



HOKKAN HOLDINGS LIMITED
FYE Mar. 31, 2022
Term-end Results Briefing Material
June 6, 2022

Business Results



	Billions of yen		
	FYE 3/31/2022 Full-year results	FYE 3/31/2021 Full-year results	YoY Change
Net sales	86.3	109.3	*
Operating profit	1.3	0.7	+74.4%
Ordinary profit	1.4	2.1	-29.5%
Profit (loss) attributable to owners of parent	(1.2)	(0.3)	—

*The year-on-year change in net sales is not provided due to the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc. from the beginning of the FYE Mar. 31, 2022.

The application of the said standard, etc. had the following impact: net sales -29.9 billion yen, operating profit and ordinary profit +0.1 billion yen, respectively

- FYE 3/22 Soft-drink industry: Only slight growth due to social activity restrictions during spring/summer holiday periods and long rains in summer
 Food can industry: Sluggish gift demand for canned seafoods and shortages of some of the ingredients continued; canned vegetables sales fell as a reaction to the larger demand last year when many people stayed home
- Net sales: Rose year on year, excl. the impact of Accounting Standard for Revenue Recognition, etc., despite being affected by social activity restrictions during holiday seasons, nationwide long rains during summer, rising materials prices and energy cost, and the rapid depreciation of the yen; overseas business performed well in the 2nd half of the fiscal year, esp. in Indonesia
- Operating profit: Grew thanks to a year-on-year increase in net sales and profitability improvement efforts such as overhead cost reduction, despite the impact of rising materials prices and energy cost, rapid depreciation of the yen, etc.
- Ordinary profit: Fell year-on-year due to an investment loss of 0.2 billion yen under the equity method (in comparison to the investment gain of 0.6 billion yen posted in the last fiscal year)
- Net profit (loss) attributable to owners of parent: Posted 3.3 billion yen in extraordinary loss incl. impairment loss at HOKKAI CAN CO., LTD.

Net Sales and Operating Profit (Loss) by Segment



(Billions of yen)

	Net sales			Operating profit (loss)		
	FYE 3/31/2022	FYE 3/31/2021	YoY change	FYE 3/31/2022	FYE 3/31/2021	YoY change
Container Business	33.3 (Impact: -2.6 billion)	35.2	*	(0.6) (Impact: -0.0 billion)	(0.2)	—
(Share)	(38.6%)	(32.2%)		(—)	(—)	
Filling Business	35.1 (Impact: -28.1 billion)	60.5	*	3.0 (Impact: -0.0 billion)	2.4	+22.5%
(Share)	(40.8%)	(55.4%)		(—)	(—)	
Machinery Business	3.4 (Impact: +0.8 billion)	2.9	*	(0.1) (Impact: +0.1 billion)	0.0	—
(Share)	(4.0%)	(2.7%)		(—)	(—)	
Global Business	12.7	8.5	*	0.7	0.0	—
(Share)	(14.8%)	(7.8%)		(—)	(—)	
Other	1.5	2.0	*	(0.0)	(0.0)	—
(Share)	(1.8%)	(1.9%)		(—)	(—)	
Adjustment (incl. intra-Group transactions)	—	—	—	(1.6)	(1.5)	—
Total	86.3 (Impact: -29.9 billion)	109.3	*	1.3 (Impact: +0.1 billion)	0.7	+74.4%

