

# Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 14, 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: December 3, 2024

Supplementary documents for financial results: Yes

Results briefing: Yes (for institutional investors and analysts)

(Figures rounded down to the nearest million yen)

## 1. Consolidated Business Results for the Six Months Ended September 30, 2024

(April 1, 2024 through September 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	%
Six months ended September 30, 2024	149,358	(0.5)	9,004	(25.5)	9,040	(34.4)	6,281	(33.2)
Six months ended September 30, 2023	150,174	10.3	12,094	202.5	13,772	185.2	9,403	379.9

(Note) Comprehensive income: Six months ended September 30, 2024: 13,699 million yen (-36.9%)  
Six months ended September 30, 2023: 21,722 million yen (190.8%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	37.35	37.32
Six months ended September 30, 2023	55.94	55.89

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	417,772	263,911	63.0
As of March 31, 2024	415,692	252,464	60.6

(Reference) Equity: As of September 30, 2024: 263,179 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 six months 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	—	11.00			
Year ending March 31, 2025 (forecast)			—	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
Full year	310,000	4.4	20,000	31.0	21,000	18.3	16,000	90.8	95.14

(Note) 1. Revisions to business forecasts published most recently: Yes

(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 semi-annual 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 September 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 September 30, 2024	19,861,306 shares	As of March 31, 2024	19,902,054 shares
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(iii) Average number of shares during period:

Six months ended September 30, 2024	168,162,386 shares	Six months ended September 30, 2023	168,104,892 shares
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**\* Consolidated Semi-annual Financial Results are exempted from review performed by a certified public accountant or an audit corporation.**

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

(Caution regarding forward-looking statements)

The forward-looking statements such as forecasts of financial results contained in this material are based on information available to the Company at the time of the publication of this document and certain assumptions that the Company considers to be reasonable, and may differ materially from the actual results due to various factors. Refer to “1. Qualitative Information on Consolidated Operating Results for the First Half; (3) Qualitative Information Concerning Consolidated Earnings Forecasts” on page 5 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.**

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## 1. Qualitative Information on Consolidated Operating Results for the Six Months Ended September 30, 2024

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

During the first six months of the current fiscal year, net sales, operating profit, ordinary profit and profit attributable to owners of parent came to 149,358 million yen (down 0.5% year on year), 9,004 million yen (down 25.5% year on year), 9,040 million yen (down 34.4% year on year) and 6,281 million yen (down 33.2% 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	136,588 million yen (down 1.2% year on year)
Operating profit	8,356 million yen (down 26.5% 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	8,260 million yen (up 5.8% year on year)
Operating profit	22 million yen (down 80.7% year on year)

#### (iii) Other businesses

In other businesses, including the wood material business, construction business, logistics business and used paper wholesale business, sales and profits increased due to a rise in external orders, especially in the wood material business.

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

Net sales	4,509 million yen (up 10.0% year on year)
Operating profit	488 million yen (up 7.0% year on year)

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

Total assets increased 2,079 million yen from the end of the previous fiscal year, to 417,772 million yen. This chiefly reflected increases of 6,341 million yen in cash and deposits, 1,621 million yen in merchandise and finished goods and 4,011 million yen in property, plant and equipment, which were partially offset by decreases of 8,073 million yen in notes and accounts receivable - trade, and contract assets and 3,054 million yen in investment securities.

Total liabilities decreased 9,367 million yen from the end of the previous year, to 153,861 million yen. This was primarily due to a decrease in interest-bearing debt of 9,345 million yen.

Net assets increased 11,446 million yen from the end of the previous fiscal year, to 263,911 million yen. This mainly reflected increases in retained earnings of 4,125 million yen due to profit attributable to owners of parent and foreign currency translation adjustment of 9,220 million yen.

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

Based on the results of the first half of the current fiscal year and the outlook for business trends in the second half, the Company expects operating profit, ordinary profit, and profit attributable to owners of parent to exceed its previous forecasts mainly due to higher-than-expected pulp sales prices in overseas markets and the anticipated gain on sales of investment securities. The Company has therefore revised the consolidated earnings forecasts for the fiscal year ending March 31, 2025, announced on May 15, 2024 as follows.

