

March 15, 2024

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Name of Representative: Sekio Kishimoto, President and CEO
(Securities Code: 3865 (Prime Market of Tokyo Stock Exchange))
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Notice of Recording of Extraordinary Losses and Revision of Earnings Forecasts

In conjunction with the “Notice of Change in Consolidated Subsidiary (Partial Transfer of Shares)” announced today, Hokuetsu Corporation has recorded extraordinary losses and has accordingly revised its consolidated earnings forecast for the fiscal year ending March 31, 2024, announced on November 10, 2023, as follows.

1. Recording of Extraordinary Losses

(1) Consolidated Financial Results

As disclosed in the “Notice of Change in Consolidated Subsidiary (Partial Transfer of Shares)” released today, it was decided at the Board of Directors’ meeting today to transfer a portion of the shares of the Company’s consolidated subsidiary Xing Hui Investment Holdings Co., Ltd. (hereinafter “Xing Hui Investment Holdings”). As a result, the Company can expect to record a loss on transfer of shares of an affiliated company of approximately 4.5 billion yen and a loss on waiver of claims on an affiliated company of approximately 2.6 billion yen as extraordinary losses in the consolidated financial results for the fiscal year ending March 31, 2024.

In addition, the Company expects to record an extraordinary loss of approximately 2.7 billion yen as a provision of allowance for doubtful accounts for the Company’s loan in accordance with transfer of shares of Xing Hui Investment Holdings.

(2) Non-consolidated Financial Results

In connection with the above (1), the Company expects to record extraordinary losses comprising a loss on transfer of shares of an affiliated company of approximately 7.4 billion yen, loss on abandonment of receivables from an affiliated company of approximately 2.6 billion yen, and a loss of approximately 2.7 billion yen as a provision of allowance for doubtful accounts.

2. Revision of Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024

(1) Revision of Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024

(April 1, 2023 - March 31, 2024)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Previous forecast (A) (Announced November 10, 2023)	(million yen) 310,000	(million yen) 13,000	(million yen) 14,000	(million yen) 9,000	(yen) 53.55
Revised forecast (B)	296,000	14,500	16,000	6,500	38.66
Change (B-A)	-14,000	1,500	2,000	-2,500	
Percentage change (%)	-4.5	11.5	14.3	-27.8	
(Reference) Previous FY results (FY ended March 31, 2023)	301,204	17,288	11,471	8,325	49.54

(2) Reasons for Revision

With regard to the consolidated earnings forecast for the fiscal year ending March 31, 2024, net sales are expected to fall below the previous forecast due to a decrease in paper sales volume, mainly in Japan. On the other hand, in terms of earnings, operating profit and ordinary profit are expected to exceed the previous forecast, mainly due to limited cost increases in raw materials and fuel prices, as foreign exchange rates and crude oil prices fell below expected levels. Profit attributable to owners of parent is expected to fall below the previous forecast due to the extraordinary losses resulting from the share transfer and other factors mentioned in 1. above, as well as a decrease in related corporation taxes.

Furthermore, there is no revision to the dividend forecast accompanying this revision of the earnings forecast.

(Note) The above forecast is based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ significantly from the forecast values due to various factors.