

**Consolidated Financial Results  
for the Year Ended March 31, 2023 [Japanese GAAP]**

May 12, 2023

Company: **Hokuetsu Corporation**  
 Stock Code: 3865  
 Representative: Sekio Kishimoto, President & CEO  
 Contact: Tomonari Maruyama, General Manager, Corporate Management Department TEL: +81-3-3245-4500  
 Scheduled date of ordinary general meeting of shareholders: June 29, 2023  
 Scheduled date of commencement of dividend payments: June 30, 2023  
 Scheduled date of filing annual securities reports: June 29, 2023  
 Supplementary documents for financial results: Yes  
 Results briefing: Yes (for institutional investors and analysts)

Stock Exchange Listing: Tokyo  
 URL: <http://www.hokuetsucorp.com>

(Figures rounded down to the nearest million yen)

**1. Consolidated financial results for the year ended March 31, 2023 (April 1, 2022 through March 31, 2023)**

(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	%
Year ended March 31, 2023	301,204	15.1	17,288	(15.5)	11,471	(61.1)	8,325	(60.7)
Year ended March 31, 2022	261,616	17.6	20,455	-	29,514	202.5	21,206	49.6

(Note) Comprehensive income: Year ended March 31, 2023: 13,488 million yen (-44.0%)  
 Year ended March 31, 2022: 24,088 million yen (43.6%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2023	49.54	49.48	3.8	3.0	5.7
Year ended March 31, 2022	126.22	126.09	10.3	8.0	7.8

(Reference) Investment income by equity method: Year ended March 31, 2023: -8,609 million yen  
 Year ended March 31, 2022: 5,861 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	388,444	225,950	58.0	1,339.89
As of March 31, 2022	376,956	216,974	57.4	1,286.82

(Reference) Equity: As of March 31, 2023: 225,209 million yen  
 As of March 31, 2022: 216,252 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2023	1,746	(12,753)	(2,099)	18,063
Year ended March 31, 2022	20,186	(1,648)	(19,187)	30,275

**2. Dividends**

	Annual dividend per share					Total dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2022	-	7.00	-	17.00	24.00	4,047	19.0	2.0
Year ended March 31, 2023	-	9.00	-	9.00	18.00	3,035	36.3	1.4
Year ending March 31, 2024 (forecast)	-	9.00	-	9.00	18.00		33.6	

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, 2024 (April 1, 2023 through March 31, 2024)**

(% 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)	150,000	10.1	10,000	150.1	12,000	148.5	8,000	308.3	47.60
Full year	310,000	2.9	11,000	(36.4)	14,000	22.0	9,000	8.1	53.55

**\* Notes**

(1) Changes in significant subsidiaries during the year (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) 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

(3) Shares outstanding (common stock)

(i) Number of shares outstanding at year-end (treasury stock included):

As of March 31, 2023 188,053,114 shares As of March 31, 2022 188,053,114 shares

(ii) Number of treasury stock at year-end:

As of March 31, 2023 19,972,637 shares As of March 31, 2022 20,001,115 shares

(iii) Average number of shares during the year:

For the year ended March 31, 2023 168,064,868 shares For the year ended March 31, 2022 168,018,990 shares

(Reference) Overview of non-consolidated financial results

**1. Non-consolidated financial results for the year ended March 31, 2023 (April 1, 2022 through March 31, 2023)**

(1) Non-consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2023	187,131	13.6	2,978	(59.1)	11,298	(13.7)	7,448	1.1
Year ended March 31, 2022	164,681	12.0	7,291	270.9	13,091	97.4	7,368	(38.7)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Year ended March 31, 2023	44.16	44.11
Year ended March 31, 2022	43.70	43.66

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	278,051	135,469	48.7	802.67
As of March 31, 2022	268,469	131,785	49.1	781.04

(Reference) Equity: As of March 31, 2023: 135,378 million yen  
As of March 31, 2022: 131,708 million yen

**\* The summary of financial results is exempt from audits conducted by certified public accountants 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. For assumptions of business forecasts and a note about the use of business forecasts, please refer to page 6 "1. Summary of Operating Results (4) Future outlook."

