

Consolidated Quarterly Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]

February 13, 2024

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, 2024

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, 2023 (April 1, 2023 through December 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	%
Nine months ended December 31, 2023	225,324	4.5	10,888	13.4	12,884	82.5	7,287	85.7
Nine months ended December 31, 2022	215,702	11.2	9,604	(41.7)	7,059	(69.5)	3,923	(82.6)

(Note) Comprehensive income: Nine months ended December 31, 2023: 21,533 million yen (137.6%)
Nine months ended December 31, 2022: 9,064 million yen (-63.3%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	43.35	43.31
Nine months ended December 31, 2022	23.35	23.32

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2023	419,856	243,680	57.9
As of March 31, 2023	388,444	225,950	58.0

(Reference) Equity: As of December 31, 2023: 242,960 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
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	–	9.00	–	9.00	18.00
Year ending March 31, 2024	–	9.00	–		
Year ending March 31, 2024 (forecast)				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
Full year	310,000	2.9	13,000	(24.8)	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 nine months ended December 31, 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 December 31, 2023	188,053,114 shares	As of March 31, 2023	188,053,114 shares
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(ii) Number of treasury stock:

As of December 31, 2023	19,908,344 shares	As of March 31, 2023	19,972,637 shares
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(iii) Average number of shares during period:

Nine months ended December 31, 2023	168,116,953 shares	Nine months ended December 31, 2022	168,060,165 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 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 Nine-Month Period

(1) Qualitative Information Concerning Consolidated Operating Results

During the first nine months of the current fiscal year, net sales, operating profit, ordinary profit and profit attributable to owners of parent came to 225,324 million yen (up 4.5% year on year), 10,888 million yen (up 13.4% year on year), 12,884 million yen (up 82.5% year on year) and 7,287 million yen (up 85.7% 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	207,300 million yen (up 4.2% year on year)
Operating profit	9,550 million yen (up 10.8% 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	11,955 million yen (up 15.0% year on year)
Operating profit	327 million yen (up 361.2% year on year)

(iii) Other businesses

In other businesses, including the wood material business, construction business, logistics business and used paper wholesale business, sales decreased due to a decline in external orders in sales of pallets 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	6,068 million yen (down 4.3% year on year)
Operating profit	742 million yen (up 26.8% year on year)

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets increased 31,411 million yen from the end of the previous fiscal year, to 419,856 million yen. Significant factors included increases of 15,103 million yen in cash and deposits, 1,453 million yen in notes and accounts receivable-trade and contract assets, 1,280 million yen in electronically recorded monetary claims - operating, 2,413 million yen in raw materials and supplies, 4,576 million yen in property, plant and equipment, and 4,268 million yen in investment securities.

Total liabilities rose 13,681 million yen from the end of the previous fiscal year, to 176,176 million yen. This was primarily due to increases of 863 million yen in notes and accounts payable-trade, 10,540 million yen in interest-bearing debt, and 1,339 million yen in deferred tax liabilities included in other in non-current liabilities.

Net assets rose 17,730 million yen from the end of the previous fiscal year, to 243,680 million yen. This mainly reflected increases in retained earnings of 3,852 million yen due to profit attributable to owners of parent, and valuation difference on available-for-sale securities of 3,357 million yen and foreign currency translation adjustment of 11,158 million yen.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

No change has been made to the full-year financial forecasts announced on November 10, 2023.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2023	As of December 31, 2023
(Assets)		
Current assets		
Cash and deposits	18,063	33,166
Notes and accounts receivable - trade, and contract assets	75,827	77,281
Electronically recorded monetary claims - operating	8,752	10,033
Merchandise and finished goods	28,458	28,091
Work in process	2,792	2,647
Raw materials and supplies	32,415	34,829
Other	4,469	4,321
Allowance for doubtful accounts	(4)	(5)
Total current assets	170,775	190,365
Non-current assets		
Property, plant and equipment		
Buildings and structures	87,761	89,320
Accumulated depreciation	(56,135)	(57,550)
Buildings and structures, net	31,625	31,770
Machinery, vehicles, tools, furniture and fixtures	446,305	455,549
Accumulated depreciation	(387,365)	(393,551)
Machinery, vehicles, tools, furniture and fixtures, net	58,939	61,998
Other, net	26,495	27,868
Total property, plant and equipment	117,060	121,637
Intangible assets	2,467	2,509
Investments and other assets		
Investment securities	22,272	26,540
Shares of subsidiaries and associates	63,643	66,747
Other	12,508	12,337
Allowance for doubtful accounts	(283)	(281)
Total investments and other assets	98,141	105,343
Total non-current assets	217,669	229,490
Total assets	388,444	419,856