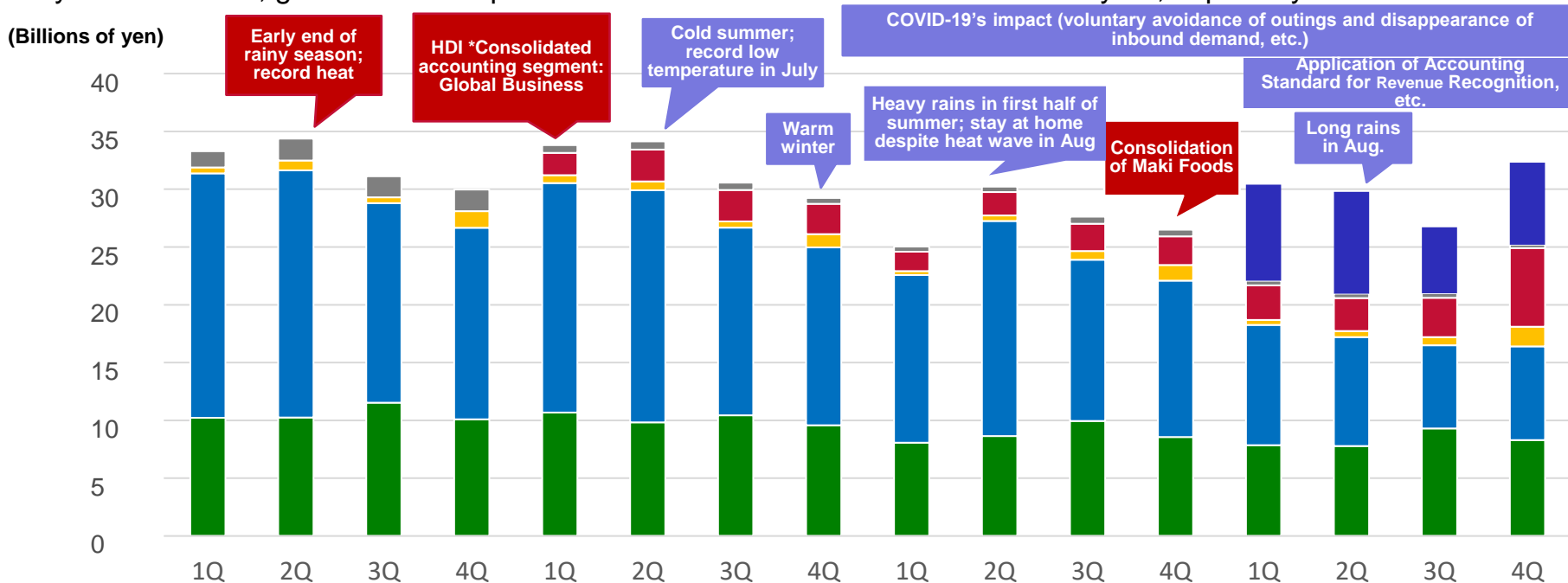
*Year-on-year changes are not stated because the Accounting Standard for Revenue Recognition, etc. are applied to net sales in FYE Mar. 31, 2022. The monetary impact of the Accounting Standard for Revenue Recognition, etc. is shown in the parentheses for the affected businesses and for the total.

Factors Impacting Net Sales



Net Sales

The Hokkan Group's core businesses—filling business and drink container manufacturing business—are affected by climate temperature each year. The Group's net sales in FY2021 rose year-on-year, excl. the impact of the Accounting Standard for Revenue Recognition, etc., despite being affected by social activity restrictions during spring and summer holiday periods, nationwide long rains in summer, rising materials prices and energy cost, and rapid depreciation of the yen. In addition, global business performed well in the second half of the fiscal year, especially in Indonesia.



	FYE 3/31/2019		FYE 3/31/2020		FYE 3/31/2021		FYE 3/31/2022	
	1H	Full year	1H	Full year	1H	Full year	1H	Full year
Consolidated net sales (billions of yen)	67.6	128.7	67.9	127.7	55.2	109.3	43.0 (-17.1 billion yen)	86.3 (-29.9 billion yen)
YoY change (%)	+7.3	+8.0	+0.4	-0.8	-18.7	-14.4	YoY change is not stated due to the application of the Accounting Standard for Revenue Recognition, etc., whose impact is stated in the parentheses	

■ Container Business
 ■ Filling Business
 ■ Machinery Business
 ■ Global Business
 ■ Other
 ■ Impact of Accounting Standard for Revenue Recognition, etc.

