks and bonds are expensed as incurred.

(n) Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless hedge accounting is applied.

If derivative financial instruments are used as hedges and meet certain hedging criteria, unrealized gains or losses on derivatives are recorded for changes in fair value of derivative financial instruments until the related loss or gain on the hedged items is recognized.

Special treatment has been adopted for interest rate swaps that qualify for special treatment.

In addition, integrated treatment has been adopted for interest rate and currency swaps that qualify for integrated treatment (special treatment / appropriated treatment).

(o) Income taxes

The Companies recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(p) Per share information

Net income per share is computed based upon the average number of shares of common stock outstanding during each fiscal year. The average number of common shares used in the computation was 189,007,882 shares and 188,864,106 shares in 2019 and 2018, respectively. For the year ended March 31, 2019, diluted net income per share was ¥47.73 (\$ 0.43).

Cash dividends per share have been presented on an accrual basis and include dividends to be approved after the balance sheet date, but applicable to the year then ended.

(q) Reclassification and restatement

Certain prior year amounts have been reclassified to conform to the current year presentation.

These reclassifications had no impact on previously reported results of operations or retained earnings.

(r) Accounting methods for retirement benefits

- (1) Attribution method for projected retirement benefits
In calculating retirement benefit obligations, the projected retirement benefits are attributed to the period up to the end of the current consolidated accounting period based on benefit formula basis.
- (2) Method of amortization relating to actuarial gain or losses and past service cost.
Actuarial gains or losses are amortized from the subsequent financial year using the straight-line method over 10 years, which is not longer than an estimated average remaining service period of the employees when the gains or losses are incurred.
- (3) Simplified method for small enterprises, etc.
When calculating retirement benefit obligations and retirement benefit costs, some consolidated subsidiaries use the simplified method, in which the year-end voluntary payments relating to retirement benefits are treated as retirement benefit obligations.

(s) Disclosure of new accounting standards issued but not yet effective

"Accounting Standard on Revenue Recognition" (ASBJ Statement No. 29; March 30, 2018)

"Implementation Guidance on Accounting Standard on Revenue Recognition" (ASBJ Guidance No. 30; March 30, 2018)

(1) Overview

This is a comprehensive accounting standard on revenue recognition. Revenues are to be recognized by applying the following five steps.

- Step 1: Identify of contract with customer.
- Step 2: Identify the performance obligation in contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when, or as, the entity satisfies a performance obligation..

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022

(3) Effects from adoption of this accounting standards.

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

"Leases" (IFRS No. 16)

(1) Summary

This accounting standard requires that in principle assets and liabilities on lease should be recorded for lessees.

(2) Date of application

Certain overseas subsidiaries plan to apply this accounting standard from the beginning of the fiscal year ending March 31, 2020.

(3) Impact of adopting this accounting standard

Certain overseas subsidiaries are currently assessing the impact as of the time of preparing the consolidated financial statements.

(t) Change in presentation method

(Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the current fiscal year, the Company and its domestic subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of 'investments and other assets' and 'non-current liabilities', respectively. As a result, JPY 1,396 million of deferred tax assets classified as "current assets" and JPY 796 million of deferred tax liabilities classified as "non-current liabilities" have been included in deferred tax assets (JPY 2,054 million) in "investments and other assets", and deferred tax liabilities classified as non-current liabilities have been restated to JPY 2,035 million in the balance sheet as of the end of the previous fiscal year.

The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation reserves) and 9 of "Accounting Standard for Tax Effect Accounting", which are required in paragraphs 3 to 5 of Statement No.28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

(Consolidated statements of cash flows)

"Proceeds from sales of investment securities" included in "Other" of "Cash flows from investing activities" in the previous fiscal year is stated independently from the current fiscal year because its importance has increased.

Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, the amount of (800) million yen presented in "Other" of "Cash flows from investing activities" in the

consolidated statements of cash flows of the previous fiscal year has been restated as 80 million yen in "Proceeds from sales of investment securities" and (880) million yen in "Other."

Note 3: Cash and Cash Equivalents

A reconciliation of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents presented in the consolidated statements of cash flows at March 31, 2019 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥ 15,203	¥14,316	\$ 136,952
Restricted deposits	—	(34)	—
Cash and cash equivalents	¥15,203	¥14,282	\$136,952

Note 4: Financial Instruments

Information on financial instruments for the year ended March 31, 2019 and 2018 are as follows.

Status of Financial Instruments

The Companies raises necessary funds for investment plans to conduct its business of manufacturing, sale and processing of paper mainly by bank loans or issuance of bonds. Temporary cash surpluses are invested in deposits and short-term working capital are raised by bank borrowings or issuance of commercial paper. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described below.

The Company manages and mitigates customer credit risk from trade receivables in accordance with its Debt Management Policy. Consolidated subsidiaries also implement the same control in accordance with the Company's Debt Management Policy.

Investments in securities are exposed to the risk of market price fluctuations. Those securities are composed of mainly stocks associated with business and capital alliances with principal business partners. The Companies regularly obtain their fair value.

The Company uses interest rate swap contracts to reduce the risk of fluctuations in interest costs related to debt, and interest rate and currency swaps to reduce the risk of fluctuations in principal and interest costs related to foreign currency-denominated debt.

The Company and certain consolidated subsidiaries use forward exchange contracts to reduce the risk of fluctuations in foreign exchange rates regarding certain trade receivables and payables denominated in foreign currencies.

Fair Values of Financial Instruments

The book values, fair values and differences of the financial instruments as of March 31, 2019 and 2018 are as follows. Financial instruments with fair values not readily determinable are excluded from the following table (see (b)):

	Millions of yen		
	Book value	Fair value	Difference
			2019
(1) Cash and deposits	¥15,203	¥15,203	¥—
(2) Notes and accounts receivable	67,709	67,709	—
(3) Electronically recorded monetary claims	6,228	6,228	—
(4) Investments in securities:			
① Stocks of affiliates	39,788	45,402	5,614
② Available-for-sale securities	24,034	24,034	—
Total assets	¥152,962	¥158,576	¥5,614
(5) Notes and accounts payable	¥21,409	¥21,409	¥—
(6) Electronically recorded obligations-operating	6,632	6,632	—
(7) Short-term loans	11,795	11,795	—
(8) Commercial paper	10,500	10,500	—
(9) Bonds*1	30,000	30,045	45
(10) Long-term loans payable*2	57,192	57,286	94
Total liabilities	¥137,528	¥137,667	¥139
Derivative transactions*3	¥ 4	¥4	¥—

	Millions of yen		
	Book value	Fair value	Difference
			2018
(1) Cash and deposits	¥14,316	¥14,316	¥—
(2) Notes and accounts receivable	69,179	69,179	—
(3) Electronically recorded monetary claims	5,954	5,954	—
(4) Investments in securities:			
① Stocks of affiliates	35,898	47,576	11,678
② Available-for-sale securities	25,641	25,641	—
Total assets	¥150,988	¥162,666	¥11,678
(5) Notes and accounts payable	¥21,841	¥21,841	¥—
(6) Electronically recorded obligations-operating	7,118	7,118	—
(7) Short-term loans	15,525	15,525	—
(8) Commercial paper	11,000	11,000	—
(9) Bonds*1	30,000	30,030	30
(10) Long-term loans payable*2	51,482	51,405	(77)
Total liabilities	¥136,966	¥136,919	¥(47)
Derivative transactions*3	¥ (32)	¥(32)	¥—

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
			2019
(1) Cash and deposits	\$136,952	\$136,952	\$—
(2) Notes and accounts receivable	609,936	609,936	—
(3) Electronically recorded monetary claims	56,104	56,104	—
(4) Investments in securities:			
① Stocks of affiliates	358,417	408,989	50,572
② Available-for-sale securities	216,503	216,503	—
Total assets	\$1,377,912	\$1,428,484	\$50,572
(5) Notes and accounts payable	\$192,856	\$192,856	\$—
(6) Electronically recorded obligations-operating	59,743	59,743	—
(7) Short-term loans	106,252	106,252	—
(8) Commercial paper	94,586	94,586	—
(9) Bonds*1	270,246	270,651	405
(10) Long-term loans payable*2	515,196	516,044	848
Total liabilities	\$1,238,879	\$1,240,132	\$1,253
Derivative transactions*3	\$ 36	\$36	\$—

*1 Bonds payable within a year are classified as "current maturities of long-term debt" on the consolidated balance sheets.

