

Consolidated Quarterly Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]

February 14, 2025

Company: **Hokuetsu Corporation**

Stock Exchange Listing: Tokyo

Stock Code: 3865

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

Representative: Sekio Kishimoto, President & CEO

Contact: Tomonari Maruyama, General Manager, Corporate Management Department TEL: +81-3-3245-4500

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 Nine Months Ended December 31, 2024

(April 1, 2024 through December 31, 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	%
Nine months ended December 31, 2024	229,513	1.9	15,080	38.5	14,389	11.7	11,480	57.7
Nine months ended December 31, 2023	225,324	4.5	10,888	13.4	12,877	–	7,280	–

(Notes) 1. Comprehensive income: Nine months ended December 31, 2024: 8,477 million yen (–60.6%)

Nine months ended December 31, 2023: 21,527 million yen (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	68.26	68.21
Nine months ended December 31, 2023	43.31	43.27

2. The figures pertaining to the nine months of 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.

3. Percentage change from the same period of the previous year for the nine months ended December 31, 2023 is not shown because of retroactive adjustments due to a change in accounting policy.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2024	419,857	257,060	61.0
As of March 31, 2024	415,692	252,464	60.6

(Reference) Equity: As of December 31, 2024: 256,310 million yen

As of December 31, 2023: 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	–	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: 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 December 31, 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 December 31, 2024	19,861,764 shares	As of March 31, 2024	19,902,054 shares
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(iii) Average number of shares during period:

Nine months ended December 31, 2024	168,171,108 shares	Nine months ended December 31, 2023	168,116,953 shares
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*** Review of the attached consolidated quarterly financial statements by certified public accountants or audit firms:
Yes (voluntary)**

*** 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 Nine-Month Period; (3) Qualitative Information Concerning Consolidated Earnings Forecasts” on page 4 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 Nine Months Ended December 31, 2024

(1) Qualitative Information Concerning Consolidated Operating Results

During the first nine months of the current fiscal year, net sales, operating profit, ordinary profit and profit attributable to owners of parent came to 229,513 million yen (up 1.9% year on year), 15,080 million yen (up 38.5% year on year), 14,389 million yen (up 11.7% year on year) and 11,480 million yen (up 57.7% year on year), respectively, reflecting an increase in sales price of pulp at overseas subsidiaries.

The performance of major segments is as follows:

(i) Pulp and paper business

In the pulp and paper business, both sales and profit increased, reflecting a rise 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 210,026 million yen (up 1.3% year on year)

Operating profit 13,908 million yen (up 45.6% 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 12,746 million yen (up 6.6% year on year)

Operating profit 178 million yen (down 45.3% 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 an overall rise in external orders.

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

Net sales 6,741 million yen (up 11.1% year on year)

Operating profit 742 million yen (up 0.0% year on year)

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets increased 4,164 million yen from the end of the previous fiscal year, to 419,857 million yen. This was mainly due to an increase of 4,679 million yen in notes and accounts receivable - trade, and contract assets and an increase of 2,342 million yen in property, plant and equipment, while investment securities decreased by 1,837 million yen.

Total liabilities fell 431 million yen from the end of the previous fiscal year, to 162,797 million yen. This was due chiefly to increases in electronically recorded obligations - operating of 1,068 million yen and income tax payable of 2,697 million yen, while provisions and interest-bearing debt decrease 1,352 million yen and 3,230 million yen, respectively.

Net assets rose 4,596 million yen from the end of the previous fiscal year, to 257,060 million yen. This mainly reflected an increase in retained earnings of 7,690 million yen due to profit attributable to owners of parent, which more than offset decreases in valuation difference on available-for-sale securities of 1,472 million yen, foreign currency translation adjustment of 988 million yen and re-measurements of defined benefit plans of 973 million yen.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

No change has been made to the full-year financial forecasts announced on November 14, 2024.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2024	As of December 31, 2024
(Assets)		
Current assets		
Cash and deposits	22,140	21,974
Notes and accounts receivable - trade, and contract assets	*2 76,984	*2 81,664
Electronically recorded monetary claims - operating	*2 8,844	*2 10,013
Merchandise and finished goods	29,881	31,047
Work in process	3,252	3,276
Raw materials and supplies	34,080	33,238
Other	4,709	4,740
Allowance for doubtful accounts	(15)	(5)
Total current assets	179,879	185,950
Non-current assets		
Property, plant and equipment		
Buildings and structures	86,500	86,676
Accumulated depreciation	(57,231)	(58,229)
Buildings and structures, net	29,268	28,447
Machinery, vehicles, tools, furniture and fixtures	452,874	459,711
Accumulated depreciation	(391,813)	(397,492)
Machinery, vehicles, tools, furniture and fixtures, net	61,061	62,219
Other, net	26,181	28,187
Total property, plant and equipment	116,511	118,854
Intangible assets	2,540	3,059
Investments and other assets		
Investment securities	31,926	30,088
Shares of subsidiaries and associates	65,999	63,134
Other	21,841	19,049
Allowance for doubtful accounts	(3,006)	(279)
Total investments and other assets	116,761	111,993
Total non-current assets	235,813	233,907
Total assets	415,692	419,857

