

Consolidated Quarterly Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]

August 12, 2022

Company: **Hokuetsu Corporation**

Stock Exchange Listing: Tokyo

Stock Code: 3865

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

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Scheduled date of filing quarterly report: August 12, 2022

Scheduled date of commencement of dividend payments: –

Supplementary documents for quarterly results: None

Quarterly results briefing: None

(Figures rounded down to the nearest million yen)

1. Consolidated Business Results for the Three Months Ended June 30, 2022

(April 1, 2022 through June 30, 2022)

(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, 2022 | 65,843 | 5.7 | 3,658 | (22.4) | 5,927 | (14.9) | 3,690 | (50.8) |
| Three months ended June 30, 2021 | 62,286 | 21.1 | 4,715 | – | 6,963 | 693.6 | 7,499 | 201.1 |

(Note) Comprehensive income: Three months ended June 30, 2022: 6,003 million yen (-38.8%)
Three months ended June 30, 2021: 9,808 million yen (530.9%)

| | Basic earnings per share | Diluted earnings per share |
|----------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Three months ended June 30, 2022 | 21.96 | 21.93 |
| Three months ended June 30, 2021 | 44.65 | 44.60 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|----------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of June 30, 2022 | 383,808 | 220,126 | 57.2 |
| As of March 31, 2022 | 376,956 | 216,974 | 57.4 |

(Reference) Equity: As of June 30, 2022: 219,368 million yen
As of March 31, 2022: 216,252 million yen

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, 2022 | – | 7.00 | – | 17.00 | 24.00 |
| Year ending March 31, 2023 | – | – | – | – | – |
| Year ending March 31, 2023 (forecast) | – | 9.00 | – | 9.00 | 18.00 |

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

Breakdown of year-end dividends for the fiscal year ended March 31, 2022: Ordinary dividend: 7.00 yen Special dividend: 10.00 yen

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2023

(April 1, 2022 through March 31, 2023)

(% 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) | 130,000 | 2.9 | 4,500 | (58.3) | 5,500 | (63.0) | 2,000 | (87.6) | 11.90 |
| Full year | 280,000 | 7.0 | 11,000 | (46.2) | 14,000 | (52.6) | 10,000 | (52.8) | 59.51 |

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

Notes

(1) Changes in significant subsidiaries during the three months ended June 30, 2022 (changes in specified subsidiaries accompanying changes in the scope of consolidation): 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: None

(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 (treasury stock included):

| | | | |
|---------------------|--------------------|----------------------|--------------------|
| As of June 30, 2022 | 188,053,114 shares | As of March 31, 2022 | 188,053,114 shares |
|---------------------|--------------------|----------------------|--------------------|

(ii) Number of treasury stock:

| | | | |
|---------------------|-------------------|----------------------|-------------------|
| As of June 30, 2022 | 20,001,461 shares | As of March 31, 2022 | 20,001,115 shares |
|---------------------|-------------------|----------------------|-------------------|

(iii) Average number of shares during period:

| | | | |
|----------------------------------|--------------------|----------------------------------|--------------------|
| Three months ended June 30, 2022 | 168,051,824 shares | Three months ended June 30, 2021 | 167,956,529 shares |
|----------------------------------|--------------------|----------------------------------|--------------------|

* **Consolidated Quarterly Financial Results are exempted from quarterly 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 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 three months of the current fiscal year, sales increased mainly due to the effects of price revisions to domestic products implemented in the previous fiscal year and rising prices of exported products. While net sales amounted to 65,843 million yen (up 5.7% year on year), operating profit, ordinary profit and profit attributable to owners of parent came to 3,658 million yen (down 22.4% year on year), 5,927 million yen (down 14.9% year on year) and 3,690 million yen (down 50.8% year on year), respectively, due to soaring raw material and fuel prices.

The performance of major segments is as follows:

(i) Pulp and paper business

In the pulp and paper business, sales increased mainly due to the effects of price increases of domestic products implemented in the previous fiscal year and rising prices of exported products. However, profits decreased due to soaring raw material and fuel prices.

