

# Consolidated Quarterly Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]

November 11, 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: November 14, 2022

Scheduled date of commencement of dividend payments: December 5, 2022

Supplementary documents for quarterly results: Yes

Quarterly 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, 2022 (April 1, 2022 through September 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	%
Six months ended September 30, 2022	136,187	7.8	3,997	(63.0)	4,828	(67.5)	1,959	(87.8)
Six months ended September 30, 2021	126,390	22.3	10,801	–	14,850	–	16,119	766.8

(Note) Comprehensive income: Six months ended September 30, 2022: 7,469 million yen (-62.6%)  
Six months ended September 30, 2021: 19,999 million yen (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	11.66	11.65
Six months ended September 30, 2021	95.96	95.88

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	396,532	221,494	55.7
As of March 31, 2022	376,956	216,974	57.4

(Reference) Equity: As of September 30, 2022: 220,705 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	–	9.00			
Year ending March 31, 2023 (forecast)			–	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
Full year	300,000	14.7	12,000	(41.3)	8,000	(72.9)	3,000	(85.9)	17.85

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

**\* Notes**

(1) Changes in significant subsidiaries during the six months ended September 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 September 30, 2022	188,053,114 shares	As of March 31, 2022	188,053,114 shares
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(ii) Number of treasury stock:

As of September 30, 2022	19,992,819 shares	As of March 31, 2022	20,001,115 shares
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(iii) Average number of shares during period:

Six months ended September 30, 2022	168,054,212 shares	Six months ended September 30, 2021	167,990,241 shares
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**\* 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 Half; (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 Half

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

During the six 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 136,187 million yen (up 7.8% year on year), operating profit, ordinary profit and profit attributable to owners of parent came to 3,997 million yen (down 63.0% year on year), 4,828 million yen (down 67.5% year on year) and 1,959 million yen (down 87.8% 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 revisions to 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	125,168 million yen (up 8.5% year on year)
Operating profit	3,469 million yen (down 65.8% 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	6,650 million yen (down 5.2% year on year)
Operating loss	-99 million yen (compared to operating loss of 8 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	4,368 million yen (up 9.2% year on year)
Operating profit	422 million yen (up 3.7% year on year)

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

Total assets increased 19,576 million yen from the end of the previous fiscal year, to 396,532 million yen. This was attributable primarily to increases of 6,511 million yen in raw materials and supplies, 4,188 million yen in notes and accounts receivable - trade, and contract assets, 3,389 million yen in merchandise and finished goods, 4,278 million yen in property, plant and equipment and 3,001 million yen in guarantee deposits included in investments and other assets, which more than offset a decrease of 868 million yen in cash and deposits.

Total liabilities rose 15,056 million yen from the end of the previous fiscal year, to 175,038 million yen. This was primarily due to increases of 12,056 million yen in interest-bearing debt and 2,132 million yen in notes and accounts payable - trade, which more than offset a decrease in income taxes payable of 2,315 million yen.

Net assets rose 4,519 million yen from the end of the previous fiscal year, to 221,494 million yen. This mainly reflected an increase of 4,939 million yen in foreign currency translation adjustment.

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

Looking at the full year of the fiscal year ending March 31, 2023, consolidated net sales are expected to exceed the previous forecast mainly due to rising sales prices of paper and pulp in overseas markets and revision of sales prices of paper in Japan. Further, although the business environment in Japan is expected to become even more challenging because of the sharp depreciation of the yen and soaring prices of various raw materials and fuels, operating profit is expected to exceed the previous forecast due to the steady performance of the pulp sales business overseas. On the other hand, earnings forecasts for equity-method affiliates are expected to fall below the previous forecasts, and as a result of this, ordinary profit and profit attributable to owners of parent are expected to be lower than the previous forecasts due to the posing of additional share of loss of entities accounted for using equity method.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2022	As of September 30, 2022
<b>(Assets)</b>		
Current assets		
Cash and deposits	30,275	29,407
Notes and accounts receivable - trade, and contract assets	60,749	64,937
Electronically recorded monetary claims - operating	7,133	7,349
Merchandise and finished goods	27,260	30,649
Work in process	2,684	3,200
Raw materials and supplies	26,469	32,980
Other	5,741	5,151
Allowance for doubtful accounts	(5)	(5)
<b>Total current assets</b>	<b>160,308</b>	<b>173,672</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	85,623	87,589
Accumulated depreciation	(54,260)	(55,540)
Buildings and structures, net	31,363	32,049
Machinery, vehicles, tools, furniture and fixtures	439,429	445,931
Accumulated depreciation	(380,000)	(384,432)
Machinery, vehicles, tools, furniture and fixtures, net	59,429	61,499
Other, net	24,589	26,112
<b>Total property, plant and equipment</b>	<b>115,382</b>	<b>119,661</b>
Intangible assets	2,406	2,498
Investments and other assets		
Investment securities	22,022	23,094
Shares of subsidiaries and associates	69,562	66,872
Other	7,560	11,019
Allowance for doubtful accounts	(288)	(286)
<b>Total investments and other assets</b>	<b>98,857</b>	<b>100,700</b>
<b>Total non-current assets</b>	<b>216,647</b>	<b>222,860</b>
<b>Total assets</b>	<b>376,956</b>	<b>396,532</b>

(Million yen)

