

Consolidated Quarterly Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]

August 10, 2023

Company: **Hokuetsu Corporation**

Stock Exchange Listing: Tokyo

Stock Code: 3865

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

Representative: Sekio Kishimoto, President & CEO

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

Scheduled date of filing quarterly report: August 10, 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 Three Months Ended June 30, 2023

(April 1, 2023 through June 30, 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	%
Three months ended June 30, 2023	75,273	14.3	7,168	96.0	8,787	48.2	6,323	71.4
Three months ended June 30, 2022	65,843	5.7	3,658	(22.4)	5,927	(14.9)	3,690	(50.8)

(Note) Comprehensive income: Three months ended June 30, 2023: 9,225 million yen (53.7%)
Three months ended June 30, 2022: 6,003 million yen (-38.8%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	37.62	37.58
Three months ended June 30, 2022	21.96	21.93

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	401,694	233,353	57.9
As of March 31, 2023	388,444	225,950	58.0

(Reference) Equity: As of June 30, 2023: 232,589 million yen
As of March 31, 2023: 225,209 million yen

2. Dividends

	Annual dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
Year ended March 31, 2023	Yen –	Yen 9.00	Yen –	Yen 9.00	Yen 18.00
Year ending March 31, 2024	–	–	–	–	–
Year ending March 31, 2024 (forecast)	–	9.00	–	9.00	18.00

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

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

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

*** Notes**

(1) Changes in significant subsidiaries during the three months ended June 30, 2023 (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, 2023	188,053,114 shares	As of March 31, 2023	188,053,114 shares
---------------------	--------------------	----------------------	--------------------

(ii) Number of treasury stock:

As of June 30, 2023	19,951,002 shares	As of March 31, 2023	19,972,637 shares
---------------------	-------------------	----------------------	-------------------

(iii) Average number of shares during period:

Three months ended June 30, 2023	168,085,841 shares	Three months ended June 30, 2022	168,051,824 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.

1. Qualitative Information on Consolidated Operating Results for the First Quarter

(1) Qualitative Information Concerning Consolidated Operating Results

During the first three months of the current fiscal year, net sales, operating profit, ordinary profit and profit attributable to owners of parent came to 75,273 million yen (up 14.3% year on year), 7,168 million yen (up 96.0% year on year), 8,787 million yen (up 48.2% year on year) and 6,323 million yen (up 71.4% year on year), respectively, reflecting the implementation of price increases, despite 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, both sales and profits increased, mainly reflecting the implementation of price increases, despite soaring raw material and fuel prices.

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

Net sales	69,418 million yen (up 14.7% year on year)
Operating profit	6,691 million yen (up 98.8% year on year)

(ii) Packaging/Paper processing business

In the packaging/paper processing business, both sales and profits increased, mainly reflecting higher selling prices due to price increases and a rise in the sales volume.

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

Net sales	3,860 million yen (up 20.3% year on year)
Operating profit	87 million yen (compared to operating loss of 59 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 decreased due to a decline in external orders in the used paper business in particular. Even so, in terms of profitability, profits rose due to the effect of a range of cost reduction measures.

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

Net sales	1,994 million yen (down 5.6% year on year)
Operating profit	275 million yen (up 20.7% year on year)

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets increased 13,250 million yen from the end of the previous fiscal year, to 401,694 million yen. Significant factors included increases of 8,455 million yen in cash and deposits, 1,616 million yen in merchandise and finished goods, 3,781 million yen in raw materials and supplies and 1,990 million yen in investment securities, which were partially offset by a decrease in notes and accounts receivable - trade, and contract assets amounting to 5,606 million yen in total.

Total liabilities rose 5,847 million yen from the end of the previous fiscal year, to 168,341 million yen. This was primarily due to increases of 5,630 million yen in interest-bearing debt and 2,207 million yen in notes and accounts payable - trade, which more than offset a decrease in income taxes payable of 1,696 million yen.