As a result, the results of the pulp and paper business were as follows.

| | |
|------------------|---|
| Net sales | 60,522 million yen (up 6.5% year on year) |
| Operating profit | 3,366 million yen (down 22.6% year on year) |

(ii) Packaging/Paper processing business

In the packaging/paper processing business, sales and profits decreased, mainly because of the transfer of information media business and rising raw material prices.

As a result, the results of the packaging/paper processing business were as follows.

| | |
|----------------|--|
| Net sales | 3,208 million yen (down 9.9% year on year) |
| Operating loss | -59 million yen (compared to operating profit of 6 million yen a year ago) |

(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 | 2,113 million yen (up 12.8% year on year) |
| Operating profit | 228 million yen (up 6.5% year on year) |

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets increased 6,852 million yen from the end of the previous fiscal year, to 383,808 million yen. This was attributable primarily to increases of 5,527 million yen in raw materials and supplies and 3,001 million yen in guarantee deposits included in investments and other assets, which more than offset a decrease of 1,930 million yen in notes and accounts receivable - trade, and contract assets.

Total liabilities rose 3,700 million yen from the end of the previous fiscal year, to 163,682 million yen. This was primarily due to an increase in interest-bearing debt of 5,298 million yen, which more than offset a decrease in income taxes payable of 2,859 million yen.

Net assets rose 3,152 million yen from the end of the previous fiscal year, to 220,126 million yen. This mainly reflected increases in retained earnings of 830 million yen, which is primarily due to profit attributable to owners of parent, and foreign currency translation adjustment of 1,998 million yen.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

Looking at the first six months of the fiscal year ending March 31, 2023, consolidated financial forecasts, including operating profit, ordinary profit and profit attributable to owners of parent, are expected to exceed the previous forecast due to rising sales prices of paper and pulp in overseas markets.

The full-year earnings forecast remains unchanged from the previously announced forecast, given the uncertain outlook for soaring raw material and fuel prices and trends in exchange rates.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

| | As of March 31, 2022 | As of June 30, 2022 |
|--|----------------------|---------------------|
| (Assets) | | |
| Current assets | | |
| Cash and deposits | 30,275 | 29,409 |
| Notes and accounts receivable - trade, and contract assets | 60,749 | 58,818 |
| Electronically recorded monetary claims - operating | 7,133 | 7,077 |
| Merchandise and finished goods | 27,260 | 28,380 |
| Work in process | 2,684 | 2,224 |
| Raw materials and supplies | 26,469 | 31,997 |
| Other | 5,741 | 4,403 |
| Allowance for doubtful accounts | (5) | (5) |
| Total current assets | 160,308 | 162,304 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 85,623 | 86,512 |
| Accumulated depreciation | (54,260) | (54,894) |
| Buildings and structures, net | 31,363 | 31,617 |
| Machinery, vehicles, tools, furniture and fixtures | 439,429 | 442,017 |
| Accumulated depreciation | (380,000) | (382,447) |
| Machinery, vehicles, tools, furniture and fixtures, net | 59,429 | 59,569 |
| Other, net | 24,589 | 25,300 |
| Total property, plant and equipment | 115,382 | 116,487 |
| Intangible assets | 2,406 | 2,411 |
| Investments and other assets | | |
| Investment securities | 22,022 | 22,757 |
| Shares of subsidiaries and associates | 69,562 | 69,321 |
| Other | 7,560 | 10,812 |
| Allowance for doubtful accounts | (288) | (286) |
| Total investments and other assets | 98,857 | 102,605 |
| Total non-current assets | 216,647 | 221,504 |
| Total assets | 376,956 | 383,808 |