	As of March 31, 2022	As of September 30, 2022
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	20,360	22,492
Electronically recorded obligations - operating	6,339	7,047
Short-term loans	40,748	23,758
Commercial papers	3,000	23,000
Income taxes payable	4,013	1,698
Provision	3,229	3,035
Other	14,105	16,265
Total current liabilities	91,796	97,298
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans	33,495	42,256
Provision	1,477	1,833
Retirement benefit liability	5,661	5,767
Asset retirement obligations	2,845	2,720
Other	4,704	5,162
Total non-current liabilities	68,184	77,739
Total liabilities	159,981	175,038
Net assets		
Shareholders' equity		
Share capital	42,020	42,020
Capital surplus	45,341	45,341
Retained earnings	131,615	130,610
Treasury shares	(9,639)	(9,635)
Total shareholders' equity	209,338	208,337
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,686	4,284
Deferred gains or losses on hedges	157	153
Foreign currency translation adjustment	1,632	6,572
Remeasurements of defined benefit plans	1,437	1,359
Total accumulated other comprehensive income	6,913	12,368
Share acquisition rights	77	87
Non-controlling interests	644	700
Total net assets	216,974	221,494
Total liabilities and net assets	376,956	396,532

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

## Quarterly Consolidated Statements of Income

(Six-month period)

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	126,390	136,187
Cost of sales	95,527	110,750
Gross profit	30,862	25,437
Selling, general and administrative expenses	20,061	21,439
Operating profit	10,801	3,997
Non-operating income		
Interest income	11	34
Dividends income	480	554
Share of profit of entities accounted for using equity method	2,796	–
Foreign exchange gains	78	2,479
Other	1,186	538
Total non-operating income	4,552	3,607
Non-operating expenses		
Interest expenses	203	333
Share of loss of entities accounted for using equity method	–	2,002
Rental expenses	141	104
Other	158	337
Total non-operating expenses	503	2,777
Ordinary profit	14,850	4,828
Extraordinary income		
Gain on sales of non-current assets	6,980	35
Gain on sales of investment securities	0	–
Insurance claim income	33	–
Gain on reversal of retirement benefit obligations	77	–
Total extraordinary income	7,092	35
Extraordinary losses		
Loss on sales and retirement of non-current assets	515	527
Loss on tax purpose reduction entry of non-current assets	31	–
Provision for loss related to the Anti-Monopoly Act	360	–
Total extraordinary losses	907	527
Profit before income taxes	21,035	4,335
Income taxes - current	5,096	2,366
Income taxes - deferred	(210)	(11)
Total income taxes	4,886	2,354
Profit	16,149	1,981
Profit attributable to non-controlling interests	30	22
Profit attributable to owners of parent	16,119	1,959

Quarterly Consolidated Statements of Comprehensive Income  
(Six-month period)

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	16,149	1,981
Other comprehensive income		
Valuation difference on available-for-sale securities	559	789
Deferred gains or losses on hedges	23	(29)
Foreign currency translation adjustment	3,407	4,973
Remeasurements of defined benefit plans, net of tax	(32)	(59)
Share of other comprehensive income of entities accounted for using equity method	(108)	(185)
Total other comprehensive income	3,849	5,488
Comprehensive income	19,999	7,469
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,935	7,414
Comprehensive income attributable to non-controlling interests	63	55

## (3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	21,035	4,335
Depreciation	6,235	6,042
Amortization of goodwill	66	68
Insurance claim income	(33)	–
Increase (decrease) in net defined benefit liability	(797)	118
Interest and dividend income	(491)	(589)
Interest expenses	203	333
Share of loss (profit) of entities accounted for using equity method	(2,796)	2,002
Loss on tax purpose reduction entry of non-current assets	31	–
Net loss (gain) on sales and retirement of non-current assets	(6,465)	492
Reversal of retirement benefit obligations	(77)	–
Decrease (increase) in notes and accounts receivable - trade	(2,542)	(2,490)
Decrease (increase) in inventories	(3,728)	(7,728)
Decrease (increase) in consumption taxes refund receivable	(248)	538
Increase (decrease) in notes and accounts payable - trade	601	2,340
Increase (decrease) in accrued consumption taxes	(793)	(200)
Other	(482)	(926)
Subtotal	9,717	4,338
Interest and dividend income received	914	1,106
Interest paid	(170)	(323)
Income taxes paid	2,262	(4,660)
Proceeds from insurance income	2	–
Payments for deposit money	–	(3,000)
Net cash provided by (used in) operating activities	12,725	(2,540)
Cash flows from investing activities		
Payments for purchases of investment securities	(756)	(411)
Proceeds from sales of investment securities	6	0
Payments for purchases of property, plant and equipment	(6,047)	(5,362)
Proceeds from sales of property, plant and equipment	11,285	49
Payments of loans receivable	(106)	(90)
Collection of loans receivable	122	36
Proceeds from sale of businesses	1,500	–
Other	(521)	(614)
Net cash provided by (used in) investing activities	5,481	(6,393)



(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(5,953)	(472)
Net increase (decrease) in commercial papers	–	20,000
Proceeds from long-term loans	–	8,729
Repayments of long-term loans	(4,202)	(19,152)
Redemption of bonds	(10,000)	–
Dividends paid	(1,179)	(2,862)
Dividends paid to non-controlling interests	(89)	–
Other	(82)	(57)
Net cash provided by (used in) financing activities	(21,507)	6,183
Translation (loss) gain on cash and cash equivalents	377	1,881
Net increase (decrease) in cash and cash equivalents	(2,921)	(868)
Cash and cash equivalents at beginning of period	29,846	30,275
Cash and cash equivalents at end of period	26,924	29,407

(4) 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.