**\* 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. Summary of Operating Results

### (1) Summary of operating results during the year

(Operating results during the year)

During the current fiscal year, net sales increased, mainly due to price revisions implemented in the current fiscal year regarding products for domestic markets and the increase in prices of products for export, but operating profit fell as a result of the soaring prices of raw materials and fuels. Ordinary profit and profit attributable to owners of parent also decreased due primarily to the recording of an equity method investment loss. The Group's consolidated financial results for the current fiscal year were as follows:

Net sales	301,204 million yen	(up 15.1% year on year)
Operating profit	17,288 million yen	(down 15.5% year on year)
Ordinary profit	11,471 million yen	(down 61.1% year on year)
Profit attributable to owners of parent	8,325 million yen	(down 60.7% year on year)

The performance of major segments is as follows:

#### (i) Pulp and paper business

(Million yen)

	Previous year	Current year	Difference
Net sales	240,002	279,109	39,106
Operating profit	19,241	16,092	(3,148)

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

By product type, sales of paper surpassed the level in the previous year in Japan, reflecting price revisions implemented twice in the current fiscal year. In the second half of the current fiscal year, a recovery of orders for travel magazines mainly targeting overseas travelers contributed to the growth of sales volume. Sales of exported products increased from the previous year as well, due to rising sales prices. Sales of paperboard also exceeded the level achieved in the previous fiscal year, like sales of paper, due to price revisions implemented in the current fiscal year. The sales volume also increased from the previous year although there were variations between product types. By grade, the sales volumes of special white paperboard and coated duplex board (with gray-back) were solid for fast food takeout applications, and increased for pharmaceutical, confectionery and toy applications, but decreased for exported products reflecting the weakening of the markets. Sales of high-grade white paperboard fell year on year for card game applications, and also decreased for point-of-purchase (POP) store ad applications. The sales volume of containerboard base paper increased steadily in Japan due to price revisions implemented in the current fiscal year and strong growth centered on Niigata prefecture, while the sales volume of containerboard base paper for overseas markets also exceeded the level in the previous fiscal year.

Regarding performance materials, sales of functional paper decreased from the preceding fiscal year, and sales of chip carrier tape base paper for transporting electronic components declined in particular. This was mainly caused by plunged demand due to the strict zero-COVID policy applied throughout China to address the expanding COVID-19 pandemic. Sales of special paper and communication paper were higher than in the previous year as a result of price revisions and focusing on the expansion of sales of products for food packaging materials applications for convenience stores against the backdrop of recovering flow of people in Japan.

Pulp sales surpassed the figure in the previous fiscal year, supported by the rise in sales prices which more than offset a decrease in sales volume caused by reduced production due to a shortage of freight cars experienced by an overseas subsidiary.

(ii) Packaging/Paper processing business

(Million yen)

	Previous year	Current year	Difference
Net sales	13,609	13,740	130
Operating loss	(71)	(3)	68

In the packaging/paper processing business, sales and profit grew due to increased orders for domestic products and the effects of price revisions, despite the impact of the lockdown implemented in some areas in Shanghai in line with the Chinese government's zero-COVID policy.

(iii) Other businesses

(Million yen)

	Previous year	Current year	Difference
Net sales	8,004	8,355	350
Operating profit	759	694	(65)

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.

(2) Summary of financial conditions during the fiscal year

(Million yen)

	End of previous year	End of current year	Change
Total assets	376,956	388,444	11,488
Net assets	216,974	225,950	8,975
Equity ratio	57.4%	58.0%	0.6%
Net assets per share	1,286.82 yen	1,339.89 yen	53.07 yen
Interest-bearing debt at year-end	99,088	103,725	4,637

Total assets increased 388,444 million yen from the end of the previous fiscal year, to 11,488 million yen. This was attributable primarily to increases of 15,078 million yen in notes and accounts receivable - trade and contract assets, 5,946 million yen in raw materials and supplies, and 4,004 million yen in guarantee deposits included in investments and other assets, which more than offset a decrease of 12,212 million yen in cash and deposits.

Total liabilities rose 2,512 million yen from the end of the previous fiscal year, to 162,494 million yen. This was primarily due to an increase in interest-bearing debt of 4,637 million yen and electronically recorded obligations - operating of 1,481 million yen, which more than offset a decrease in income taxes payable of 1,094 million yen and retirement benefit liability of 1,854 million yen.