*2 Current portion of long-term loans payable is classified as "current maturities of long-term debt" on the consolidated balance sheets.

*3 Receivables and payables incurred by derivative transactions are presented in net. Net payables are presented in parenthesis.

(a) Calculation method of fair values of financial instruments and securities and derivative transactions are as follows:

Assets

(1) Cash and deposits

With regard to deposits with indefinite maturity and time deposits with maturities within one year, the carrying values approximate fair value.

(2) Notes and accounts receivable and (3) Electronically recorded monetary claims

The carrying values of assets mentioned above approximate fair value because of their short maturities.

(4) Investments in securities

The fair value of marketable equity securities is measured at the quoted market price of the stock exchange. Please see Note 5 regarding securities categorized by holding purposes.

Liabilities

(5) Notes and accounts payable (6) Electronically recorded obligations-operating (7) Short-term loans, and (8) Commercial paper

The carrying values of liabilities mentioned above approximate fair value because of their short maturities.

(9) Bonds

The fair value of bonds issued by the Company is measured at the quoted market price.

(10) Long-term loans payable

The fair values of long-term loans payable are determined by discounting the aggregated amount of the principal and interest using estimated interest rate, assuming that the same type of borrowing was newly made. The fair values of long term loans payable which qualify for special treatment for interest rate swaps and integrated treatment for interest rate currency swaps are determined by discounting the aggregated amount of the principal and interest that are included as part of the relevant interest rate swap and interest rate currency swap at the estimated interest rate, assuming that the same type of borrowing was newly made.

Derivative Transaction

For details of derivative transactions, see Note 16.

(b) Unlisted equity securities have no market price and there is no way of estimating for future cash flows. Determining fair value is therefore acknowledged to be extremely difficult and they are not included in (4) Investments in securities.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unlisted equity securities	¥9,465	¥10,186	\$85,263

(c) Planned redemption of receivables after the balance sheet date

	Millions of yen				Thousands of U.S. dollars	
	2019		2018		2019	
	Due in one year	Due after one year through two years	Due in one year	Due after one year through two years	Due in one year	Due after one year through two years
Cash and deposits	¥15,203	¥—	¥14,316	¥—	\$136,952	\$—
Notes and accounts receivable	67,709	—	69,179	—	609,936	—
Electronically recorded monetary claims	6,228	—	5,954	—	56,104	—
Total	¥89,140	¥—	¥89,449	¥—	\$802,992	\$—

(d) Repayment schedule of short-term loans, commercial paper, bonds and long-term loans payable

	Millions of yen					
	2019					
	Due in one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due over five years
Short-term loans	¥11,795	¥—	¥—	¥—	¥—	¥—
Commercial paper	10,500	—	—	—	—	—
Bonds	—	—	20,000	—	10,000	—
Long-term loans payable*	13,861	10,372	4,823	25,109	3,027	—
Total	¥36,156	¥10,372	¥24,823	¥25,109	¥13,027	¥—

	Millions of yen					
	2018					
	Due in one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due over five years
Short-term loans	¥15,525	¥—	¥—	¥—	¥—	¥—
Commercial paper	11,000	—	—	—	—	—
Bonds	10,000	—	—	20,000	—	—
Long-term loans payable*	6,417	13,838	10,350	4,767	16,110	—
Total	¥42,942	¥13,838	¥10,350	¥24,767	¥16,110	¥—

	Thousands of U.S. dollars					
	2019					
	Due in one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due over five years
Short-term loans	\$106,252	\$—	\$—	\$—	\$—	\$—
Commercial paper	94,586	—	—	—	—	—
Bonds	—	—	180,164	—	90,082	—
Long-term loans payable*	124,863	93,433	43,446	226,187	27,267	—
Total	\$325,701	\$93,433	\$223,610	\$226,187	\$117,349	\$—

*Long-term loans payable include the current maturities of long-term loans payable.

Note 5: Securities

The following tables summarize acquisition costs and book value of securities with available fair value at March 31, 2019 and 2018:

Available-for-sale securities:

Type	Millions of yen		
	2019		
	Acquisition cost	Book value	Difference
Equity securities:			
with book value (fair value) exceeding acquisition costs	¥11,091	¥21,466	¥10,375
with book value (fair value) not exceeding acquisition costs	3,130	2,568	(562)
	¥14,221	¥24,034	¥9,813

Type	Millions of yen		
	2018		
	Acquisition cost	Book value	Difference
Equity securities:			
with book value (fair value) exceeding acquisition costs	¥12,297	¥25,319	¥13,022
with book value (fair value) not exceeding acquisition costs	332	322	(10)
	¥12,629	¥25,641	¥13,012

Type	Thousands of U.S. dollars		
	2019		
	Acquisition cost	Book value	Difference
Equity securities:			
with book value (fair value) exceeding acquisition costs	\$99,910	\$193,370	\$93,460
with book value (fair value) not exceeding acquisition costs	28,196	23,133	(5,063)
	\$128,106	\$216,503	\$88,397

Total sales of available-for-sale securities sold in the year ended March 31, 2019 amounted to ¥1,105million (\$9,954 thousand), the related gains amounted to ¥633 million (\$5,702thousand). Total sales of available-for-sale securities sold in the year ended March 31, 2018 amounted to ¥81 million, the related gains amounted to ¥46 million.

Note 6: Inventories

Inventories at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Merchandise and Finished goods	¥26,013	¥23,500	\$234,330
Work-in-process	2,247	2,031	20,241
Raw materials and supplies	26,680	23,660	240,339
	¥54,940	¥49,191	\$494,910

Note 7: Amounts Relating to Fraudulent Activity for the year ended March 31, 2015

Balances relating to fraudulent activity at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balances:			
Investments and other assets			
Other	¥2,360	¥2,360	\$21,259
Allowance for doubtful accounts	(2,360)	(2,360)	(21,259)

Note 8: Assets Pledged and Secured Liability

Assets Pledged and Secured Liability at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥—	¥34	\$—

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Notes and accounts payable	¥—	¥162	\$—

Note 9: Short-Term Debt, Commercial Paper, and Long-Term Debt

- (1) Short-term debt had weighted-average interest rates of 2.30% and 2.11% at March 31, 2019 and 2018, respectively.
- (2) The weighted-average interest rate on commercial paper were (0.01)% and (0.01)% at March 31, 2019 and 2018, respectively.
- (3) Long-term debt at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Long-term loans from banks and other financial institutions			
(Loans due with one year, weighted-average interest rate 0.56%)	¥13,861	¥6,417	\$124,863
(Loans due after one year, weighted-average interest rate 0.46%)	43,331	45,065	390,333
0.384% unsecured yen straight bonds due in 2019	—	10,000	—
0.170% unsecured yen straight bonds due in 2021	10,000	10,000	90,082
0.180% unsecured yen straight bonds due in 2021	10,000	10,000	90,082
0.220% unsecured yen straight bonds due in 2024	10,000	—	90,082
Lease obligations			
(Loans due with one year)	75	72	676
(Loans due after one year)	164	161	1,477
	87,431	81,715	787,595
Less current portion due with one year	(13,936)	(16,489)	(125,538)
Long-term debt	¥73,495	¥65,226	\$662,057

- (4) The annual maturities of long-term debt at March 31, 2019 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥13,936	\$125,538
2021	10,433	93,983
2022	24,871	224,043
2023	25,131	226,385
2024 and thereafter	13,060	117,646
	¥87,431	\$787,595

Note 10: Contingent Liabilities

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Notes receivable discounted	—	¥50	—
Discounted export bill	¥126	—	\$1,135
Balance of notes receivable transferred by endorsement	—	¥61	—
Discounted electronically recovered receivables	¥25	¥55	\$225
Trancefer of electronically recorded receiveales	¥63	¥33	\$568

Note 11: Net Assets

Net assets comprise four subsections, which are shareholders' equity, accumulated other comprehensive income, net of tax, share subscription rights and non-controlling interests.