(Million yen)

| | As of March 31, 2022 | As of June 30, 2022 |
|---|----------------------|---------------------|
| (Liabilities) | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 20,360 | 20,866 |
| Electronically recorded obligations - operating | 6,339 | 7,233 |
| Short-term loans | 40,748 | 39,965 |
| Commercial papers | 3,000 | 7,000 |
| Income taxes payable | 4,013 | 1,154 |
| Provision | 3,229 | 1,898 |
| Other | 14,105 | 14,605 |
| Total current liabilities | 91,796 | 92,724 |
| Non-current liabilities | | |
| Bonds payable | 20,000 | 20,000 |
| Long-term loans | 33,495 | 35,431 |
| Provision | 1,477 | 1,601 |
| Retirement benefit liability | 5,661 | 5,790 |
| Asset retirement obligations | 2,845 | 2,799 |
| Other | 4,704 | 5,335 |
| Total non-current liabilities | 68,184 | 70,958 |
| Total liabilities | 159,981 | 163,682 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 42,020 | 42,020 |
| Capital surplus | 45,341 | 45,341 |
| Retained earnings | 131,615 | 132,446 |
| Treasury shares | (9,639) | (9,639) |
| Total shareholders' equity | 209,338 | 210,169 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,686 | 4,051 |
| Deferred gains or losses on hedges | 157 | 148 |
| Foreign currency translation adjustment | 1,632 | 3,630 |
| Remeasurements of defined benefit plans | 1,437 | 1,367 |
| Total accumulated other comprehensive income | 6,913 | 9,199 |
| Share acquisition rights | 77 | 85 |
| Non-controlling interests | 644 | 673 |
| Total net assets | 216,974 | 220,126 |
| Total liabilities and net assets | 376,956 | 383,808 |

(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, 2021 | For the three months ended June 30, 2022 |
| Net sales | 62,286 | 65,843 |
| Cost of sales | 47,743 | 51,948 |
| Gross profit | 14,542 | 13,895 |
| Selling, general and administrative expenses | 9,826 | 10,237 |
| Operating profit | 4,715 | 3,658 |
| Non-operating income | | |
| Interest income | 5 | 13 |
| Dividends income | 404 | 497 |
| Share of profit of entities accounted for using equity method | 1,630 | 385 |
| Foreign exchange gains | – | 1,430 |
| Other | 603 | 226 |
| Total non-operating income | 2,643 | 2,553 |
| Non-operating expenses | | |
| Interest expenses | 110 | 138 |
| Foreign exchange losses | 140 | – |
| Other | 143 | 144 |
| Total non-operating expenses | 394 | 283 |
| Ordinary profit | 6,963 | 5,927 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 2,805 | 1 |
| Gain on sales of investment securities | 0 | – |
| Insurance claim income | 31 | – |
| Gain on reversal of retirement benefit obligations | 77 | – |
| Total extraordinary income | 2,914 | 1 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 255 | 169 |
| Loss on tax purpose reduction entry of non-current assets | 31 | – |
| Total extraordinary losses | 286 | 169 |
| Profit before income taxes | 9,591 | 5,759 |
| Income taxes - current | 1,111 | 1,540 |
| Income taxes - deferred | 967 | 505 |
| Total income taxes | 2,078 | 2,045 |
| Profit | 7,512 | 3,714 |
| Profit attributable to non-controlling interests | 13 | 23 |
| Profit attributable to owners of parent | 7,499 | 3,690 |

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

(Million yen)

| | For the three months ended June 30, 2021 | For the three months ended June 30, 2022 |
|--|---|---|
| Profit | 7,512 | 3,714 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (446) | 559 |
| Deferred gains or losses on hedges | 22 | (41) |
| Foreign currency translation adjustment | 2,965 | 2,002 |
| Remeasurements of defined benefit plans, net of tax | 0 | (60) |
| Share of other comprehensive income of entities accounted for using equity method | (246) | (170) |
| Total other comprehensive income | 2,295 | 2,289 |
| Comprehensive income | 9,808 | 6,003 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 9,769 | 5,975 |
| Comprehensive income attributable to non-controlling interests | 39 | 28 |

(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.