Net assets rose 8,975 million yen from the end of the previous fiscal year, to 225,950 million yen. This mainly reflected increases in retained earnings of 3,873 million yen due to profit attributable to owners of parent and foreign currency translation adjustment of 4,275 million yen.

(3) Summary of cash flow during the fiscal year

(Million yen)

	Previous year	Current year	Change
Cash flows from operating activities	20,186	1,746	(18,439)
Cash flows from investing activities	(1,648)	(12,753)	(11,105)
Cash flows from financing activities	(19,187)	(2,099)	17,087
Effect of exchange rate change on cash and cash equivalents	1,078	893	(184)
Net increase (decrease) in cash and cash equivalents	428	(12,212)	(12,641)
Cash and cash equivalents at beginning of the year	29,846	30,275	428
Cash and cash equivalents at end of the year	30,275	18,063	(12,212)

Cash and cash equivalents as of the end of current year decreased 12,212 million yen year on year, to 18,063 million yen.

(Cash flow from operating activities)

Net cash provided by operating activities was 1,746 million yen (down 91.3% year on year.)

Major inflows were profit before income taxes of 13,757 million yen, depreciation of 11,854 million yen, a loss of entities accounted for using equity method of 8,609 million yen and an increase in notes and accounts payable - trade of 2,074 million yen. Major outflows were an increase in trade receivables - trade of 15,973 million yen, an increase in inventories of 5,960 million yen, income taxes paid of 7,450 million yen and deposit money of 4,000 million yen.

(Cash flow from investing activities)

Net cash used in investing activities amounted to 12,753 million yen (up 673.8% year on year).

Major outflows were purchase of property, plant and equipment of 12,515 million yen. Major inflows were proceeds from sale of property, plant and equipment of 1,047 million yen.

(Cash flow from financing activities)

Net cash used in financing activities amounted to 2,099 million yen (down 89.1% year on year).

Major outflows were a decrease in short-term loans of 8,427 million yen, repayment of long-term loans of 27,324 million yen, and dividends paid of 4,380 million yen. Major inflows were a net increase in commercial paper of 7,000 million yen and proceeds from long-term loans of 31,380 million yen.

#### (4) Future outlook

##### Forecast on financial results for the next fiscal year

The Japanese economy is expected to recover due to the effects of various policies in the endemic COVID-19 era, but the outlook for the future remains uncertain because of the impact of the prolonged conflict in Ukraine, soaring prices of raw materials and fuels, concerns about fluctuations in the financial and capital markets and other factors.

Under these circumstances, uncertainty over business conditions in the pulp and paper industry continues, with rapid changes in domestic demand trends, movements in global market prices and the rises in material and fuel prices. Implemented in the fiscal year ended March 31, 2023, the revision of the prices of a range of products is expected to positively effect the Group throughout the fiscal year. Moreover, the Group will further continue to work on full-scale cost reductions to strengthen its financial conditions.

The following business forecast was prepared by considering these circumstances comprehensively.

The following forecast was based on information currently available to the Company at the time of the release of these materials. Actual result may differ from the above forecast due to various factors.

	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
<b>Year ending March 31, 2024 (forecast)</b>	310,000	11,000	14,000	9,000	53.55
Year ended March 31, 2023 (actual)	301,204	17,288	11,471	8,325	49.54
% change from the previous corresponding period	2.9%	(36.4)%	22.0%	8.1%	

#### 2. Our Basic Philosophy on the Selection of Accounting Standards

Taking into account the period comparability of consolidated financial statements, the Group currently prepares consolidated financial statements based on Japanese GAAP. With respect to the International Financial Reporting Standards (IFRSs) the Company will address the issue appropriately with consideration to the various circumstances in Japan and overseas.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Million yen)

