

Consolidated Quarterly Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]

February 14, 2023

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: February 14, 2023

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 Nine Months Ended December 31, 2022 (April 1, 2022 through December 31, 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	%
Nine months ended December 31, 2022	215,702	11.2	9,604	(41.7)	7,059	(69.5)	3,923	(82.6)
Nine months ended December 31, 2021	193,984	20.0	16,473	–	23,113	–	22,580	205.9

(Note) Comprehensive income: Nine months ended December 31, 2022: 9,064 million yen (-63.3%)
Nine months ended December 31, 2021: 24,707 million yen (224.0%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	23.35	23.32
Nine months ended December 31, 2021	134.40	134.28

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	401,313	221,579	55.0
As of March 31, 2022	376,956	216,974	57.4

(Reference) Equity: As of December 31, 2022: 220,761 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
Fiscal year ended March 31, 2021	–	7.00	–	17.00	24.00
Fiscal year ended March 31, 2022	–	9.00	–		
Fiscal 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: None

*** Notes**

(1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 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 December 31, 2022	19,979,220 shares	As of March 31, 2022	20,001,115 shares
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(iii) Average number of shares during period:

Nine months ended December 31, 2022	168,060,165 shares	Nine months ended December 31, 2021	168,009,043 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 Nine-Month Period; (3) Qualitative Information Concerning Consolidated Earnings Forecasts” on page 2 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 Nine-Month Period

(1) Qualitative Information Concerning Consolidated Operating Results

During the nine 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 215,702 million yen (up 11.2% year on year), operating profit, ordinary profit and profit attributable to owners of parent came to 9,604 million yen (down 41.7% year on year), 7,059 million yen (down 69.5% year on year) and 3,923 million yen (down 82.6% 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	198,964 million yen (up 12.1% year on year)
Operating profit	8,621 million yen (down 44.0% year on year)

(ii) Packaging/Paper processing business

In the packaging/paper processing business, sales decreased due to the negative impact of the lockdown implemented in some areas in Shanghai in line with the Chinese government's zero-COVID policy, which offset the effects of an increase in orders received and price revisions carried out in Japan. Even so, in terms of profitability, an increase in profit was recorded, mainly reflecting the effect of a range of cost reduction initiatives.

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

Net sales	10,394 million yen (down 1.1% year on year)
Operating profit	70 million yen (up 359.2% 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, profits declined chiefly due to cost increases in the logistics business.

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

Net sales	6,343 million yen (up 6.1% year on year)
Operating profit	585 million yen (down 9.7% year on year)

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets increased 24,357 million yen from the end of the previous fiscal year, to 401,313 million yen. This was attributable primarily to increases of 18,814 million yen in notes and accounts receivable - trade and contract assets, 6,910 million yen in raw materials and supplies, 3,810 million yen in merchandise and finished goods, and 3,001 million yen in guarantee deposits included in investments and other assets, which more than offset a decrease of 6,165 million yen in cash and deposits.

Total liabilities rose 19,752 million yen from the end of the previous fiscal year, to 179,734 million yen. This was primarily due to increases of 16,902 million yen in interest-bearing debt and 4,374 million yen in notes and accounts payable - trade, which more than offset a decrease in income taxes payable of 2,827 million yen.

Net assets rose 4,605 million yen from the end of the previous fiscal year, to 221,579 million yen. This mainly reflected an increase of 5,178 million yen in foreign currency translation adjustment.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

No change has been made to the full-year financial forecasts announced on November 11, 2022.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2022	As of December 31, 2022
(Assets)		
Current assets		
Cash and deposits	30,275	24,110
Notes and accounts receivable - trade, and contract assets	60,749	79,563
Electronically recorded monetary claims - operating	7,133	8,134
Merchandise and finished goods	27,260	31,070
Work in process	2,684	3,304
Raw materials and supplies	26,469	33,379
Other	5,741	5,588
Allowance for doubtful accounts	(5)	(6)
Total current assets	160,308	185,144
Non-current assets		
Property, plant and equipment		
Buildings and structures	85,623	87,905
Accumulated depreciation	(54,260)	(56,034)
Buildings and structures, net	31,363	31,871
Machinery, vehicles, tools, furniture and fixtures	439,429	446,171
Accumulated depreciation	(380,000)	(386,373)
Machinery, vehicles, tools, furniture and fixtures, net	59,429	59,798
Other, net	24,589	26,581
Total property, plant and equipment	115,382	118,251
Intangible assets	2,406	2,385
Investments and other assets		
Investment securities	22,022	21,865
Shares of subsidiaries and associates	69,562	62,992
Other	7,560	10,960
Allowance for doubtful accounts	(288)	(285)
Total investments and other assets	98,857	95,532
Total non-current assets	216,647	216,169
Total assets	376,956	401,313