Under the Japanese Corporate Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Appropriations of legal earnings reserve and additional paid-in capital generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, by resolution of the shareholders' meeting, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. Other capital surplus and retained earnings are included in capital surplus and retained earnings, respectively.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law and regulations.

At the annual shareholders' meeting held on June 26, 2019, the shareholders approved cash dividends amounting to ¥1,137 million (\$10,242 thousand). Such appropriations have not been accrued in the consolidated financial statements at March 31, 2019. Such appropriations are recognized in the period in which they are approved by the shareholders.

Note 12: Income Taxes

The Companies are subject to a number of taxes levied on income, which, in the aggregate, resulted in normal statutory income tax rates of approximately 30.5% and 30.7% for the year ended March 31, 2019 and 2018, respectively.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2019 and 2018:

	2019	2018
Statutory tax rate	—	30.7%
Non-deductible expenses	—	1.1
Dividends received not taxable	—	(0.6)
Per capita inhabitants taxes	—	0.4
Valuation allowance	—	(3.0)
Effect of multiple tax rates	—	0.1
Effect of change in tax rates	—	—
Equity in income of affiliates	—	(4.2)
Other	—	(2.2)
Effective tax rate	—	22.3%

Note: The note is omitted, because the difference between the statutory tax rate and effective tax rate after adoption of tax-effect accounting is less than 5% of the statutory tax rate for the year ended March 31, 2019.

Significant components of deferred income tax assets and liabilities at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred income tax assets:			
Accrued bonuses	¥736	¥725	\$6,630
Unrealized gain from sales of inventories between the Companies	120	104	1,081
Liability for retirement benefit	4,054	3,980	36,519
Long-term accrued amount payable	21	21	189
Unrealized gain from sales of fixed assets between the Companies	912	1,010	8,215
Unrealized holding gain on fixed assets	1,901	2,712	17,125
Depreciation and amortization	737	909	6,639
Impairment loss of fixed assets	521	515	4,693
Loss on devaluation of investments in securities	968	968	8,720
Provision for business structure improvement	75	83	676
Accrued environmental expenditures	303	169	2,729
Asset retirement obligations	736	866	6,630
Net operating loss carry forwards	2,905	2,140	26,169
Allowance for doubtful accounts	820	824	7,387
Other	2,328	1,704	20,971
Subtotal deferred income tax assets	17,137	16,730	154,373
Valuation allowance related to net operating loss carryforwards(Note 2)	(1,949)	—	(17,557)
Valuation allowance related to deductible temporary differences(Note 1)	(7,001)	—	(63,066)
Valuation allowance (Note 1)	(8,950)	(8,518)	(80,623)
Total deferred income tax assets	¥8,187	¥8,212	\$73,750
Deferred income tax liabilities:			
Asset for retirement benefit	¥(1,079)	¥(1,061)	\$ (9,720)
Reserve deductible for Japanese tax purpose	(65)	(85)	(586)
Reserve for deferred gain on sales of fixed assets for tax purpose	(831)	(849)	(7,486)
Valuation difference on Property, plant and equipment	(1,939)	(1,937)	(17,467)
Unrealized holding gain on securities	(3,049)	(3,962)	(27,466)
Accumulated adjustments for retirement benefit	(224)	(231)	(2,018)
Other	22	(68)	199
Total deferred income tax liabilities	¥(7,165)	¥(8,193)	\$(64,544)
Net deferred income tax assets (liabilities)	¥1,022	¥19	\$9,206

Note 1: The valuation allowance increased by 431 million yen. The main reason for this increase is due to the increase in valuation allowances related to net operating loss carryforwards at consolidated subsidiaries.

Note 2: The total amount of net operating loss carryforwards and other deferred tax assets for each period carried forward for tax purposes.

Year ended March 31, 2019

	Millions of yen						
	2020	2021	2022	2023	2024	2025 and thereafter	Total
Loss carryforwards (a)	¥76	646	454	22	686	1,021	¥2,905
Valuation allowances	¥(70)	(642)	(453)	(22)	(686)	(76)	¥(1,949)
Deferred tax assets	¥6	5	0	—	—	945	¥956

(a) Net operating loss carryforwards is the amount multiplied by the statutory effective tax rate.

(b) The amount of 956 million yen of deferred tax assets is recorded for net operating loss carryforwards of 2,905 million (amount multiplied by the statutory effective tax rate).

(c) The amount of 956 million yen in deferred tax assets was mainly recognized with regards to the balance of net operating loss carryforwards at the Company of 920 million yen (amount multiplied by the statutory effective tax rate).

A valuation allowance has not been recognized for the part determined to be recoverable due to projected future taxable income with regard to the net operating loss carryforwards recorded in deferred tax assets.

Note 13: Research and Development Expenses

Research and development expenses are recognized in the consolidated statements of income in the year when they are incurred. Research and development expenses included in selling, general and

administrative expenses are ¥784million (\$7,062 thousand) and ¥713 million for the years ended March 31, 2019 and 2018, respectively.

Note 14: Impairment Loss on Property, plant and equipment

The Companies classify property, plant and equipment into groups based on the place of business and the products with mutual supplementation. However, the Companies classify real estate for rent and idle properties, which are not expected to be used in the future, individually.

In the year ended March 31, 2019, the Companies recorded impairment loss on property, plant and equipment for the following group of assets:

Use	Location	Type	Amount	Amount
			Millions of yen	Thousands of U.S. dollars
Idle assets	Niigata City, Niigata Prefecture, etc.	Machinery and equipment, Vehicles, etc.	¥142	\$1,279
Total			¥142	\$1,279

(Process for Recognition of Impairment Loss on Property, plant and equipment)

With regard to idle assets, the book value was reduced to the recoverable amount because their future use is not expected, and the reduced amount was

recorded under other expenses as an impairment loss. The recoverable value is measured by the net sale value, evaluated based on the rational estimates. The recoverable value for the assets which have difficulty in sale and other conversion is evaluated as zero.

In the year ended March 31, 2018, the Companies recorded impairment loss on property, plant and equipment for the following group of assets:

Use	Location	Type	Amount
			Millions of yen
Afforestation business	Kamikitayama-mura, Yoshino District, Nara Prefecture	Mountain forests	¥88
Idle assets	Shingu City, Wakayama Prefecture	Land	0
Total			¥88

(Process for Recognition of Impairment Loss on Property, plant and equipment)

Due to the significant decline in market value of mountain forests in the afforestation business the book value was reduced to the recoverable amount and the reduced amount was recorded under other expenses as an impairment loss.

With regard to idle assets, the book value was

reduced to the recoverable amount because their future use is not expected, and the reduced amount was recorded under other expenses as an impairment loss.

The recoverable value is measured by the net sale value, evaluated based on the rational estimates. The recoverable value for the assets which have difficulty in sale and other conversion is evaluated as zero.

