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Consolidated Financial Results for the Nine Months Ended December 31, 2019 [Japanese GAAP]

February 05, 2020

Company name: Japan Pulp & Paper Co., Ltd.

Stock exchange listing: Tokyo

Code number: 8032

URL: <https://www.kamipa.co.jp/eng/>

Representative: Akihiko Watanabe President

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Scheduled date of filing quarterly securities report: February 14, 2020

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: No

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2019 (April 01, 2019 to December 31, 2019)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2019	401,077	(1.1)	9,123	2.7	8,452	(6.2)	5,491	10.1
December 31, 2018	405,536	4.5	8,882	25.8	9,013	26.9	4,988	7.2

(Note) Comprehensive income: Nine months ended December 31, 2019: ¥ 5,287 million [161.7%]
 Nine months ended December 31, 2018: ¥ 2,021 million [(80.4)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2019	394.80	393.08
December 31, 2018	353.92	351.90

(Note) This figure reflects a significant revision to the amount initially allocated for acquisition costs as a result of the finalization of the provisional consolidated accounting treatment for the business mergers conducted during the first three quarters of the fiscal year ended March 2019.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
December 31, 2019	362,567	89,442	22.8
March 31, 2019	349,656	94,745	24.8

(Reference) Equity: As of December 31, 2019: ¥ 82,547 million
 As of March 31, 2019: ¥ 86,575 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	-	55.00	-	55.00	110.00
Fiscal year ending March 31, 2020	-	55.00	-		
Fiscal year ending March 31, 2020 (Forecast)				55.00	110.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020(April 01, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	545,000	1.8	10,500	(2.8)	10,000	(7.0)	5,500	42.1	395.45

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2019

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2019: 15,021,551 shares

March 31, 2019: 15,021,551 shares

2) Total number of treasury shares at the end of the period:

December 31, 2019: 1,371,150 shares

March 31, 2019: 928,575 shares

3) Average number of shares during the period:

Nine months ended December 31, 2019: 13,908,082 shares

Nine months ended December 31, 2018: 14,093,564 shares

*This report is not subject to quarterly reviews by certified public accountants or auditing firms.

* Explanation of the proper use of financial results forecast and other notes.

(Note Concerning Forward-Looking Statements)

The forecasts and other forward-looking statements in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may significantly differ from these forecasts due to various factors.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2019	As of December 31,2019
Assets		
Current assets		
Cash and deposits	7,855	8,895
Notes and accounts receivable - trade	141,424	143,109
Inventories	38,049	40,702
Other	5,168	4,666
Allowance for doubtful accounts	(943)	(927)
Total current assets	191,553	196,444
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	49,757	48,085
Land	32,480	33,558
Other, net	27,333	33,745
Total property, plant and equipment	109,570	115,387
Intangible assets		
Goodwill	3,647	6,740
Other	2,212	2,192
Total intangible assets	5,859	8,932
Investments and other assets		
Investment securities	35,633	34,821
Other	9,229	8,898
Allowance for doubtful accounts	(2,229)	(2,043)
Total investments and other assets	42,633	41,676
Total non-current assets	158,062	165,996
Deferred assets	41	127
Total assets	349,656	362,567

(Million yen)

	As of March 31,2019	As of December 31,2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	100,770	101,840
Short-term borrowings	45,249	42,547
Current portion of long-term borrowings	5,355	9,618
Commercial papers	14,500	6,500
Current portion of bonds	10,000	10,023
Income taxes payable	2,455	1,572
Provisions	4,476	1,764
Other	14,540	11,545
Total current liabilities	197,344	185,408
Non-current liabilities		
Bonds payable	10,000	30,045
Long-term borrowings	35,837	39,668
Provisions	984	1,071
Retirement benefit liability	5,123	5,418
Other	5,623	11,514
Total non-current liabilities	57,566	87,716
Total liabilities	254,911	273,124
Net assets		
Shareholders' equity		
Share capital	16,649	16,649
Capital surplus	15,258	10,482
Retained earnings	50,878	54,723
Treasury shares	(3,625)	(5,207)
Total shareholders' equity	79,160	76,647
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,206	7,699
Deferred gains or losses on hedges	3	0
Foreign currency translation adjustment	78	(1,161)
Remeasurements of defined benefit plans	(871)	(638)
Total accumulated other comprehensive income	7,416	5,901
Share acquisition rights	217	152
Non-controlling interests	7,952	6,743
Total net assets	94,745	89,442
Total liabilities and net assets	349,656	362,567

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the nine months)

(Million yen)

