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Consolidated Financial Results for the Six Months Ended September 30, 2019 [Japanese GAAP]

November 08, 2019

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: November 14, 2019

Scheduled date of commencing dividend payments: December 02, 2019

Availability of supplementary briefing material on quarterly financial results: Yes (available in Japanese only)

Schedule of quarterly financial results briefing session: Yes (for institutional investors and analysts / available in Japanese only)

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2019 (April 01, 2019 to September 30, 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	%
Six months ended September 30, 2019	264,384	1.7	5,544	7.4	5,149	(3.5)	3,348	13.0
September 30, 2018	259,927	6.0	5,160	26.6	5,336	30.0	2,962	(8.3)

(Note) Comprehensive income: Six months ended September 30, 2019: ¥ 983 million [(75.3)%]
Six months ended September 30, 2018: ¥ 3,975 million [(35.5)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2019	238.54	237.48
September 30, 2018	210.16	208.95

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
September 30, 2019	355,517	86,056	22.4
March 31, 2019	349,656	94,745	24.8

(Reference) Equity: As of September 30, 2019: ¥ 79,621 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	560,000	4.6	13,300	23.1	13,000	20.9	7,500	93.7	532.18

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 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):

September 30, 2019: 15,021,551 shares

March 31, 2019: 15,021,551 shares

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

September 30, 2019: 1,370,818 shares

March 31, 2019: 928,575 shares

3) Average number of shares during the period:

Six months ended September 30, 2019: 14,036,856 shares

Six months ended September 30, 2018: 14,093,678 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 September 30,2019
Assets		
Current assets		
Cash and deposits	7,855	8,235
Notes and accounts receivable - trade	141,424	136,281
Inventories	38,049	43,031
Other	5,168	4,914
Allowance for doubtful accounts	(943)	(766)
Total current assets	191,553	191,695
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	49,757	48,686
Land	32,480	33,560
Other, net	27,333	32,685
Total property, plant and equipment	109,570	114,930
Intangible assets		
Goodwill	3,647	7,345
Other	2,212	2,347
Total intangible assets	5,859	9,692
Investments and other assets		
Investment securities	35,633	32,060
Other	9,229	9,208
Allowance for doubtful accounts	(2,229)	(2,102)
Total investments and other assets	42,633	39,166
Total non-current assets	158,062	163,789
Deferred assets	41	33
Total assets	349,656	355,517

(Million yen)

	As of March 31,2019	As of September 30,2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	100,770	99,295
Short-term borrowings	45,249	45,283
Current portion of long-term borrowings	5,355	8,472
Commercial papers	14,500	18,000
Current portion of bonds	10,000	10,023
Income taxes payable	2,455	2,061
Provisions	4,476	3,657
Other	14,540	10,918
Total current liabilities	197,344	197,709
Non-current liabilities		
Bonds payable	10,000	10,045
Long-term borrowings	35,837	45,370
Provisions	984	1,020
Retirement benefit liability	5,123	5,407
Other	5,623	9,911
Total non-current liabilities	57,566	71,753
Total liabilities	254,911	269,461
Net assets		
Shareholders' equity		
Share capital	16,649	16,649
Capital surplus	15,258	10,482
Retained earnings	50,878	53,340
Treasury shares	(3,625)	(5,206)
Total shareholders' equity	79,160	75,264
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,206	5,575
Deferred gains or losses on hedges	3	(0)
Foreign currency translation adjustment	78	(503)
Remeasurements of defined benefit plans	(871)	(716)
Total accumulated other comprehensive income	7,416	4,356
Share acquisition rights	217	152
Non-controlling interests	7,952	6,283
Total net assets	94,745	86,056
Total liabilities and net assets	349,656	355,517

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

	For the six months ended September 30,2018	For the six months ended September 30,2019
Net sales	259,927	264,384
Cost of sales	229,062	231,272
Gross profit	30,865	33,111
Selling, general and administrative expenses	25,705	27,568
Operating profit	5,160	5,544
Non-operating income		
Interest income	31	36
Dividend income	364	390
Share of profit of entities accounted for using equity method	240	175
Other	505	410
Total non-operating income	1,141	1,012
Non-operating expenses		
Interest expenses	892	1,076
Other	73	331
Total non-operating expenses	964	1,407
Ordinary profit	5,336	5,149
Extraordinary income		
Gain on bargain purchase	-	442
Gain on sales of non-current assets	118	259
Gain on step acquisitions	-	83
Gain on sales of investment securities	234	12
Gain on donation of non-current assets	38	-
Other	-	25
Total extraordinary income	390	821
Extraordinary losses		
Loss on disposal of non-current assets	21	74
Loss on valuation of investment securities	-	6
Loss on withdrawal from pension fund	405	-
Other	2	3
Total extraordinary losses	428	84
Profit before income taxes	5,298	5,886
Income taxes - current	1,755	2,090
Income taxes - deferred	(58)	(200)
Total income taxes	1,697	1,891
Profit	3,601	3,995
Profit attributable to non-controlling interests	639	646
Profit attributable to owners of parent	2,962	3,348

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

(Million yen)

	For the six months ended September 30,2018	For the six months ended September 30,2019
Profit	3,601	3,995
Other comprehensive income		
Valuation difference on available-for-sale securities	1,364	(2,560)
Deferred gains or losses on hedges	3	(3)
Foreign currency translation adjustment	(1,099)	(510)
Remeasurements of defined benefit plans, net of tax	124	155
Share of other comprehensive income of entities accounted for using equity method	(18)	(93)
Total other comprehensive income	374	(3,011)
Comprehensive income	3,975	983
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,586	289
Comprehensive income attributable to non-controlling interests	389	695

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 beginning of the current first quarter of consolidated fiscal year, “Property, plant and equipment” increased ¥6,009 million, “Investments and other assets” increased ¥79 million, “Current liabilities” increased ¥636 million, and “Non-current liabilities” increased ¥5,642 million, while “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. Six-months period ended September 30, 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	141,951	86,770	11,892	17,768	1,546	259,927	—	259,927
Intersegment sales/transfers	4,022	132	12,546	3,592	63	20,355	(20,355)	—
Total	145,974	86,902	24,438	21,360	1,609	280,282	(20,355)	259,927
Segment income (loss)	2,333	1,519	2,093	387	133	6,464	(1,128)	5,336

(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. Six-months period ended September 30, 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	147,320	86,640	12,630	15,180	2,614	264,384	—	264,384
Intersegment sales/transfers	4,547	408	13,876	3,619	63	22,513	(22,513)	—
Total	151,867	87,048	26,506	18,799	2,677	286,897	(22,513)	264,384
Segment income (loss)	2,679	(277)	3,356	(28)	807	6,536	(1,387)	5,149

(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.