(Million yen)

	As of March 31, 2024	As of December 31, 2024
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	*2 22,900	23,002
Electronically recorded obligations - operating	*2 7,578	*2 8,647
Short-term loans	25,889	28,209
Commercial papers	7,000	10,000
Income taxes payable	845	3,543
Provision	3,710	2,361
Other	*2 14,273	*2 14,895
Total current liabilities	82,197	90,659
Non-current liabilities		
Bonds payable	25,000	25,000
Long-term loans	44,718	36,364
Provision	1,765	1,761
Retirement benefit liability	3,755	3,770
Asset retirement obligations	2,226	2,137
Other	3,564	3,104
Total non-current liabilities	81,030	72,137
Total liabilities	163,228	162,797
Net assets		
Shareholders' equity		
Share capital	42,020	42,020
Capital surplus	44,953	44,957
Retained earnings	140,480	148,171
Treasury shares	(9,593)	(9,575)
Total shareholders' equity	217,861	225,574
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,152	9,679
Deferred gains or losses on hedges	(21)	301
Foreign currency translation adjustment	16,390	15,402
Remeasurements of defined benefit plans	6,326	5,352
Total accumulated other comprehensive income	33,847	30,735
Share acquisition rights	78	70
Non-controlling interests	676	680
Total net assets	252,464	257,060
Total liabilities and net assets	415,692	419,857

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

(Nine months ended December 31, 2024)

	(Million yen)	
	For the nine-month ended December 31, 2023	For the nine-month ended December 31, 2024
Net sales	225,324	229,513
Cost of sales	180,821	177,722
Gross profit	44,502	51,790
Selling, general and administrative expenses	33,614	36,710
Operating profit	10,888	15,080
Non-operating income		
Interest income	551	653
Dividends income	797	954
Share of profit of entities accounted for using equity method	650	—
Other	1,039	635
Total non-operating income	3,039	2,243
Non-operating expenses		
Interest expenses	616	566
Share of loss of entities accounted for using equity method	—	1,493
Other	433	873
Total non-operating expenses	1,050	2,933
Ordinary profit	12,877	14,389
Extraordinary income		
Gain on sales of non-current assets	110	7
Gain on sales of investment securities	9	3,223
Insurance claim income	76	—
Total extraordinary income	196	3,231
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,021	1,049
Impairment loss	—	5
Loss on disaster	657	—
Total extraordinary losses	1,678	1,054
Profit before income taxes	11,396	16,566
Income taxes - current	3,538	4,518
Income taxes - deferred	502	466
Total income taxes	4,041	4,984
Profit	7,354	11,582
Profit attributable to non-controlling interests	73	102
Profit attributable to owners of parent	7,280	11,480

Quarterly Consolidated Statements of Comprehensive Income
(Nine months ended December 31, 2024)

	(Million yen)	
	For the nine-month ended December 31, 2023	For the nine-month ended December 31, 2024
Profit	7,354	11,582
Other comprehensive income		
Valuation difference on available-for-sale securities	3,097	(1,306)
Deferred gains or losses on hedges	12	178
Foreign currency translation adjustment	7,460	(808)
Remeasurements of defined benefit plans, net of tax	(209)	(912)
Share of other comprehensive income of entities accounted for using equity method	3,810	(256)
Total other comprehensive income	14,172	(3,104)
Comprehensive income	21,527	8,477
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,538	8,368
Comprehensive income attributable to non-controlling interests	(11)	108

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(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 (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 nine months ended December 31, 2024, 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 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 a result, compared to before the retroactive application, share of profit of entities accounted for using equity method in the nine months ended December 31, 2023 decreased by 6 million yen, and the balances of retained earnings and shares of subsidiaries and associates in the consolidated financial statements for the previous consolidated fiscal year each increased by 63 million yen.

(Segment Information)

I. For the nine-month ended December 31, 2023

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

(Million yen)

	Reportable segments			Other (Notes) 1	Total	Adjustments (Note 2)	Amount in quarterly consolidated statement of income (Note 3)
	Pulp and paper business	Packaging/ Paper processing business	Total				
Net sales							
Sales to outside customers	207,300	11,955	219,255	6,068	225,324	–	225,324
Intersegment sales or transfers	2,093	9	2,103	17,460	19,563	(19,563)	–
Total	209,393	11,965	221,358	23,528	244,887	(19,563)	225,324
Segment profit	9,550	327	9,877	742	10,619	268	10,888

(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 268 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 quarterly consolidated statements of income.

II. For the nine-month ended December 31, 2024

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

(Million yen)

	Reportable segments			Other (Notes) 1	Total	Adjustments (Note 2)	Amount in quarterly consolidated statement of income (Note 3)
	Pulp and paper business	Packaging/ Paper processing business	Total				
Net sales							
Sales to outside customers	210,026	12,746	222,772	6,741	229,513	–	229,513
Intersegment sales or transfers	2,180	7	2,188	18,366	20,554	(20,554)	–
Total	212,207	12,753	224,960	25,107	250,068	(20,554)	229,513
Segment profit	13,908	178	14,087	742	14,829	250	15,080

(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 250 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 quarterly consolidated statements of income.