(Million yen)

	As of March 31, 2023	As of December 31, 2023
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	21,283	22,146
Electronically recorded obligations - operating	7,820	8,444
Short-term loans	17,058	18,372
Commercial papers	10,000	9,000
Current portion of bonds payable	10,000	10,000
Income taxes payable	2,919	1,324
Provision	3,206	2,246
Other	13,577	16,396
Total current liabilities	85,865	87,931
Non-current liabilities		
Bonds payable	10,000	25,000
Long-term loans	54,938	50,097
Provision	1,593	1,834
Retirement benefit liability	3,806	3,830
Asset retirement obligations	2,410	2,265
Other	3,880	5,216
Total non-current liabilities	76,629	88,244
Total liabilities	162,494	176,176
Net assets		
Shareholders' equity		
Share capital	42,020	42,020
Capital surplus	45,342	44,953
Retained earnings	135,489	139,341
Treasury shares	(9,625)	(9,595)
Total shareholders' equity	213,226	216,719
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,418	7,776
Deferred gains or losses on hedges	79	(18)
Foreign currency translation adjustment	5,907	17,065
Remeasurements of defined benefit plans	1,576	1,417
Total accumulated other comprehensive income	11,982	26,240
Share acquisition rights	91	76
Non-controlling interests	649	642
Total net assets	225,950	243,680
Total liabilities and net assets	388,444	419,856

(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, 2022	For the nine-month ended December 31, 2023
Net sales	215,702	225,324
Cost of sales	172,425	180,821
Gross profit	43,277	44,502
Selling, general and administrative expenses	33,673	33,614
Operating profit	9,604	10,888
Non-operating income		
Interest income	52	551
Dividends income	875	797
Share of profit of entities accounted for using equity method	–	657
Foreign exchange gains	2,523	112
Other	738	927
Total non-operating income	4,188	3,046
Non-operating expenses		
Interest expenses	610	616
Share of loss of entities accounted for using equity method	5,589	–
Other	533	433
Total non-operating expenses	6,733	1,050
Ordinary profit	7,059	12,884
Extraordinary income		
Gain on sales of non-current assets	481	110
Gain on sales of investment securities	230	9
Subsidy income	5	–
Insurance claim income	107	76
Gain on contribution of securities to retirement benefit trust	1,416	–
Total extraordinary income	2,241	196
Extraordinary losses		
Loss on sales and retirement of non-current assets	677	1,021
Loss on disaster	–	657
Loss on tax purpose reduction entry of non-current assets	5	–
Loss on valuation of investment securities	8	–
Total extraordinary losses	691	1,678
Profit before income taxes	8,609	11,402
Income taxes - current	3,767	3,538
Income taxes - deferred	866	502
Total income taxes	4,634	4,041
Profit	3,974	7,361
Profit attributable to non-controlling interests	51	73
Profit attributable to owners of parent	3,923	7,287

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

(Million yen)

	For the nine-month ended December 31, 2022	For the nine-month ended December 31, 2023
Profit	3,974	7,361
Other comprehensive income		
Valuation difference on available-for-sale securities	329	3,097
Deferred gains or losses on hedges	(88)	12
Foreign currency translation adjustment	5,212	7,460
Remeasurements of defined benefit plans, net of tax	(126)	(209)
Share of other comprehensive income of entities accounted for using equity method	(236)	3,810
Total other comprehensive income	5,089	14,172
Comprehensive income	9,064	21,533
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,979	21,545
Comprehensive income attributable to non-controlling interests	85	(11)