

# Consolidated Quarterly Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 9, 2024

Company: **Hokuetsu Corporation**

Stock Exchange Listing: Tokyo

Stock Code: 3865

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

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Scheduled date of commencement of dividend payments: –

Supplementary documents for financial results: None

Results briefing: None

(Figures rounded down to the nearest million yen)

## 1. Consolidated Business Results for the Three Months Ended June 30, 2024

(April 1, 2024 through June 30, 2024)

(1) Consolidated results of operations

(% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2024	74,242	(1.4)	3,055	(57.4)	3,939	(55.2)	2,363	(62.6)
Three months ended June 30, 2023	75,273	14.3	7,168	96.0	8,787	48.2	6,323	71.4

(Note) Comprehensive income: Three months ended June 30, 2024: 6,641 million yen (-28.0%)

Three months ended June 30, 2023: 9,225 million yen (53.7%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	14.05	14.04
Three months ended June 30, 2023	37.62	37.58

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	423,896	257,318	60.5
As of March 31, 2024	415,692	252,464	60.6

(Reference) Equity: As of June 30, 2024: 256,508 million yen

As of March 31, 2024: 251,709 million yen

(Note) The figures pertaining to the fiscal year ended March 31, 2024 have been revised to retroactively reflect changes in the accounting policy implemented in the first quarter of the fiscal year ending March 31, 2025.

## 2. Dividends

	Annual dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	–	9.00	–	9.00	18.00
Year ending March 31, 2025	–				
Year ending March 31, 2025 (forecast)		11.00	–	11.00	22.00

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

## 3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2025

(April 1, 2024 through March 31, 2025)

(% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q (Accumulated)	150,000	(0.1)	8,000	(33.9)	8,000	(41.9)	6,000	(36.2)	35.68
Full year	310,000	4.4	17,000	11.3	19,000	7.0	14,000	66.9	83.26

(Note) 1. Revisions to business forecasts published most recently: None

(Note) 2. The year-on-year changes have been calculated based on the comparison with the figures for the previous fiscal year, which have been revised to retroactively reflect changes in the accounting policy.

**\* Notes**

(1) Significant changes in the scope of consolidation during the period under review.: None

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements: None

(3) Changes in accounting policies, accounting estimates and restatement of prior period financial statements

(i) Changes in accounting policies due to amendment to accounting standards: Yes

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement of prior period financial statements: None

(4) Shares outstanding (common stock)

(i) Number of shares outstanding at the end of the period (treasury stock included):

As of June 30, 2024	188,053,114 shares	As of March 31, 2024	188,053,114 shares
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(ii) Number of treasury stock at the end of the period:

As of June 30, 2024	19,902,426 shares	As of March 31, 2024	19,902,054 shares
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(iii) Average number of shares during period:

Three months ended June 30, 2024	168,150,884 shares	Three months ended June 30, 2023	168,085,841 shares
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**\* Review of the accompanying quarterly consolidated financial statements by a certified public accountant or an auditing corporation.: Yes (optional)**

**\* Explanation regarding appropriate use of business forecasts and other special instructions**

(Caution regarding forward-looking statements)

The forward-looking statements such as forecasts of financial results contained in this material are based on information available to the Company at the time of the publication of this document and certain assumptions that the Company considers to be reasonable, and may differ materially from the actual results due to various factors. Refer to “1. Qualitative Information on Consolidated Operating Results for the First Quarter; (3) Qualitative Information Concerning Consolidated Earnings Forecasts” on page 3 of the accompanying materials for matters related to results forecasts.

**\* This document is an excerpt translation of the original in Japanese and is for reference purposes only. In case of any discrepancy between this document and the original in Japanese, the latter shall take precedence.**

## 1. Qualitative Information on Consolidated Operating Results for the First Quarter

### (1) Qualitative Information Concerning Consolidated Operating Results

During the first three months of the current fiscal year, net sales, operating profit, ordinary profit and profit attributable to owners of parent came to 74,242 million yen (down 1.4% year on year), 3,055 million yen (down 57.4% year on year), 3,939 million yen (down 55.2% year on year) and 2,363 million yen (down 62.6% year on year), respectively, reflecting a fall in the sales prices of pulp at an overseas subsidiary.