*HDI: PT. HOKKAN DELTAPACK INDUSTRI (Indonesia)

Consolidated Balance Sheets



Billions of yen

Item	3/31/2022	3/31/2021	Difference	Item	3/31/2022	3/31/2021	Difference
Current assets	52.7	49.4	3.2	Liabilities	85.2	89.5	-4.2
Cash and deposits	10.0	8.4	1.6	Current liabilities	41.5	37.0	4.4
Trade and other receivables	27.5	26.7	0.8	Notes and accounts payable	16.7	15.2	1.5
Inventories	9.6	10.0	-0.3	Short-term borrowings	15.5	12.8	2.6
Other	5.4	4.3	1.1	Other	9.2	9.0	0.2
Non-current assets	89.5	97.2	-7.7	Non-current liabilities	43.7	52.4	-8.7
Property, plant and equipment	67.7	69.6	-1.9	Long-term borrowings / bonds	37.4	45.5	-8.0
Buildings and structures	22.8	23.9	-1.1	Other	6.2	6.9	-0.6
Machinery and vehicles	22.6	21.2	1.4				
Land	18.7	16.5	2.2	Net assets	57.0	57.2	-0.1
Other	3.5	7.9	-4.4	Shareholders' equity	48.0	49.6	-1.5
Intangible non-current assets	6.3	6.2	0.1	Accumulated other comprehensive income	4.8	4.1	0.7
Investments and other assets	15.4	21.3	-5.9	Non-controlling interests	4.0	3.4	0.6
Total assets	142.3	146.7	-4.4	Total liabilities and net assets	142.3	146.7	-4.4
				(Shareholder equity ratio)	37.2%	36.7%	

Main Factors of Change

- (Assets) Increase in cash and deposits (+1.6 billion yen), increase in trade and other receivables (+0.8 billion yen), increase in deferred tax assets (+0.7 billion yen), decrease in investment securities (-6.3 billion yen), decrease in property, plant and equipment (-1.9 billion yen), etc.
- (Liabilities) Increase in short-term borrowings (+2.6 billion yen), increase in notes and accounts payable (+1.5 billion yen), decrease in long-term borrowings (-8.0 billion yen), etc.
- (Net assets) Increase in foreign currency conversion adjustment (+1.3 billion yen), increase in non-controlling interests (+0.6 billion yen), posting of net loss attributable to owners of parent (-1.2 billion yen), decrease in valuation difference on available-for-sale securities (-0.6 billion yen), decrease in dividends paid (-0.4 billion yen), etc.

Cash Flows

Billions of yen

	FYE 3/31/2022	FYE 3/31/2021	Difference	Main components in FYE3/31/2022
Net cash provided by (used in) operating activities	11.8	3.9	7.8	Net loss before income taxes (1.6) Depreciation 7.6 Impairment losses 2.6 Increase in trade payables 1.2
Net cash provided by (used in) investing activities	(3.6)	(5.5)	1.9	Purchase of property, plant and equipment (8.1) Proceeds from sale of investment securities 4.8
Net cash provided by (used in) financing activities	(7.2)	3.1	-10.3	Net increase (decrease) in short-term borrowings (1.0) Net increase (decrease) in long-term borrowings (4.7) Repayments of lease liabilities (0.9) Dividends paid (0.4)
Effect of exchange rate changes on cash and cash equivalents	0.3	0.2	0.1	
Net increase (decrease) in cash and cash equivalents	1.3	1.7	-0.3	
Net increase in cash and cash equivalents due to new consolidation	0.2	0.1	0.0	
Cash and cash equivalents at end of period	10.0	8.4	1.6	
Free cash flow	8.2	(1.6)	9.8	CF from operating activities + CF from investing activities

Capital Expenditures

Billions of yen

	FYE 3/31/2019	FYE 3/31/2020	FYE 3/31/2021	FYE 3/31/2022	FYE 3/31/2023 (Plan)
Capital expenditures	18.3	9.6	7.1	7.2	4.1
Depreciation	7.3	8.0	7.7	7.6	7.7