Revision to the consolidated earnings forecasts for the fiscal year ending March 31, 2025

	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
Previous forecasts (A) (Announced on May 15, 2024)	310,000	17,000	19,000	14,000	83.26
Revised forecasts (B)	310,000	20,000	21,000	16,000	95.14
Change in amount (B-A)	–	3,000	2,000	2,000	
Change in percentage	–	17.6	10.5	14.3	
(Reference) Actual results (Fiscal year ended March 31, 2024)	297,056	15,267	17,757	8,387	49.89

## 2. Semi-annual Consolidated Financial Statements and Key Notes

### (1) Semi-annual Consolidated Balance Sheet

(Million yen)

	As of March 31, 2024	As of September 30, 2024
(Assets)		
Current assets		
Cash and deposits	22,140	28,481
Notes and accounts receivable - trade, and contract assets	76,984	68,911
Electronically recorded monetary claims - operating	8,844	8,736
Merchandise and finished goods	29,881	31,503
Work in process	3,252	3,568
Raw materials and supplies	34,080	34,414
Other	4,709	4,197
Allowance for doubtful accounts	(15)	(37)
Total current assets	179,879	179,776
Non-current assets		
Property, plant and equipment		
Buildings and structures	86,500	87,298
Accumulated depreciation	(57,231)	(57,890)
Buildings and structures, net	29,268	29,407
Machinery, vehicles, tools, furniture and fixtures	452,874	460,737
Accumulated depreciation	(391,813)	(396,496)
Machinery, vehicles, tools, furniture and fixtures, net	61,061	64,241
Other, net	26,181	26,873
Total property, plant and equipment	116,511	120,522
Intangible assets	2,540	2,676
Investments and other assets		
Investment securities	31,926	28,871
Shares of subsidiaries and associates	65,999	66,849
Other	21,841	21,928
Allowance for doubtful accounts	(3,006)	(2,852)
Total investments and other assets	116,761	114,797
Total non-current assets	235,813	237,995
Total assets	415,692	417,772

(Million yen)

	As of March 31, 2024	As of September 30, 2024
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	22,900	21,626
Electronically recorded obligations - operating	7,578	8,319
Short-term loans	25,889	32,598
Commercial papers	7,000	3,000
Income taxes payable	845	1,859
Provision	3,710	3,449
Other	14,273	14,110
Total current liabilities	82,197	84,963
Non-current liabilities		
Bonds payable	25,000	25,000
Long-term loans	44,718	32,472
Provision	1,765	1,967
Retirement benefit liability	3,755	3,786
Asset retirement obligations	2,226	2,237
Other	3,564	3,432
Total non-current liabilities	81,030	68,897
Total liabilities	163,228	153,861
Net assets		
Shareholders' equity		
Share capital	42,020	42,020
Capital surplus	44,953	44,957
Retained earnings	140,480	144,605
Treasury shares	(9,593)	(9,574)
Total shareholders' equity	217,861	222,009
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,152	9,859
Deferred gains or losses on hedges	(21)	8
Foreign currency translation adjustment	16,390	25,611
Remeasurements of defined benefit plans	6,326	5,690
Total accumulated other comprehensive income	33,847	41,169
Share acquisition rights	78	65
Non-controlling interests	676	667
Total net assets	252,464	263,911
Total liabilities and net assets	415,692	417,772

## (2) Semi-annual Consolidated Statements of Income and Semi-annual Consolidated Statements of Comprehensive Income

## Semi-annual Consolidated Statements of Income

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	150,174	149,358
Cost of sales	116,231	116,242
Gross profit	33,942	33,115
Selling, general and administrative expenses	21,847	24,111
Operating profit	12,094	9,004
Non-operating income		
Interest income	301	431
Dividends income	487	570
Share of profit of entities accounted for using equity method	1,121	—
Other	456	467
Total non-operating income	2,368	1,468
Non-operating expenses		
Interest expenses	386	361
Share of loss of entities accounted for using equity method	—	797
Other	304	274
Total non-operating expenses	690	1,432
Ordinary profit	13,772	9,040
Extraordinary income		
Gain on sales of non-current assets	104	5
Gain on sales of investment securities	8	855
Insurance claim income	49	—
Total extraordinary income	162	861
Extraordinary losses		
Loss on sales and retirement of non-current assets	730	825
Loss on disaster	312	—
Total extraordinary losses	1,043	825
Profit before income taxes	12,892	9,076
Income taxes - current	3,331	2,505
Income taxes - deferred	113	221
Total income taxes	3,444	2,727
Profit	9,447	6,349
Profit attributable to non-controlling interests	44	68
Profit attributable to owners of parent	9,403	6,281



## Semi-annual Consolidated Statements of Comprehensive Income

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	9,447	6,349
Other comprehensive income		
Valuation difference on available-for-sale securities	2,976	(1,026)
Deferred gains or losses on hedges	0	2
Foreign currency translation adjustment	6,799	6,278
Remeasurements of defined benefit plans, net of tax	(136)	(598)
Share of other comprehensive income of entities accounted for using equity method	2,634	2,693
Total other comprehensive income	12,274	7,349
Comprehensive income	21,722	13,699
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,666	13,603
Comprehensive income attributable to non-controlling interests	56	95