Note 15: Lease Transactions

Lease transactions for the years ended March 31, 2019 and 2018 are as follows:

Operating lease transactions

Lease commitments under non-cancelable operating leases at March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
(lessee)			
Due within one year	¥182	¥222	\$ 1,639
Due after one year	741	906	6,676
	¥923	¥1,128	\$ 8,315
(lessor)			
Due within one year	¥12	¥18	\$108
Due after one year	23	31	207
	¥35	¥49	\$315

Note 16: Derivative Transactions

Derivative financial instruments currently utilized by the Companies include mainly forward exchange contracts, interest rate swap contracts, and interest rate and currency swaps contracts, all of which are for hedging purposes.

The Companies use forward exchange contracts to avert exposure to market risks arising from changes in foreign exchange rates, interest rate swap contracts to avert the Companies' exposure to adverse movements in interest rates and interest rate and currency swap contracts to avert the Companies' exposure to adverse movements in principal and interest on foreign currency loans payable.

Forward exchange contracts, interest rate swap contracts, and interest rate and currency swaps contracts, are subject to risks of foreign exchange rate changes and interest rate changes, respectively.

The derivative transactions are executed by the Company's Corporate Planning Department and managed by the Company's Accounting Department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed. Information on derivative transactions is reported to the Executive Management Meeting quarterly.

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of hedged items and the corresponding changes in fair value of the hedging derivative instruments. If the percentage changes of hedged items and hedging instruments, ranging between approximately 80% to 125%, hedging transactions are considered to be effective.

Derivative transactions for which hedge accounting had not been applied at March 31, 2019 and 2018 are as follows.

Type of derivative transaction	Millions of yen								Thousands of U.S. dollars			
	2019				2018				2019			
	Notional amount		Fair value	Valuation Gain (Loss)	Notional amount		Fair value	Valuation Gain (Loss)	Notional amount		Fair value	Valuation Gain (Loss)
	Total	Over one year				Total			Over one year			
Forward exchange contracts												
Buy contracts												
U.S. Dollar	¥—	¥—	¥(0)	¥(0)	¥13	¥—	¥(0)	¥(0)	\$—	\$—	\$ (0)	\$ (0)

Derivative transactions for which hedge accounting had been applied at March 31, 2019 and 2018 are as follows.

(1) Currency-related

Type of derivative transaction	Main hedged items	Millions of yen						Thousands of U.S. dollars			
		2019			2018			2019			
		Notional amount		Fair value	Notional amount		Fair value	Notional amount		Fair value	
		Total	Over one year			Total		Over one year			Total
Forward exchange contracts											
Buy contracts	Trade payables										
U.S. Dollar		¥184	¥—	¥4	¥1,693	¥—	¥(33)	\$1,658	\$—	\$36	
EUR		¥—	¥—	¥—	¥137	¥—	¥1	\$—	\$—	\$—	

Fair value on Forward exchange contracts is based on the price offered by the contracted financial institution.

(2) Interest –related

The following interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under the interest rate

swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Type of derivative transaction	Main hedged items	Millions of yen						Thousands of U.S. dollars		
		2019			2018			2019		
		Notional amount		Fair value	Notional amount		Fair value	Notional amount		Over one year
Total	Over one year	Fair value	Total	Over one year	Fair value	Total	Over one year	Fair value		
Interest rate swap contracts										
Receive floating, Pay fixed	Long-term loans payable	¥11,340	¥7,580	¥—	¥14,775	¥11,340	¥—	\$102,153	\$68,282	\$—

Fair value on interest rate swap contracts is based on the price offered by the contracted financial institution. Market value of interest rate swap is included in the corresponding hedged long-term debt as this interest

rate swap is recorded as an adjustment to the corresponding hedged long-term debt under the special treatment.

(3) Interest and currency –related

Type of derivative transaction	Main hedged items	Millions of yen						Thousands of U.S. dollars		
		2019			2018			2019		
		Notional amount		Fair value	Notional amount		Fair value	Notional amount		Over one year
Total	Over one year	Fair value	Total	Over one year	Fair value	Total	Over one year	Fair value		
Interest rate and currency swaps contracts										
Receive floating, Pay fixed	Long-term loans payable									
Receive U.S. dollar, Pay Japanese Yen		¥10,713	¥9,747	¥—	¥11,680	¥10,713	¥—	\$96,505	\$87,803	\$—

Fair value on interest rate and currency swap contracts is based on the price offered by the contracted financial institution.

Market value of interest rate and currency swap is

included in the corresponding hedged long-term debt as this interest rate and currency swap is recorded as an adjustment to the corresponding hedged long-term debt under the special treatment.

Note 17: Retirement Benefits

The Company and its consolidated subsidiaries have in place a corporate pension fund plan and a lump-sum retirement payment plan as their defined benefit small-to-medium enterprises' retirement benefit mutual aid schemes in conjunction therewith. Furthermore, the Company has set up a retirement benefits trust. In addition, a defined contribution pension plan has been

established for certain overseas consolidated subsidiary.

Under the corporate pension fund plan and the lump-sum retirement payment plan of some consolidated subsidiaries, liabilities for retirement benefit and retirement benefit costs are calculated using the simplified method.

1. Defined benefit plans, except plan applied simplified method

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at the beginning of the year	¥16,334	¥18,183	\$147,140
Service cost	862	977	7,765
Interest cost	111	125	1,000
Actuarial (gain) loss	(220)	(78)	(1,982)
Benefits paid	(571)	(804)	(5,144)
Decrease due to revisions to retirement benefit plan	—	(2,104)	—
Other	(63)	35	(567)
Balance at the end of the year	¥16,453	¥16,334	\$148,212

(2) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at the beginning of the year	¥8,540	¥8,052	\$76,930
Expected return on plan assets	100	97	901
Actuarial (gain) loss	(104)	329	(937)
Contributions paid by the employer	175	275	1,576
Benefits paid	(197)	(237)	(1,775)
Other	(60)	24	(539)
Balance at the end of the year	¥8,454	¥8,540	\$76,156

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded retirement benefit obligations	¥5,919	¥6,047	\$53,320
Plan assets	(8,454)	(8,540)	(76,156)
	(2,535)	(2,493)	(22,836)
Unfunded retirement benefit obligations	10,534	10,287	94,892
Total Net liability (asset) for retirement benefits	7,999	7,794	72,056
Liability for retirement benefits	10,643	10,399	95,874
Asset for retirement benefits	(2,644)	(2,605)	(23,818)
Total Net liability (asset) for retirement benefits	¥7,999	¥7,794	\$72,056

(4) Retirement benefit costs	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥862	¥977	\$7,765
Interest cost	111	125	1,000
Expected return on plan assets	(100)	(97)	(901)
Net actuarial gain amortization	(168)	(106)	(1,513)
Other	16	1	144
Total retirement benefit costs	¥721	¥900	\$6,495
Gain on revision to retirement benefit plan*	—	(2,104)	—

*This account is recorded in other income (expenses).

(5) Adjustments for retirement benefit	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Actuarial gains and (losses)	¥(52)	¥301	\$ (468)
Other	(4)	2	(36)
Total adjustments for retirement benefit	¥(56)	¥ 303	\$ (504)

(6) Accumulated adjustments for retirement benefit	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized actuarial gains	¥ (763)	¥(819)	\$ (6,873)

(7) Plan assets

1. Plan assets comprise:

	2019	2018
Bonds	28.9%	28.4%
Equity securities	48.3%	49.1%
Cash and deposits	5.0%	5.0%
General account of life insurance companies	16.0%	15.9%
Other	1.8%	1.6%
Total*	100.0%	100.0%

*Total plan assets include the pension benefits trust, established under the corporate pension system, which accounted for 12.4% and 12.7% of plan assets in the previous and the current fiscal year, respectively.