FYE 3/31/2022 Results

- Container Business: Manufacturing facilities of various foods bottles, etc. 0.8 billion yen
- Filling Business: Introduction of aseptic (filling) lines, etc. 5.5 billion yen
- Global Business: Manufacturing facilities of drink packages, etc. 0.5 billion yen

FYE 3/31/2023 Plans

- Container Business: Manufacturing facilities of plastic products, etc. 1.0 billion yen
- Filling Business: PET bottle filling-related facilities, etc. 1.9 billion yen
- Global Business: Manufacturing facilities of drink packages, etc. 0.6 billion yen

Billions of yen

	FYE 3/31/2023 projection	FYE 3/31/2022 results	YoY change
Net sales	96.0	86.3	+11.2%
Operating profit	1.4	1.3	+5.7%
Ordinary profit	1.8	1.4	+20.9%
Profit (loss) attributable to owners of parent	0.2	(1.2)	—

- **Outlook:** Tough conditions will continue partly due to the impact of the actualization of geopolitical risks, in addition to skyrocketing materials prices and energy cost. Future uncertainties are likely to continue, also due to the impact of the rapid depreciation of the yen.
- **Net sales:** Demand in the soft drink market is expected to recover if peoples' movements return as we learn to live with COVID-19. Will try to increase sales by promptly responding to the recovered demand and meeting customer needs. Will also continue working toward the appropriate transfer of the cost increase resulting from external environmental factors to prices.
- **Operating profit:** We expect operating profit to fall temporarily in comparison to an increase in net sales due to the negative factors in the external environment such as skyrocketing energy prices, although we will endeavor to secure profitability through the appropriate transfer of the rising costs to prices and cost reduction.

Cash Dividends

	FYE 3/31/2020	FYE 3/31/2021	FYE 3/31/2022	FYE 3/31/2023
Interim dividend per share	18.75 yen	18.75 yen	23.00 yen	23.00 yen
Term-end dividend per share	26.25 yen	13.50 yen	22.00 yen	(Projection) 22.00 yen
Annual dividend per share	45.00 yen	32.25 yen	45.00 yen	(Projection) 45.00 yen
Total cash dividends	557million yen	399 million yen	562 million yen	—
Payout ratio (consolidated)	27.9%	*	*	(Projection) 274.4%
Ratio of dividends to net assets (consolidated)	1.0%	0.7%	1.0%	—

*No data for FYE3/31/21 and FYE 3/31/22 due to posting of loss attributable to owners of parent in these years.

Basic Policy on Dividends

We adopt a balanced dividend policy to maximize profit return to shareholders while taking into account the needs to enhance internal reserves for realizing our growth strategy and increased financial health, from the viewpoint of increasing mid- to long-term shareholder value.

Term-end Dividend

We have decided to pay a cash dividend per share of 22 yen as our term-end dividend to show our appreciation to our shareholders who have been supporting us as we celebrated the 100th anniversary in October 2021. This decision was based on the posting of certain levels of operating profit and ordinary profit on a consolidated basis and a careful consideration of our cash flows and other situations. Combined with the interim cash dividend of 23 yen, our annual cash dividend per share will be 45 yen. (The dividend payment is scheduled to start on June 8, 2022.)

Please refer to the link below

https://hokkanholdings.co.jp/en/wp-content/themes/hokkan_hd_eng/pdf/csr/venture-5-en.pdf

Sustainability Initiatives

■ Identifying Materiality and setting themes, KPIs, and goals

- Based on our Basic Policy on Sustainability, we have identified eight issues as our Materiality and set themes, KPIs, and goals for each issue to further raise our *manufacturing capabilities*, which have been our strength since inception, and the values we offer to meet the needs of our customers and society (see the subsequent pages).