The performance of major segments is as follows:

#### (i) Pulp and paper business

In the pulp and paper business, both sales and profit decreased, reflecting a fall in the sales prices of pulp at the overseas subsidiary. As a result, the results of the pulp and paper business were as follows.

Net sales	68,089 million yen	(down 1.9 % year on year)
Operating profit	2,642 million yen	(down 60.5 % year on year)

#### (ii) Packaging/Paper processing business

In the packaging/paper processing business, profit decreased due to the effects of soaring transportation costs and the weak yen, despite an increase in sales attributable mainly to an increase in orders received for the paper container and packaging material businesses. As a result, the results of the packaging/paper processing business were as follows.

Net sales	4,020 million yen	(up 4.1% year on year)
Operating profit	43 million yen	(down 50.4% year on year)

#### (iii) Other businesses

In other businesses, including the wood material business, construction business, logistics business and used paper wholesale business, sales increased due to a rise in external orders, especially in the wood material business. However, profit declined chiefly due to cost increases in the construction business.

As a result, the results of other businesses were as follows.

Net sales	2,131 million yen	(up 6.9 % year on year)
Operating profit	233 million yen	(down 15.3 % year on year)

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

Total assets increased 8,203 million yen from the end of the previous fiscal year, to 423,896 million yen. This chiefly reflected increases of 2,395 million yen in cash and deposits, 2,582 million yen in raw materials and supplies, and 1,186 million yen in property, plant and equipment.

Total liabilities rose 3,349 million yen from the end of the previous fiscal year, to 166,577 million yen. This was primarily due to an increase in interest-bearing debt of 5,045 million yen, which more than offset a decrease in allowances and provisions of 1,443 million yen.

Net assets rose 4,853 million yen from the end of the previous fiscal year, to 257,318 million yen. This mainly reflected increases in retained earnings of 571 million yen due to profit attributable to owners of parent and foreign currency translation adjustment of 3,925 million yen.

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

No change has been made to the full-year financial forecasts announced on May 15, 2024.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2024	As of June 30, 2024
(Assets)		
Current assets		
Cash and deposits	22,140	24,535
Notes and accounts receivable - trade, and contract assets	76,984	78,039
Electronically recorded monetary claims - operating	8,844	9,435
Merchandise and finished goods	29,881	29,056
Work in process	3,252	2,786
Raw materials and supplies	34,080	36,663
Other	4,709	5,266
Allowance for doubtful accounts	(15)	(27)
Total current assets	179,879	185,755
Non-current assets		
Property, plant and equipment		
Buildings and structures	86,500	87,433
Accumulated depreciation	(57,231)	(57,728)
Buildings and structures, net	29,268	29,705
Machinery, vehicles, tools, furniture and fixtures	452,874	455,981
Accumulated depreciation	(391,813)	(394,265)
Machinery, vehicles, tools, furniture and fixtures, net	61,061	61,716
Other, net	26,181	26,275
Total property, plant and equipment	116,511	117,697
Intangible assets	2,540	2,696
Investments and other assets		
Investment securities	31,926	32,363
Shares of subsidiaries and associates	65,999	66,560
Other	21,841	22,004
Allowance for doubtful accounts	(3,006)	(3,181)
Total investments and other assets	116,761	117,746
Total non-current assets	235,813	238,140
Total assets	415,692	423,896

(Million yen)