2. Determination method of long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions:

	2019	2018
Discount rate	0.6% (mainly)	0.6% (mainly)
Long-term expected rate of return	1.0% (mainly)	1.0% (mainly)
Anticipated rate of increase	2.8% (mainly)	2.8% (mainly)

2. Defined benefit plan applying the simplified method

(1) Movement in liability for retirement benefits	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at the beginning of the year	¥1,340	¥1,267	\$12,071
Retirement benefit costs	226	215	2,036
Benefits paid	(129)	(52)	(1,162)
Contributions paid by the employer	(83)	(90)	(748)
Other	(8)	(0)	(72)
Balance at the end of the year	¥1,346	¥1,340	\$12,125

(2) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded retirement benefit obligations	¥859	¥855	\$7,738
Plan assets	(851)	(838)	(7,666)
	8	17	72
Unfunded retirement benefit obligations	1,338	1,323	12,053
Total Net liability (asset) for retirement benefits	1,346	1,340	12,125
Liability for retirement benefits	1,371	1,373	12,350
Asset for retirement benefits	(25)	(33)	(225)
Total Net liability (asset) for retirement benefits	¥1,346	¥1,340	\$12,125

(3) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Total retirement benefit costs based on the simplified method	¥226	¥215	\$2,036

3. Defined contribution pension plan

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Required contributions provided to defined contribution pension plans at consolidated subsidiary	¥361	¥353	\$3,352

Note 18: Asset Retirement Obligations

1. Asset retirement obligations recorded on the consolidated balance sheets

(1) Outline of the asset retirement obligations recorded:

The Company recorded asset retirement obligations covering the expenses for the removal of asbestos to be incurred at the time of removal from buildings and structures owned by the Company, treatment

expenses stipulated by the Waste Management and Public Cleansing Act, and expenses for the restoration to their original state of properties leased by consolidated subsidiaries.

(2) Basis for the calculation of the amount of the relevant asset retirement obligations:

The projected use period of each fixed asset is estimated to be 4 to 64 years based on the useful life of

each, and the discount rate of 0.516% to 2.330% is used.

(3) Movement in the total amount of the relevant asset retirement obligations during the fiscal year ended March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at the beginning of the year	¥3,031	¥2,106	\$27,304
Unwinding of discount	36	139	324
Increase (Decrease) due to change in estimates	(70)	931	(631)
Decrease in loss on disposal of property, plant and equipment	(319)	(208)	(2,874)
Foreign currency translation adjustment	(137)	63	(1,233)
Balance at the end of the year	¥2,541	¥3,031	\$22,890

2. Asset retirement obligations other than those recorded on the consolidated balance sheets

The Companies have obligations to restore land, buildings and other structures which the Companies use under lease or rental contracts to their original state when vacating them. However, in case the use periods of the leased properties related to such obligations are

indefinite, and also in view of the fact that the Companies currently have no plan to exit from these properties, it is not possible to clearly estimate the amounts of asset retirement obligations. For this reason, the asset retirement obligations that correspond to these obligations are not recorded in the accompanying consolidated financial statements.

Note 19: Segment Information

1. Overview of Reportable Segments

Reportable segments of the Company are components subject to regular review so that the Board of Directors is able to decide on the best allocation of management resources and evaluate results.

The Companies evaluate business results on an each company basis, and treat independent entity as a unit functioning within each of its business segments. The Company groups each company into segments according to commonality in economic characteristics, product manufacturing methods and markets. Based

2. Basis for measurement of segment sales, segment income or loss, segment assets and other significant items:

The basis of the accounting treatment for the reportable segments is substantially the same as described in

“Summary of Significant Accounting Policies” herein. The segment income represents the operating income-based amount. The intersegment revenues and transfers are determined based on the prevailing market value.

3. Information on segment sales, segment income or loss, segment assets and other significant items:

	Millions of yen					
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others*1	Adjustments*2	Consolidated*3
2019						
Sales:						
Sales to outside customers	¥248,253	¥19,192	¥267,445	¥8,362	¥—	¥275,807
Intersegment sales or transfers	2,945	101	3,046	36,077	(39,123)	—
Total	251,198	19,293	270,491	44,439	(39,123)	275,807
Segment income	¥7,956	¥841	¥8,797	¥710	¥623	¥10,130
Segment assets	¥345,786	¥18,359	¥364,145	¥18,944	¥(15,007)	¥368,082
Other items						
Depreciation and amortization	¥17,641	¥796	¥18,437	¥393	¥(440)	¥18,390
Impairment loss	¥137	¥—	¥137	¥5	¥—	¥142
Investment in affiliates	¥41,669	¥—	¥41,669	¥—	¥—	¥41,669
Increase in property, plant and equipment/intangible assets	¥14,254	¥1,594	¥15,848	¥622	¥(381)	¥16,089
Thousands of U.S. dollars						
2019						
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others*1	Adjustments*2	Consolidated*3
Sales:						
Sales to outside customers	\$2,236,312	\$172,885	\$2,409,197	\$75,327	\$—	\$2,484,524
Intersegment sales or transfers	26,529	910	27,439	324,989	(352,428)	—
Total	2,262,841	173,795	2,436,636	400,316	(352,428)	2,484,524
Segment income	\$71,669	\$7,576	\$79,245	\$6,396	\$5,612	\$91,253
Segment assets	\$3,114,909	\$165,381	\$3,280,290	\$170,651	\$(135,186)	\$3,315,755
Other items						
Depreciation and amortization	\$158,914	\$7,170	\$166,084	\$3,541	\$(3,964)	\$165,661
Impairment loss	\$1,234	\$—	\$1,234	\$45	\$—	\$1,279
Investment in affiliates	\$375,363	\$—	\$375,363	\$—	\$—	\$375,363
Increase in property, plant and equipment/intangible assets	\$128,403	\$14,359	\$142,762	\$5,603	\$(3,432)	\$144,933

*1 The “Others” category indicates business segments not included in the reportable segments, encompassing the wood products business, the wastepaper wholesale business, the construction business and the transportation and warehousing business.

*2 Amounts of adjustments are as follows:

(1) Adjustments in segment income in the amount of ¥623 million (\$5,612 thousand) mainly represent eliminations of intersegment transactions.

(2) Adjustments in segment assets in the amount of ¥(15,007) million (\$(135,186) thousand) include ¥(21,398) million (\$(192,757) thousand) for eliminations of intersegment debts and credits and ¥6,391 million (\$57,571 thousand) for the corporate assets that are not allocated to each reportable segment.

(3) Adjustments in increases in property, plant and equipment and intangible fixed assets totaling ¥(381) million (\$(3,432) thousand) represent eliminations of intersegment unrealized gains on noncurrent assets.

*3 Segment income is adjusted to reflect operating income as recorded in the consolidated statements of income.

	Millions of yen					Consolidated*3
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others*1	Adjustments*2	
2018						
Sales:						
Sales to outside customers	¥242,082	¥19,428	¥261,510	¥7,590	¥—	¥269,100
Intersegment sales or transfers	2,739	81	2,820	37,349	(40,169)	—
Total	244,821	19,509	264,330	44,939	(40,169)	269,100
Segment income	¥8,809	¥1,128	¥9,937	¥815	¥662	¥11,414
Segment assets	¥343,547	¥16,698	¥360,245	¥19,997	¥(13,795)	¥366,447
Other items						
Depreciation and amortization	¥18,297	¥783	¥19,080	¥411	¥(426)	¥19,065
Impairment loss	¥—	¥—	¥—	¥88	¥—	¥88
Investment in affiliates	¥37,814	¥—	¥37,814	¥—	¥—	¥37,814
Increase in property, plant and equipment/intangible assets	¥13,868	¥887	¥14,755	¥347	¥(392)	¥14,710

*1 The "Others" category indicates business segments not included in the reporting segments, encompassing the wood products business, the construction business, sales of real estate, the transportation and warehousing business and the wastepaper wholesale business.

*2 Amounts of adjustments are as follows:

(1) Adjustments in segment income in the amount of ¥662 million mainly represent eliminations of intersegment transactions.