■ Disclosures based on TCFD recommendations

- We expressed our support for TCFD recommendations in February 2022 and compile and disclose the impact of the risks and opportunities created by climate change on the Group's businesses.

Please go to our website for details

<https://hokkanholdings.co.jp/en/sustainability/>

Sustainability Initiatives

■ Our Materiality and KPIs (1)

Materiality	Theme	KPI and goals
Human rights	Embed sustainable procurement	<ul style="list-style-type: none"> • Achieve 100% sustainable procurement by 2025
	Identify negative impacts on human rights and create a framework for human rights due diligence	<ul style="list-style-type: none"> • Identify negative impacts on human rights and create a framework for human rights due diligence to prevent and reduce such impacts by 2024
Employees	Occupational accidents	<ul style="list-style-type: none"> • Rate of lost-worktime injuries: 0.20 or below; occupational accident severity rate: 0.00 • All Group companies acquire external certifications on health and safety (e.g., ISO45001) by 2025
	Health management	<ul style="list-style-type: none"> • Achieve 100% stress check consultation rate (Japanese companies) by 2022 • Efforts to be recognized as a Certified Health & Productivity Management Outstanding Organization (lower smoking rate, better diet, increased opportunities to exercise, infectious disease prevention)
	Diversity promotion	<ul style="list-style-type: none"> • Raise the ratio of female applicants at the first screening stage of new graduate recruitment to 40% • Achieve the employment rate of people with disabilities at or above the statutory required rate by 2030
	Achieving work-life balance	<ul style="list-style-type: none"> • 100% childcare leave usage rate by male employees by 2030 • Expand initiatives to support employees fulfilling both parenting/aged care responsibilities and job responsibilities and achieve better employee retention by 2025
Compliance	Develop various guidelines, conduct education and training activities, and instill the Hokkan Holding Code of Conduct for Officers and Employees	<ul style="list-style-type: none"> • Ensure fair transactions and eliminate anti-social forces • Ensure fair corporate activities and corporate ethics (incl. compliance with laws/ordinances) through the continuation of compliance training • Prevent harassment cases and ensure their prompt resolutions using a whistleblowing system

Sustainability Initiatives

■ Our Materiality and KPIs (2)

Materiality	Theme	KPI and goals
Environment	Contribution to a decarbonized society	<ul style="list-style-type: none"> • Achieve carbon neutrality (Scope 1&2) by 2050 • Reduce GHG emissions (Scope 1&2) by 30% by 2030 (vs 2019) • Reduce GHG emissions (Scope 3) by 20% by 2030 (vs 2019)
	Sustainable use of water resources	<ul style="list-style-type: none"> • Reduce unit water consumption by 7% by 2030 (vs 2019)
	Contribution to a recycling society	<ul style="list-style-type: none"> • Endeavor to reduce consumption of exhaustible resources • No simple incineration or landfill of waste by 2030
Products	Development of environmentally friendly products	<ul style="list-style-type: none"> • Develop sustainable products and services <ul style="list-style-type: none"> Metal cans: Smaller, lighter containers based on customer needs PET bottles: Increase the usage ratio of recycled materials Contract filling: Smooth production of supplied environmentally friendly products
	Quality improvement	<ul style="list-style-type: none"> • Compliance with laws/ordinances • Improve customer satisfaction • Zero recall accidents
Information management	Ensure and improve confidentiality, completeness, and availability of information assets	<ul style="list-style-type: none"> • No information leakage
Communities	Harmony with local communities	<ul style="list-style-type: none"> • Be a corporate group trusted by local communities
Stakeholders	Have sincere dialogues with stakeholders	<ul style="list-style-type: none"> • Work on understanding and resolving social issues that are necessary for realizing a sustainable society