	For the nine months ended December 31,2018	For the nine months ended December 31,2019
Net sales	405,536	401,077
Cost of sales	357,112	349,366
Gross profit	48,424	51,711
Selling, general and administrative expenses	39,543	42,588
Operating profit	8,882	9,123
Non-operating income		
Interest income	46	124
Dividend income	559	613
Share of profit of entities accounted for using equity method	341	226
Other	694	500
Total non-operating income	1,641	1,462
Non-operating expenses		
Interest expenses	1,391	1,739
Other	119	394
Total non-operating expenses	1,510	2,133
Ordinary profit	9,013	8,452
Extraordinary income		
Reversal of provision for waste disposal expenditure	-	953
Gain on bargain purchase	321	443
Gain on sales of non-current assets	170	282
Gain on step acquisitions	-	83
Gain on sales of investment securities	278	17
Gain on liquidation of investment securities	51	-
Gain on donation of non-current assets	38	-
Other	-	25
Total extraordinary income	858	1,803
Extraordinary losses		
Provision for waste disposal expense	-	274
Loss on disposal of non-current assets	24	111
Loss on valuation of investment securities	241	6
Loss on withdrawal from pension fund	416	-
Loss on sales of investment securities	25	-
Other	2	3
Total extraordinary losses	708	395
Profit before income taxes	9,163	9,860
Income taxes - current	2,852	2,998
Income taxes - deferred	125	109
Total income taxes	2,977	3,106
Profit	6,186	6,753
Profit attributable to non-controlling interests	1,198	1,263
Profit attributable to owners of parent	4,988	5,491

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Million yen)

	For the nine months ended December 31,2018	For the nine months ended December 31,2019
Profit	6,186	6,753
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,136)	(532)
Deferred gains or losses on hedges	6	(2)
Foreign currency translation adjustment	(779)	(1,184)
Remeasurements of defined benefit plans, net of tax	186	233
Share of other comprehensive income of entities accounted for using equity method	(442)	20
Total other comprehensive income	(4,165)	(1,466)
Comprehensive income	2,021	5,287
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,049	3,975
Comprehensive income attributable to non-controlling interests	971	1,312

Notes to consolidated financial statements

(Change in accounting policies)

Some of our overseas subsidiaries have applied IFRS 16 *Leases* since the first quarter of the fiscal year ending March 31, 2020. The standard requires a lessee to recognize in principle all leases as assets and liabilities on the balance sheet.

In accordance with transitional treatment, the Company has recognized the impact of this accounting standard cumulatively as of the date of adoption for balances at the beginning of the first quarter of the current consolidated fiscal year.

Consequently, as at the end of the current third quarter of consolidated fiscal year, “Current assets” increased ¥293 million, “Property, plant and equipment” increased ¥6,368 million, “Investments and other assets” increased ¥75 million, “Current liabilities” increased ¥1,019 million, and “Non-current liabilities” increased ¥5,977 million. Also, as at the beginning of the first quarter of the current consolidated fiscal year, “Retained earnings” decreased ¥97 million, and “Non-controlling interests” decreased ¥93 million.

The effect of this change on the Quarterly consolidated statements of income is not significant.

Information related to net sales, profit (loss) by reportable segment

1. Nine-months period ended December 31, 2018 (consolidated)

(Million yen)

	Reportable Segments					Total	Adjustments	To Quarterly consolidated statements of income
	Japan Wholesaling	Non-Japan Wholesaling	Paper Manufacturing & Processing	Resources & Environment	Real Estate Leasing			
Net sales								
Sales to external customers	219,231	136,725	18,655	28,419	2,506	405,536	—	405,536
Intersegment sales/transfers	6,298	175	19,492	6,093	94	32,152	(32,152)	—
Total	225,530	136,900	38,147	34,513	2,600	437,689	(32,152)	405,536
Segment income (loss)	3,696	2,177	3,314	1,261	267	10,715	(1,702)	9,013

(Notes)

1. Segment income (loss) is adjusted with ordinary profit in the Quarterly Consolidated Statements of Income.
2. Adjustments in segment income (loss) include corporate expenses that are not allocated to each relevant business segment.

2. Nine-months period ended December 31, 2019 (consolidated)

(Million yen)

	Reportable Segments					Total	Adjustments	To Quarterly consolidated statements of income
	Japan Wholesaling	Non-Japan Wholesaling	Paper Manufacturing & Processing	Resources & Environment	Real Estate Leasing			
Net sales								
Sales to external customers	221,014	134,194	19,521	22,428	3,920	401,077	—	401,077
Intersegment sales/transfers	6,422	639	20,835	5,340	95	33,331	(33,331)	—
Total	227,436	134,833	40,356	27,768	4,015	434,408	(33,331)	401,077
Segment income (loss)	3,955	72	5,372	88	1,224	10,710	(2,258)	8,452

(Notes)

1. Segment income (loss) is adjusted with ordinary profit in the Quarterly Consolidated Statements of Income.
2. Adjustments in segment income (loss) include corporate expenses that are not allocated to each relevant business segment.