(2) Adjustments in segment assets in the amount of ¥(13,795) million include ¥(21,642) million for eliminations of intersegment debts and credits and ¥7,847 million for the corporate assets that are not allocated to each reportable segment.

(3) Adjustments in increases in property, plant and equipment and intangible fixed assets totaling ¥(392) million represent eliminations of intersegment unrealized gains on noncurrent assets.

*3 Segment income is adjusted to reflect operating income as recorded in the consolidated statements of income.

(Related information)

Year ended March 31, 2019

1. Information by Product or Service

This information is omitted here as it is disclosed in the Segment Information section.

2. Information by Region

(1) Net Sales

	Millions of yen					Total
	Japan	United States	China	Asia	Others	
2019						
Net Sales	¥178,871	¥ 30,829	¥ 30,165	¥ 20,188	¥ 15,754	¥275,807

	Thousands of U.S. dollars					Total
	Japan	United States	China	Asia	Others	
2019						
Net Sales	\$ 1,611,305	\$ 277,714	\$ 271,732	\$ 181,857	\$ 141,916	\$ 2,484,524

Classification of net sales is determined by country or geographical location of customers.

Major countries and areas which belong to segments other than Japan are as follows:

(1) AsiaSouth Korea, India, Vietnam, Taiwan, Thailand

(2) Other.....Canada, Europe, the Middle East, Oceania

(2) Property, plant and equipment

	Millions of yen			Total
	Japan	China	Others	
2019				
Property, plant and equipment	¥111,362	¥12,630	¥10,889	¥134,881

	Thousands of U.S. dollars			Total
	Japan	China	Others	
2019				
Property, plant and equipment	\$1,003,171	\$113,774	\$98,090	\$1,215,035

3. Information by Major Customer

Name of Customers	Millions of yen	Thousands of U.S. dollars
	2019	2019
SHINSEI PULP & PAPER COMPANY LIMITED	¥34,923	\$314,593

Year ended March 31, 2018

1. Information by Product or Service

This information is omitted here as it is disclosed in the Segment Information section.

2. Information by Region

(1) Net Sales

	Millions of yen					Total
	Japan	United States	China	Asia	Others	
2018						
Net Sales	¥181,324	¥26,526	¥34,671	¥14,595	¥11,984	¥269,100

Classification of net sales is determined by country or geographical location of customers.

Major countries and areas which belong to segments other than Japan are as follows:

(1) AsiaSouth Korea, Hong Kong, Taiwan, Vietnam, Thailand

(2) Other.....Europe, Canada, Oceania, the Middle East

(2) Property, plant and equipment

	Millions of yen			Total
	Japan	China	Others	
2018				
Property, plant and equipment	¥116,707	¥13,832	¥9,434	¥139,973

3. Information by Major Customer

Name of Customers	Millions of yen
	2018
SHINSEI PULP & PAPER COMPANY LIMITED	¥37,246

(Information on the amounts of amortization and unamortized balance by reportable segment)
Year ended March 31, 2019

						Millions of yen
						2019
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Adjustments	Consolidated
Goodwill:						
Amortization of goodwill	¥134	¥—	¥134	¥—	¥—	¥134
Balance at end of year	¥1,170	¥—	¥1,170	¥—	¥—	¥1,170

						Thousands of U.S. dollars
						2019
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Adjustments	Consolidated
Goodwill:						
Amortization of goodwill	\$1,207	\$—	\$1,207	\$—	\$—	\$1,207
Balance at end of year	\$10,540	\$—	\$10,540	\$—	\$—	\$10,540

Year ended March 31, 2018

						Millions of yen
						2018
	Paper and Pulp Business	Packaging and Paper Processing Business	Total	Others	Adjustments	Consolidated
Goodwill:						
Amortization of goodwill	¥131	¥—	¥131	¥—	¥—	¥131
Balance at end of year	¥1,383	¥—	¥1,383	¥—	¥—	¥1,383

Note 20: Related Party Transactions

(1) Transactions with related party

Year ended March 31, 2019

Parent company and principal stockholder, etc., of the Company

											2019
Attribute	Name	Location	Amount of capital or investment in capital	The contents of a business operation or an occupation	Ownership ratio (Parent company ownership ratio) of voting rights (%)	Relationship	Nature of transaction	Transaction amount	Account	Balance at the end of the fiscal year	
Principal stockholder	Mitsubishi Corporation	Chiyoda-ku, Tokyo	¥204,447 million (\$1,841,699 thousand)	A general trading company	(Parent company ownership ratio) Direct 19.4	Agency for the products of the Company	Sales of paper	¥15,295 million (\$137,780 thousand)	Account receivable-trade	¥3,413 million (\$30,745 thousand)	

(Transaction terms and conditions, policy to decide such terms and conditions)

The sales price of paper is determined each time through negotiations, taking into account market prices.

Year ended March 31, 2018

Parent company and principal stockholder, etc., of the Company

											2018
Attribute	Name	Location	Amount of capital or investment in capital	The contents of a business operation or an occupation	Ownership ratio (Parent company ownership ratio) of voting rights (%)	Relationship	Nature of transaction	Transaction amount	Account	Balance at the end of the fiscal year	
Principal stockholder	Mitsubishi Corporation	Chiyoda-ku, Tokyo	¥204,447 million	A general trading company	(Parent company ownership ratio) Direct 19.4	Agency for the products of the Company	Sales of paper	¥17,703 million	Account receivable-trade	¥5,163 million	

(Transaction terms and conditions, policy to decide such terms and conditions)

The sales price of paper is determined each time through negotiations, taking into account market prices.

(2) Notes on parent company or significant affiliated company

For the year ended March 31, 2019 and 2018, the significant affiliated company is Daio Paper Corporation and its summarized consolidated financial statement is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Total current assets	¥299,650	¥256,965	\$2,699,306
Total noncurrent assets	445,964	428,951	4,017,332
Total current liabilities	178,666	192,152	1,609,459
Total noncurrent liabilities	367,861	300,924	3,313,765
Total net assets	199,339	193,065	1,795,685
Net sales	533,890	531,311	4,809,387
Income before income taxes	6,970	11,124	62,787
Net income attributable to owners of parent company	4,697	3,971	42,312

Note 21: Comprehensive Income

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrealized holding gains (losses) on securities, net of taxes			
Occurrence amount	¥(2,591)	¥1,468	\$(23,340)
Reclassification adjustment	(633)	11	(5,702)
Before tax effect	(3,224)	1,479	(29,042)
Tax effect	906	(545)	8,161
Unrealized holding gains (losses) on securities, net of taxes	¥(2,318)	¥934	\$(20,881)
Unrealized gains (losses) on hedging derivatives, net of taxes			
Occurrence amount	¥59	¥(77)	\$531
Reclassification adjustment	(22)	127	(198)
Before tax effect	37	50	333
Tax effect	(12)	(15)	(108)
Unrealized gains (losses) on hedging derivatives, net of taxes	¥25	¥35	\$225
Foreign currency translation adjustment			
Occurrence amount	¥(3,501)	¥1,489	\$(31,538)
Reclassification adjustment	—	—	—
Before tax effect	(3,501)	1,489	(31,538)
Tax effect	—	—	—
Foreign currency translation adjustment	¥(3,501)	¥1,489	\$(31,538)
Adjustments for retirement benefit, net of taxes			
Occurrence amount	¥113	¥409	\$1,018
Reclassification adjustment	(168)	(106)	(1,513)
Before tax effect	(55)	303	(495)
Tax effect	16	(93)	144
Adjustments for retirement benefit, net of taxes	¥(39)	¥210	\$(351)
Share of other comprehensive income of associates accounted for using equity method			
Occurrence amount	¥190	¥975	\$1,712
Reclassification adjustment	(107)	(1,136)	(964)
Share of other comprehensive income of associates accounted for using equity method	¥83	¥(161)	\$ 748
Total other comprehensive income	¥(5,750)	¥2,507	\$(51,797)

Note 22: Stock Option

The Company has the compensation plan based on the stock option system for its directors other than outside directors.