Response to the Corporate Governance Code (CGC) of Japan

■ Matters Hokkan currently chooses to explain

CGC principles for which Hokkan chooses to provide an explanation		Response
2.4.1	<p>Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions, as well as disclosing their status.</p> <p>In addition, in light of the importance of human resource strategies for increasing corporate value over the mid-to long-term, companies should present its policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.</p>	<p>We uphold in our management vision that we will remain a fair corporate group for human resources, promoting employees to managerial positions, regardless of their nationality and background, not to mention gender, based on individuals' capabilities and career development. We also disclose the current recruitment status.</p> <p>We wish to recruit and promote fairly and equitably in accordance with our management visions without setting uniform numerical targets. We have therefore chosen to provide an explanation.</p>
3.1.2	<p>Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures.</p> <p>In particular, companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.</p>	<p>We began disclosing and providing the following documents in English:</p> <ol style="list-style-type: none"> (1) Financial highlights (Summary section) (2) Convocation notice of general meetings of shareholders (convocation notice in a narrow sense; reference materials for general meetings of shareholders) (3) Materials for financial briefing meetings (materials on Medium-term Business Plan) <p>⇒ Scheduled to comply after the close of the 97th annual general meeting of shareholders</p>
3.1.3	<p>Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues.</p> <p>In particular, companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.</p>	<p>Sustainability initiatives</p> <ul style="list-style-type: none"> • Identifying Materiality • Setting themes, KPIs, and goals • Expressing support for TCFD recommendations and making disclosures <p>Investment in human capital and intellectual properties</p> <ul style="list-style-type: none"> • Materiality "Employees" • Materiality "Products" <p>⇒ Scheduled to comply after the close of the 97th annual general meeting of shareholders</p>

Response to the Corporate Governance Code (CGC) of Japan

Matters Hokkan currently chooses to explain

CGC principles for which Hokkan chooses to provide an explanation		Response
4.10.1	<p>If the organizational structure of a company is either Company with Kansayaku Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as nominations and remuneration by establishing an independent nomination committee and remuneration committee under the board, to which such committees make significant contributions.</p> <p>In particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.</p>	<ul style="list-style-type: none"> • Preparations are underway to establish a committee concerning the nomination of Directors (including the successor(s) of Representative Director(s)) after the close of the 97th annual general meeting of shareholders. • We have already established a compensation committee (compensation review committee) comprising independent outside directors as majority. <p>⇒ Scheduled to comply after the close of the 97th annual general meeting of shareholders</p>
4.11.1	<p>The board should identify the skills, etc. that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a "skills matrix." When doing so, independent director(s) with management experience in other companies should be included.</p>	<ul style="list-style-type: none"> • We have disclosed the skills matrix in the convocation notice of the 97th annual general meeting of shareholders. • We are continuing discussions on the appointment of independent outside directors with management experience in other companies including the selection of suitable candidates. <p>⇒ We will continue to provide an explanation.</p>

Response to the Corporate Governance Code (CGC) of Japan

■ Matters Hokkan currently chooses to explain

	CGC principles for which Hokkan chooses to provide an explanation	Response
5.2.1	<p>In formulating and announcing business strategies, etc., companies should clearly present the basic policy regarding the business portfolio decided by the board and the status of the review of such portfolio.</p>	<p>We made the following disclosure in our Group Strategy in relation to the basic policy on our business portfolio.</p> <p>2. Restructuring Business in Japan We will sort our business in Japan with focusing on the earning power to provide high value to our customers.</p> <p>3. Expansion of Business We will accelerate our business investment in emerging countries primarily in Southeast Asia to expand our sales and profit.</p> <p>4. New Business Development Utilizing M&A activities, we will globally penetrate new business fields, where we can take advantage of our expertise.</p> <p>⇒ Scheduled to comply after the close of the 97th annual general meeting of shareholders</p>



[Performance projections and forward-looking statements]

The performance projections, business plans, business strategies, business policies and other matters we disclose in this document are forward-looking statements, unless they are historical facts. They rely on the information we have obtained prior to the disclosure of this document and on the decisions made by our management based on certain assumptions that are deemed reasonable. Actual business results and so forth may significantly differ due to various risks and other indeterminate factors.