	As of March 31, 2022	As of March 31, 2023
<b>(Assets)</b>		
Current assets		
Cash and deposits	30,275	18,063
Notes and accounts receivable - trade, and contract assets	60,749	75,827
Electronically recorded monetary claims - operating	7,133	8,752
Merchandise and finished goods	27,260	28,458
Work in process	2,684	2,792
Raw materials and supplies	26,469	32,415
Other	5,741	4,469
Allowance for doubtful accounts	(5)	(4)
Total current assets	160,308	170,775
Non-current assets		
Property, plant and equipment		
Buildings and structures	85,623	87,761
Accumulated depreciation	(54,260)	(56,135)
Buildings and structures, net	31,363	31,625
Machinery, equipment and vehicles	432,919	439,463
Accumulated depreciation	(374,780)	(381,854)
Machinery, equipment and vehicles, net	58,138	57,609
Tools, furniture and fixtures	6,509	6,841
Accumulated depreciation	(5,219)	(5,511)
Tools, furniture and fixtures, net	1,290	1,330
Land	17,850	17,981
Leased assets	185	184
Accumulated depreciation	(119)	(134)
Leased assets, net	65	49
Right-of-use assets	2,596	2,803
Accumulated depreciation	(540)	(762)
Right-of-use assets, net	2,056	2,040
Construction in progress	2,166	3,991
Forestland	2,449	2,431
Total property, plant and equipment	115,382	117,060
Intangible assets	2,406	2,467
Investments and other assets		
Investment securities	22,022	22,272
Shares of subsidiaries and associates	69,562	63,643
Long-term loans	215	223
Asset for retirement benefits	3,869	4,316
Deferred tax assets	1,663	1,779
Other	1,811	6,189
Allowance for doubtful accounts	(288)	(283)
Total investments and other assets	98,857	98,141
Total non-current assets	216,647	217,669
Total assets	376,956	388,444

(Million yen)

	As of March 31, 2022	As of March 31, 2023
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	20,360	21,283
Electronically recorded obligations - operating	6,339	7,820
Short-term loans	40,748	17,058
Commercial papers	3,000	10,000
Current portion of bonds payable	–	10,000
Lease obligations	280	301
Income taxes payable	4,013	2,919
Accrued consumption taxes	432	144
Contract liabilities	507	538
Provision for bonuses	2,613	2,771
Provision for directors' bonuses	65	62
Provision for environmental measures	54	39
Provision for loss on disaster	123	107
Provision for reforestation	191	225
Provision for loss related to the Anti-Monopoly Act	180	–
Notes payable - facilities	1,325	1,406
Other	11,559	11,186
Total current liabilities	91,796	85,865
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term loans	33,495	54,938
Lease obligations	1,563	1,427
Deferred tax liabilities	2,909	2,224
Provision for environmental measures	1,136	1,267
Provision for reforestation	340	325
Retirement benefit liability	5,661	3,806
Asset retirement obligations	2,845	2,410
Other	231	228
Total non-current liabilities	68,184	76,629
Total liabilities	159,981	162,494
Net assets		
Shareholders' equity		
Share capital	42,020	42,020
Capital surplus	45,341	45,342
Retained earnings	131,615	135,489
Treasury shares	(9,639)	(9,625)
Total shareholders' equity	209,338	213,226
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,686	4,418
Deferred gains or losses on hedges	157	79
Foreign currency translation adjustment	1,632	5,907
Remeasurements of defined benefit plans	1,437	1,576
Total accumulated other comprehensive income	6,913	11,982
Share acquisition rights	77	91
Non-controlling interests	644	649
Total net assets	216,974	225,950
Total liabilities and net assets	376,956	388,444



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

## Consolidated Statements of Income

(Million yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Net sales	261,616	301,204
Cost of sales	200,490	237,186
Gross profit	61,125	64,018
Selling, general and administrative expenses	40,670	46,729
Operating profit	20,455	17,288
Non-operating income		
Interest income	27	128
Dividends income	776	1,402
Share of profit of entities accounted for using equity method	5,861	–
Foreign exchange gains	1,729	2,238
Other	1,855	1,024
Total non-operating income	10,250	4,793
Non-operating expenses		
Interest expenses	393	796
Share of loss of entities accounted for using equity method	–	8,609
Rental expenses	244	210
Provision of allowance for doubtful accounts	240	–
Other	312	993
Total non-operating expenses	1,191	10,610
Ordinary profit	29,514	11,471
Extraordinary income		
Gain on sales of non-current assets	6,985	845
Gain on sales of investment securities	20	233
Gain on contribution of securities to retirement benefit trust	–	1,416
Gain on reversal of retirement benefit obligations	77	–
Subsidy income	–	6
Insurance claim income	34	689
Total extraordinary income	7,117	3,192
Extraordinary losses		
Loss on sales and retirement of non-current assets	873	899
Impairment loss	7,855	–
Loss on disaster	130	–
Loss on tax purpose reduction entry of non-current assets	31	6
Loss on valuation of investment securities	22	–
Loss related to the Anti-Monopoly Act	360	–
Total extraordinary losses	9,273	905
Profit before income taxes	27,358	13,757
Income taxes - current	4,452	6,364
Income taxes - deferred	1,633	(1,010)
Total income taxes	6,085	5,354
Profit	21,272	8,403
Profit attributable to non-controlling interests	66	78
Profit attributable to owners of parent	21,206	8,325