(1) The following shows the Company's stock options as of March 31, 2019.

Stock options	Persons granted	Number of stock options granted	Grant date	Exercise price	Exercise period
2011 Stock options	11 directors	117,000 shares	July 11, 2011	¥1	From July 12, 2011 to July 11, 2026
2012 Stock options	11 directors	153,500 shares	July 17, 2012	¥1	From July 18, 2012 to July 17, 2027
2013 Stock options	9 directors	117,000 shares	July 12, 2013	¥1	From July 13, 2013 to July 12, 2028
2014 Stock options	9 directors	80,000 shares	July 11, 2014	¥1	From July 12, 2014 to July 11, 2029
2015 Stock options	9 directors	62,000 shares	July 13, 2015	¥1	From July 14, 2015 to July 13, 2030
2016 Stock options	9 directors	58,500 shares	July 14, 2016	¥1	From July 15, 2016 to July 14, 2031
2017 Stock options	9 directors	35,500 shares	July 14, 2017	¥1	From July 15, 2017 to July 14, 2032
2018 Stock options	9 directors	65,000 shares	July 13, 2018	¥1 (\$0.01)	From July 14, 2018 to July 13, 2033

(2) The following shows the number of stock options.

	2011 Stock options (shares)	2012 Stock options (shares)	2013 Stock options (shares)	2014 Stock options (shares)	2015 Stock options (shares)	2016 Stock options (shares)	2017 Stock options (shares)	2018 Stock options (shares)
Non-vested stock option:								
Outstanding at March 31, 2018	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	65,000
Forfeited	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	65,000
Outstanding at March 31, 2019	—	—	—	—	—	—	—	—
Vested stock option:								
Outstanding at March 31, 2018	9,000	32,500	49,500	46,000	44,000	41,500	35,500	—
Vested	—	—	—	—	—	—	—	65,000
Exercised	9,000	23,000	17,000	12,500	20,500	5,500	12,000	—
Forfeited	—	—	—	—	—	—	—	4,500
Outstanding at March 31, 2019	—	9,500	32,500	33,500	23,500	36,000	23,500	60,500

(3) The following shows the per share prices.

	2011 Stock options	2012 Stock options	2013 Stock options	2014 Stock options	2015 Stock options	2016 Stock options	2017 Stock options	2018 Stock options
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1(\$0.01)
Average stock price at exercise	¥601	¥591	¥612	¥589	¥550	¥597	¥602	—
Fair value price at grant date	¥428	¥314	¥359	¥354	¥599	¥657	¥743	¥505(\$4.55)

(4) The following shows the estimate method for stock option price.

	2011 Stock options	2012 Stock options	2013 Stock options	2014 Stock options	2015 Stock options	2016 Stock options	2017 Stock options	2018 Stock options
Estimate method	Black-Scholes option-pricing models	Black-Scholes option-pricing models	Black-Scholes option-pricing models	Black-Scholes option-pricing models	Black-Scholes option-pricing models	Black-Scholes option-pricing models	Black-Scholes option-pricing models	Black-Scholes option-pricing models
Expected volatility	33.120%	33.243%	35.972%	37.089%	37.064%	37.117%	32.561%	32.621%
Expected life	8 years	8 years	8 years	8 years	8 years	8 years	8 years	8 years
Expected dividend	¥12/share	¥12/share	¥12/share	¥12/share	¥12/share	¥12/share	¥12/share	¥12/share (\$0.11/share)
Risk-free interest rate	0.844%	0.502%	0.685%	0.356%	0.295%	(0.352)%	0.025%	(0.045)%

Note 23: Subsequent Events**Distribution of Retained Earnings**

The following items were approved at the annual shareholders' meeting of the Company held on June 26, 2019:

Payment of a cash dividend of ¥6.00 (\$0.05) per share, or a total of ¥1,137 million (\$10,242 thousand), to shareholders on record as of March 31, 2019.

Independent Auditor's Report**Independent Auditor's Report**

To the Board of Directors of Hokuetsu Corporation:

We have audited the accompanying consolidated financial statements of Hokuetsu Corporation ("the Company", a Japanese corporation) and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

August 9, 2019
Tokyo, Japan

Affiliated Group Companies

Consolidated Subsidiaries

Hokuetsu Paper Sales Co., Ltd.

Takebashi 3-3 Bldg., 3-3, Kanda Nishiki-cho, Chiyoda-ku, Tokyo 101-0054
Sales and distribution agent

Alberta Pacific Forest Industries Inc.

P.O. Box 8000, Boyle, Alberta, Canada T0A 0M0
Manufacturing and sale of pulp

Xing Hui Investment Holdings Co., Ltd.

Unit 01-12, 19/F, Metro Centre, No. 32 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong, China
Management of Jiangmen Xinghui Paper Mill Co., Ltd.

Jiangmen Xinghui Paper Mill Co., Ltd.

Complex Developing Area, Shuangshui Town, Xinghui District, Jiangmen, Guangdong Province, China
Manufacturing and sale of white paperboard

Bernard Dumas S.A.S.

Le Bourg 2, Rue de la Papeterie 24100, Cressy, France
Manufacturing and sale of glass fiber sheets

Hokuetsu Toyo Fibre Co., Ltd.

888, Otsuka, Numazu City, Shizuoka Prefecture 410-0306
Manufacturing and sale of vulcanized fiber products and paper

Hokuetsu Paper Tec Niigata Co., Ltd.

57, Enoki-cho, Higashi-ku, Niigata City, Niigata Prefecture 950-0881
Cutting, selecting, packing and loading/unloading of the company's products

Hokuetsu Paper Tec Kishu Co., Ltd.

182, Udono, Kiho-cho, Minamimuro-gun, Mie Prefecture 519-5701
Cutting, selecting, packing and loading/unloading of the company's products and related work to paper manufacturing

Hokuetsu Paper Tec Katsuta Co., Ltd.

1760, Takaba, Hitachinaka City, Ibaraki Prefecture 312-0062
Cutting, selecting, packing and loading/unloading of the company's products

Techno-Hokuetsu Co., Ltd.

57, Enoki-cho, Higashi-ku, Niigata City, Niigata Prefecture 950-0881
Paper and pulp manufacturing work, industrial wastewater purification processing, waste disposal, etc.

MC Hokuetsu Energy Service Company

47, Enoki-cho, Higashi-ku, Niigata City, Niigata Prefecture 950-0081
Supply of steam and electric power

Hokuetsu Package Co., Ltd.

3-2-2, Nihonbashihongoku-cho, Chuo-ku, Tokyo 103-0021
Manufacturing and sale of paper containers including liquid package cartons and packaging, and processed paper products such as laminated paper and related materials
Supply of computer-related components and mailing business

Shanghai Toh Tech Co., Ltd.

330-8, Xiya Road, Waigaoqiao Free Trade Zone, Shanghai-city, China
Processing and sale of carrier tape for precision electronic parts

Hokuetsu Logistics Co., Ltd.

560-11, Shimokido, Higashi-ku, Niigata City, Niigata Prefecture 950-0885
Transportation and warehousing

Hokuetsu Suiun Co., Ltd.

560-11, Shimokido, Higashi-ku, Niigata City, Niigata Prefecture 950-0885
Transportation and warehousing

Hokuetsu Material Co., Ltd.

1529, Aza-Shitadairayamako, Oaza-Sakamoto, Aizubange-machi, Kawanuma-gun, Fukushima Prefecture 969-6586
Sale of wood chips for paper manufacturing and woods
Purchase and sale of used paper

Hokuetsu Engineering Co., Ltd.