(Million yen)

	As of March 31, 2022	As of December 31, 2022
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	20,360	24,734
Electronically recorded obligations - operating	6,339	7,914
Short-term loans	40,748	17,450
Commercial papers	3,000	25,000
Income taxes payable	4,013	1,185
Provision	3,229	2,056
Other	14,105	15,649
Total current liabilities	91,796	93,990
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans	33,495	51,687
Provision	1,477	1,781
Retirement benefit liability	5,661	3,914
Asset retirement obligations	2,845	2,666
Other	4,704	5,693
Total non-current liabilities	68,184	85,743
Total liabilities	159,981	179,734
Net assets		
Shareholders' equity		
Share capital	42,020	42,020
Capital surplus	45,341	45,341
Retained earnings	131,615	131,058
Treasury shares	(9,639)	(9,629)
Total shareholders' equity	209,338	208,792
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,686	3,864
Deferred gains or losses on hedges	157	11
Foreign currency translation adjustment	1,632	6,810
Remeasurements of defined benefit plans	1,437	1,283
Total accumulated other comprehensive income	6,913	11,969
Share acquisition rights	77	87
Non-controlling interests	644	729
Total net assets	216,974	221,579
Total liabilities and net assets	376,956	401,313

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

Quarterly Consolidated Statements of Income

(Nine-month period)

(Million yen)

	For the nine-month ended December 31, 2021	For the nine-month ended December 31, 2022
Net sales	193,984	215,702
Cost of sales	147,530	172,425
Gross profit	46,453	43,277
Selling, general and administrative expenses	29,979	33,673
Operating profit	16,473	9,604
Non-operating income		
Interest income	19	52
Dividends income	754	875
Share of profit of entities accounted for using equity method	4,186	–
Foreign exchange gains	854	2,523
Other	1,562	738
Total non-operating income	7,376	4,188
Non-operating expenses		
Interest expenses	293	610
Share of loss of entities accounted for using equity method	–	5,589
Rental expenses	196	154
Other	247	378
Total non-operating expenses	737	6,733
Ordinary profit	23,113	7,059
Extraordinary income		
Gain on sales of non-current assets	6,981	481
Gain on sales of investment securities	0	230
Subsidy income	–	5
Insurance claim income	34	107
Gain on contribution of securities to retirement benefit trust	–	1,416
Gain on reversal of retirement benefit obligations	77	–
Total extraordinary income	7,093	2,241
Extraordinary losses		
Loss on sales and retirement of non-current assets	665	677
Loss on disaster	35	–
Loss on tax purpose reduction entry of non-current assets	31	5
Loss on valuation of investment securities	18	8
Provision for loss related to the Anti-Monopoly Act	360	–
Total extraordinary losses	1,110	691
Profit before income taxes	29,096	8,609
Income taxes - current	6,358	3,767
Income taxes - deferred	108	866
Total income taxes	6,466	4,634
Profit	22,629	3,974
Profit attributable to non-controlling interests	49	51
Profit attributable to owners of parent	22,580	3,923

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

(Million yen)

	For the nine-month ended December 31, 2021	For the nine-month ended December 31, 2022
Profit	22,629	3,974
Other comprehensive income		
Valuation difference on available-for-sale securities	(344)	329
Deferred gains or losses on hedges	29	(88)
Foreign currency translation adjustment	2,644	5,212
Remeasurements of defined benefit plans, net of tax	(64)	(126)
Share of other comprehensive income of entities accounted for using equity method	(187)	(236)
Total other comprehensive income	2,077	5,089
Comprehensive income	24,707	9,064
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	24,620	8,979
Comprehensive income attributable to non-controlling interests	87	85