## Consolidated Statements of Comprehensive Income

(Million yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Profit	21,272	8,403
Other comprehensive income		
Valuation difference on available-for-sale securities	(328)	719
Deferred gains or losses on hedges	126	(104)
Foreign currency translation adjustment	2,634	847
Remeasurements of defined benefit plans, net of tax	689	152
Share of other comprehensive income of entities accounted for using equity method	(307)	3,470
Total other comprehensive income	2,815	5,085
Comprehensive income:	24,088	13,488
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	23,968	13,394
Comprehensive income attributable to non-controlling interests	119	93

## (4) Consolidated Statement of Cash Flows

(Million yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	27,358	13,757
Depreciation	13,213	11,854
Impairment loss	7,855	–
Amortization of goodwill	133	141
Insurance claim income	(34)	(689)
Increase (decrease) in net defined benefit liability	(539)	233
Interest and dividend income	(804)	(1,530)
Interest expenses	393	796
Share of loss (profit) of entities accounted for using equity method	(5,861)	8,609
Loss (gain) on sale of investment securities	(20)	(233)
Loss on tax purpose reduction entry of non-current assets	31	6
Net loss (gain) on sales and retirement of non-current assets	(6,111)	53
Loss (gain) on contribution of securities to retirement benefit trust	–	(1,416)
Reversal of retirement benefit obligations	(77)	–
Decrease (increase) in trade receivables	(11,586)	(15,973)
Decrease (increase) in inventories	(7,455)	(5,960)
Decrease (increase) in consumption taxes refund receivable	(1,034)	252
Increase (decrease) in notes and accounts payable - trade	2,849	2,074
Increase (decrease) in accrued consumption taxes	(798)	(290)
Other	(339)	(785)
Subtotal	17,172	10,899
Interest and dividend income received	1,646	2,338
Interest paid	(396)	(730)
Income taxes paid	1,760	(7,450)
Proceeds from insurance income	2	689
Payments for deposit money	–	(4,000)
Net cash provided by (used in) operating activities	20,186	1,746
<b>Cash flows from investing activities</b>		
Payments for purchases of investment securities	(775)	(432)
Proceeds from sales of investment securities	31	415
Payments for purchases of property, plant and equipment	(12,918)	(12,515)
Payments for retirement of property, plant and equipment	(777)	(715)
Proceeds from sales of property, plant and equipment	11,291	1,047
Payments of loans receivable	(110)	(92)
Collection of loans receivable	177	45
Proceeds from sale of businesses	1,500	–
Other	(67)	(506)
Net cash provided by (used in) investing activities	(1,648)	(12,753)

(Million yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(4,133)	(8,427)
Net increase (decrease) in commercial papers	3,000	7,000
Proceeds from long-term loans	–	31,380
Repayments of long-term loans	(5,372)	(27,324)
Proceeds from issuance of bonds	10,000	–
Redemption of bonds	(20,000)	–
Dividends paid	(2,352)	(4,380)
Dividends paid to non-controlling interests	(89)	(89)
Other	(238)	(258)
Net cash provided by (used in) financing activities	(19,187)	(2,099)
Translation (loss) gain on cash and cash equivalents	1,078	893
Net increase (decrease) in cash and cash equivalents	428	(12,212)
Cash and cash equivalents at beginning of period	29,846	30,275
Cash and cash equivalents at end of the year	30,275	18,063