	As of March 31, 2024	As of June 30, 2024
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	22,900	21,890
Electronically recorded obligations - operating	7,578	8,743
Short-term loans	25,889	21,912
Commercial papers	7,000	17,000
Income taxes payable	845	805
Provision	3,710	2,233
Other	14,273	13,428
Total current liabilities	82,197	86,014
Non-current liabilities		
Bonds payable	25,000	25,000
Long-term loans	44,718	43,632
Provision	1,765	1,798
Retirement benefit liability	3,755	3,760
Asset retirement obligations	2,226	2,229
Other	3,564	4,142
Total non-current liabilities	81,030	80,563
Total liabilities	163,228	166,577
Net assets		
Shareholders' equity		
Share capital	42,020	42,020
Capital surplus	44,953	44,953
Retained earnings	140,480	141,052
Treasury shares	(9,593)	(9,594)
Total shareholders' equity	217,861	218,432
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,152	11,729
Deferred gains or losses on hedges	(21)	11
Foreign currency translation adjustment	16,390	20,316
Remeasurements of defined benefit plans	6,326	6,018
Total accumulated other comprehensive income	33,847	38,076
Share acquisition rights	78	83
Non-controlling interests	676	726
Total net assets	252,464	257,318
Total liabilities and net assets	415,692	423,896

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

	(Million yen)	
	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	75,273	74,242
Cost of sales	57,735	59,206
Gross profit	17,538	15,036
Selling, general and administrative expenses	10,370	11,981
Operating profit	7,168	3,055
Non-operating income		
Interest income	129	205
Dividends income	399	474
Share of profit of entities accounted for using equity method	958	—
Foreign exchange gains	217	488
Other	221	245
Total non-operating income	1,926	1,413
Non-operating expenses		
Interest expenses	185	177
Share of loss of entities accounted for using equity method	—	261
Other	122	90
Total non-operating expenses	307	529
Ordinary profit	8,787	3,939
Extraordinary income		
Gain on sales of non-current assets	2	1
Gain on sales of investment securities	7	173
Insurance claim income	48	—
Total extraordinary income	58	174
Extraordinary losses		
Loss on sales and retirement of non-current assets	357	354
Total extraordinary losses	357	354
Profit before income taxes	8,488	3,759
Income taxes - current	1,625	953
Income taxes - deferred	515	404
Total income taxes	2,140	1,358
Profit	6,347	2,400
Profit attributable to non-controlling interests	24	37
Profit attributable to owners of parent	6,323	2,363

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

	(Million yen)	
	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	6,347	2,400
Other comprehensive income		
Valuation difference on available-for-sale securities	1,419	308
Deferred gains or losses on hedges	(8)	21
Foreign currency translation adjustment	558	2,701
Remeasurements of defined benefit plans, net of tax	(72)	(299)
Share of other comprehensive income of entities accounted for using equity method	981	1,507
Total other comprehensive income	2,877	4,240
Comprehensive income	9,225	6,641
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,195	6,592
Comprehensive income attributable to non-controlling interests	29	49

### (3) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Notes on Any Significant Change in the Value of Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Current Income Taxes)

The Company has applied Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022") effective from beginning of the first quarter of the current fiscal year.

Accordingly, the amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) complies with the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022, and the transitional treatment prescribed in the proviso of paragraph 65-2 (2) of the "Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter called the "Revised Implementation Guidance 2022")." When the new accounting policy is retroactively applied before the beginning of an applicable fiscal year, the cumulative amount of impact in the first applicable fiscal year is added to or subtracted from retained earnings at the beginning of the applicable fiscal year and the corresponding amount is added to or subtracted from the accumulated other comprehensive income. As a result, in the first quarter of the current consolidated fiscal year, the beginning balance of retained earnings increased by one million yen, while the beginning balance of valuation difference on available-for sale securities decreased by the same amount.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter of the current fiscal year. This change in accounting policies is applied retrospectively, and quarterly consolidated financial statements and consolidated financial statements for the previous year are after retrospective application. As result, the balances of retained earnings and shares of subsidiaries and associates in the previous consolidated fiscal year increased 63 million yen respectively compared to the levels before the retrospective application.