Net assets rose 7,403 million yen from the end of the previous fiscal year, to 233,353 million yen. This mainly reflected increases in retained earnings of 4,494 million yen due to profit attributable to owners of parent, and valuation difference on available-for-sale securities of 1,511 million yen and foreign currency translation adjustment of 1,248 million yen.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

No change has been made to the full-year financial forecasts announced on May 12, 2023.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2023	As of June 30, 2023
(Assets)		
Current assets		
Cash and deposits	18,063	26,518
Notes and accounts receivable - trade, and contract assets	75,827	70,220
Electronically recorded monetary claims - operating	8,752	8,794
Merchandise and finished goods	28,458	30,074
Work in process	2,792	3,466
Raw materials and supplies	32,415	36,197
Other	4,469	5,429
Allowance for doubtful accounts	(4)	(4)
Total current assets	170,775	180,698
Non-current assets		
Property, plant and equipment		
Buildings and structures	87,761	87,814
Accumulated depreciation	(56,135)	(56,717)
Buildings and structures, net	31,625	31,096
Machinery, vehicles, tools, furniture and fixtures	446,305	448,793
Accumulated depreciation	(387,365)	(389,245)
Machinery, vehicles, tools, furniture and fixtures, net	58,939	59,548
Other, net	26,495	26,599
Total property, plant and equipment	117,060	117,244
Intangible assets	2,467	2,442
Investments and other assets		
Investment securities	22,272	24,263
Shares of subsidiaries and associates	63,643	64,889
Other	12,508	12,439
Allowance for doubtful accounts	(283)	(282)
Total investments and other assets	98,141	101,309
Total non-current assets	217,669	220,996
Total assets	388,444	401,694

(Million yen)

	As of March 31, 2023	As of June 30, 2023
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	21,283	23,491
Electronically recorded obligations - operating	7,820	8,472
Short-term loans	17,058	15,590
Commercial papers	10,000	18,000
Current portion of bonds payable	10,000	10,000
Income taxes payable	2,919	1,223
Provision	3,206	1,811
Other	13,577	13,127
Total current liabilities	85,865	91,716
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans	54,938	53,994
Provision	1,593	1,650
Retirement benefit liability	3,806	3,821
Asset retirement obligations	2,410	2,370
Other	3,880	4,788
Total non-current liabilities	76,629	76,625
Total liabilities	162,494	168,341
Net assets		
Shareholders' equity		
Share capital	42,020	42,020
Capital surplus	45,342	45,345
Retained earnings	135,489	139,983
Treasury shares	(9,625)	(9,615)
Total shareholders' equity	213,226	217,734
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,418	5,930
Deferred gains or losses on hedges	79	172
Foreign currency translation adjustment	5,907	7,155
Remeasurements of defined benefit plans	1,576	1,596
Total accumulated other comprehensive income	11,982	14,855
Share acquisition rights	91	84
Non-controlling interests	649	679
Total net assets	225,950	233,353
Total liabilities and net assets	388,444	401,694

(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, 2022	For the three months ended June 30, 2023
Net sales	65,843	75,273
Cost of sales	51,948	57,735
Gross profit	13,895	17,538
Selling, general and administrative expenses	10,237	10,370
Operating profit	3,658	7,168
Non-operating income		
Interest income	13	129
Dividends income	497	399
Share of profit of entities accounted for using equity method	385	958
Foreign exchange gains	1,430	217
Other	226	221
Total non-operating income	2,553	1,926
Non-operating expenses		
Interest expenses	138	185
Other	144	122
Total non-operating expenses	283	307
Ordinary profit	5,927	8,787
Extraordinary income		
Gain on sales of non-current assets	1	2
Gain on sales of investment securities	-	7
Insurance claim income	-	48
Total extraordinary income	1	58
Extraordinary losses		
Loss on sales and retirement of non-current assets	169	357
Total extraordinary losses	169	357
Profit before income taxes	5,759	8,488
Income taxes - current	1,540	1,625
Income taxes - deferred	505	515
Total income taxes	2,045	2,140
Profit	3,714	6,347
Profit attributable to non-controlling interests	23	24
Profit attributable to owners of parent	3,690	6,323

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

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	3,714	6,347
Other comprehensive income		
Valuation difference on available-for-sale securities	559	1,419
Deferred gains or losses on hedges	(41)	(8)
Foreign currency translation adjustment	2,002	558
Remeasurements of defined benefit plans, net of tax	(60)	(72)
Share of other comprehensive income of entities accounted for using equity method	(170)	981
Total other comprehensive income	2,289	2,877
Comprehensive income	6,003	9,225
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,975	9,195
Comprehensive income attributable to non-controlling interests	28	29

(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.