## (3) Semi-annual Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	12,892	9,076
Depreciation	6,235	6,550
Amortization of goodwill	74	84
Insurance claim income	(49)	—
Increase (decrease) in net defined benefit liability	(20)	9
Interest and dividend income	(789)	(1,001)
Interest expenses	386	361
Share of loss (profit) of entities accounted for using equity method	(1,121)	797
Loss (gain) on sale of investment securities	(8)	(855)
Net loss (gain) on sales and retirement of non-current assets	626	819
Decrease (increase) in trade receivables	(2,288)	9,490
Decrease (increase) in inventories	(4,724)	(645)
Increase (decrease) in notes and accounts payable - trade	3,380	(800)
Increase (decrease) in accrued consumption taxes	222	(1,117)
Other	(502)	(239)
Subtotal	14,312	22,528
Interest and dividend income received	1,178	1,393
Interest paid	(413)	(367)
Income taxes paid	(3,757)	(611)
Proceeds from insurance income	49	—
Net cash provided by (used in) operating activities	11,369	22,943
Cash flows from investing activities		
Payments into time deposits	—	(2,491)
Payments for purchases of investment securities	(35)	(33)
Proceeds from sales of investment securities	39	2,480
Payments for purchases of property, plant and equipment	(5,077)	(7,900)
Proceeds from sales of property, plant and equipment	108	8
Payments of loans receivable	(29)	(1)
Collection of loans receivable	11	12
Other	(835)	(1,114)
Net cash provided by (used in) investing activities	(5,817)	(9,041)

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(1,002)	(2,822)
Net increase (decrease) in commercial papers	(10,000)	(4,000)
Proceeds from long-term loans	4,000	—
Repayments of long-term loans	(6,212)	(2,518)
Proceeds from issuance of bonds	15,000	—
Dividends paid	(1,498)	(1,518)
Dividends paid to non-controlling interests	(99)	(105)
Other	(26)	(36)
Net cash provided by (used in) financing activities	161	(11,001)
Translation (loss) gain on cash and cash equivalents	1,766	830
Net increase (decrease) in cash and cash equivalents	7,479	3,730
Cash and cash equivalents at beginning of period	18,063	22,140
Cash and cash equivalents at end of period	25,542	25,870

#### (4) Notes to Semi-annual 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 half 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 (2) of paragraph 65-2 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 half of the current consolidated fiscal year, the balance of retained earnings at the beginning of period increased one million yen, while the balance of valuation difference on available-for sale securities at the beginning of period 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 half of the current fiscal year. This change in accounting policies is applied retrospectively, and semi-annual 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.

## (Segment Information)

## I. For the six months ended September 30, 2023

Information on amounts of net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amounts recorded in semi-annual consolidated statements of income (Note 3)
	Pulp and paper business	Packaging/ Paper processing business	Total				
Net sales							
Sales to outside customers	138,265	7,810	146,075	4,098	150,174	–	150,174
Intersegment sales or transfers	1,330	5	1,336	11,428	12,764	(12,764)	–
Total	139,596	7,815	147,412	15,526	162,938	(12,764)	150,174
Segment profit	11,375	116	11,491	456	11,947	147	12,094

(Notes) 1. “Other” includes business segments which are not included in the reportable segments, and includes wood material business, construction business, logistics business, and used paper wholesale business.

2. Adjustments of 147 million yen in segment profit mainly represent the elimination of intersegment transactions.

3. The segment profit has been adjusted to the operating profit stated in the semi-annual consolidated statements of income.

## II. For the six months ended September 30, 2024

Information on amounts of net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segments			Other (Note 1)	Total	Adjustments (Note 2)	Amounts recorded in semi-annual consolidated statements of income (Note 3)
	Pulp and paper business	Packaging/ Paper processing business	Total				
Net sales							
Sales to outside customers	136,588	8,260	144,848	4,509	149,358	–	149,358
Intersegment sales or transfers	1,426	4	1,430	12,174	13,605	(13,605)	–
Total	138,014	8,265	146,279	16,684	162,964	(13,605)	149,358
Segment profit	8,356	22	8,378	488	8,866	137	9,004

(Notes) 1. “Other” includes business segments which are not included in the reportable segments, and includes wood material business, construction business, logistics business, and used paper wholesale business.

2. Adjustments of 137 million yen in segment profit mainly represent the elimination of intersegment transactions.

3. The segment profit has been adjusted to the operating profit stated in the semi-annual consolidated statements of income.