57, Enoki-cho, Higashi-ku, Niigata City, Niigata Prefecture 950-0881
Manufacturing and sale of industrial machinery, electric instrumentation construction, design and construction of civil engineering and buildings

Hokuetsu Pallet Co., Ltd.

3-2-2, Nihonbashihongoku-cho, Chuo-ku, Tokyo 103-0021
Processing of woods, purchase and sale of processed wood products
Manufacturing, purchase and sale of pallets

Hokuetsu Trading Corporation

3-2-2, Nihonbashihongoku-cho, Chuo-ku, Tokyo 103-0021
Sale of raw materials, fuels and chemicals for paper manufacturing and chemical products

Kishu Kohatsu Co., Ltd.

4-22-1, Minami-Suita, Suita City, Osaka 564-0043
Management of driving school and golf practice range

Affiliated Companies Accounted for Under the Equity Method

Daio Paper Corporation

2-60, Mishimakamiya-cho, Shikoku Chuo City, Ehime Prefecture 799-0492
Manufacturing and sale of paper, paperboard, pulp, and secondary products, and production, processing, and sale of everyday goods

Nikkan Co., Ltd.

3-5-1, Nishizao, Nagaoka City, Niigata Prefecture 940-0027
Manufacturing and sale of paper, nonwoven fabric, and films

Niigata GCC Co., Ltd.

35-1 Enoki-cho, Higashi-ku, Niigata Prefecture 950-0881
Manufacturing and sale of filler for papermaking

Niigata PCC Co., Ltd.

2-3, Kamiose-machi, Higashi-ku, Niigata Prefecture 950-0063
Manufacturing and sale of filler for papermaking

Equity Data

Stock Information (as of March 31, 2019)

Shareholder registry administrator	Mizuho Trust & Banking Co., Ltd. 1-2-1, Yaesu, Chuo-ku, Tokyo
Number of shares authorized	500,000,000
Number of shares issued	209,263,814
Number of shareholders	11,056

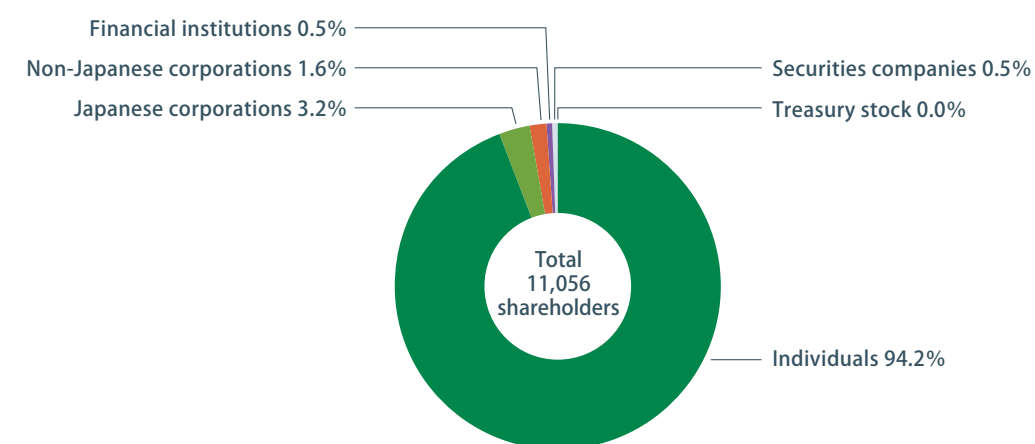
Major Shareholders (as of March 31, 2019)*

Name	Number of shares held (Thousands of shares)	Percentage to total number of shares in issue (%)
Mitsubishi Corporation	36,619	19.32
Japan Trustee Services Bank, Ltd. (Trust Account)	10,765	5.68
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,822	5.18
Kawasaki-kami Unyu Co., Ltd.	5,920	3.12
Hokuetsu Corporation Ownership Association	5,768	3.04
Sompo Japan Nipponkoa Insurance Inc.	4,499	2.37
The Daishi Bank, Ltd.	4,317	2.28
The Hokuetsu Bank, Ltd.	4,315	2.28
DFA International Small Cap Value Portfolio	3,989	2.10
Mizuho Bank, Ltd.	3,600	1.90

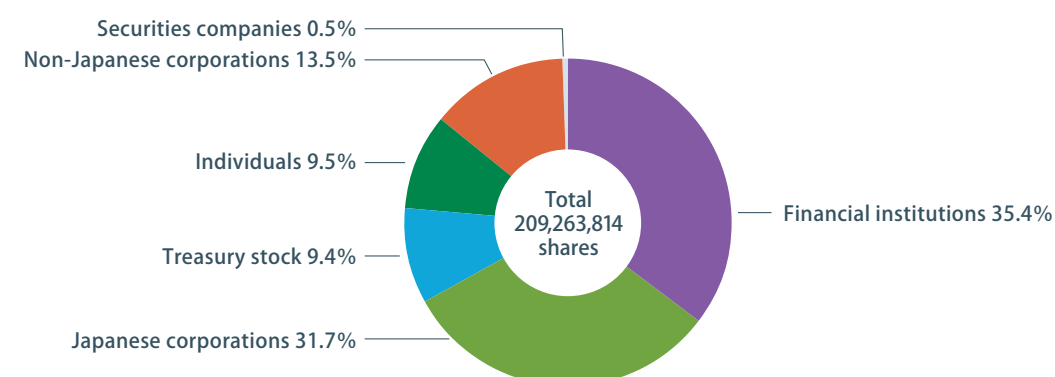
*In addition to the above, the Company holds 19,691 shares of treasury stock.

Distribution of shares by shareholders (as of March 31, 2019)

Number of shareholders



Number of shares



Corporate Data

Corporate Name: Hokuetsu Corporation	Fiscal year ending: March 31
Established: April 27, 1907	Number of consolidated subsidiaries: 20 (15 in Japan, 5 overseas)
The registered head office: 3-5-1, Nishizao, Nagaoka, Niigata Prefecture	Number of affiliated companies accounted for under the equity method: 4
Paid-in capital: 42,020,940,239 yen	Number of employees: 4,714 (consolidated); 1,615 (non-consolidated)

Offices and Mills (as of March 31, 2019)

Head Office

3-2-2 Nihonbashihongoku-cho,
Chuo-ku, Tokyo 103-0021, Japan
TEL +81-3-3245-4500

Osaka Branch

4-22-1 Minami-Suita, Suita,
Osaka 564-0043
TEL +81-6-6339-5151

Nagoya Office

1-7-28, Nishiki, Naka-ku, Nagoya,
Aichi Prefecture 460-0003
(inside the J-SQUARE Marunouchi)
TEL +81-52-211-1272

Niigata Office

57, Enoki-cho, Higashi-ku,
Niigata Prefecture 950-0881
TEL +81-25-273-1141

Central Research Laboratory

3-5-1, Nishizao, Nagaoka,
Niigata Prefecture 940-0027
TEL +81-258-24-0635

Niigata Mill

57, Enoki-cho, Higashi-ku,
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TEL +81-25-273-1141



Kishu Mill

182, Udono, Kiho-cho, Minamimuro-gun,
Mie Prefecture 519-5701
TEL +81-735-32-1111



Kanto Mill Ichikawa

3-21-1, Ohsu, Ichikawa City,
Chiba Prefecture 272-0032
TEL +81-47-378-0101



Kanto Mill Katsuta

1760, Takaba, Hitachinaka City,
Ibaraki Prefecture 312-0062
TEL +81-29-275-5500



Nagaoka Mill

3-2-1, Zao, Nagaoka City,
Niigata Prefecture 940-0028
TEL +81-258-24-0630



Osaka Mill

4-20-1, Minami-Suita, Suita City,
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HOKUETSU GROUP Corporate Report 2019

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