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MEMBERSHIP
July 29, 2022

Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 6364
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 Scheduled date to commence dividend payments: –
 Scheduled date to file annual securities report: August 10, 2022
 Preparation of supplementary material on financial results: None
 Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2022	10,506	37.0	806	28.9	1,371	107.9	946	108.7
June 30, 2021	7,669	(4.5)	625	18.5	659	18.4	453	41.5

Note: Comprehensive income For the three months ended June 30, 2022: ¥1,022 million [168.6%]
 For the three months ended June 30, 2021: ¥380 million [(10.2)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	33.35	–
June 30, 2021	15.75	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2022	47,693	31,749	66.3	1,113.60
March 31, 2022	45,827	31,303	68.0	1,097.97

Reference: Equity

As of June 30, 2022: ¥31,608 million

As of March 31, 2022: ¥31,161 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	10.00	–	20.00	30.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		10.00	–	20.00	30.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2022	19,500	15.5	1,620	(3.8)	1,700	(5.2)	1,190	(3.7)	41.93
Fiscal year ending March 31, 2023	40,000	9.1	3,820	7.0	4,000	(1.4)	2,760	0.4	97.25

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2022	30,165,418 shares
As of March 31, 2022	30,165,418 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2022	1,781,661 shares
As of March 31, 2022	1,784,261 shares

(iii) Average number of shares outstanding during the period

Three months ended June 30, 2022	28,382,807 shares
Three months ended June 30, 2021	28,797,559 shares

Note: The number of treasury shares at the end of the period includes the Company's shares (343,300 shares for the three months ended June 30, 2022 and 345,900 shares for the fiscal year ended March 31, 2022) held by "Custody Bank of Japan, Ltd. (Trust Account E)." The Company's shares held by "Custody Bank of Japan, Ltd. (Trust Account E)" are included in treasury shares, which is deducted from the average number of shares outstanding during the period (344,250 shares for the three months ended June 30, 2022 and 329,650 shares for the three months ended June 30, 2021).

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters
(Caution regarding forward-looking statements and others)

The forward-looking statements, including earnings forecasts, contained in this material are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Moreover, actual business and other results may differ from the forecast due to various factors going forward. Please refer to "1. Qualitative information on financial results for the period under review, (3) Explanation of consolidated earnings forecasts and other forward-looking statements" on page 3 for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

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1. Qualitative information on financial results for the period under review

(1) Explanation of operating results

During the three months ended June 30, 2022 (April 1, 2022 to June 30, 2022), as the Japanese economy moved toward normalization of economic and social activities due to the easing of restrictions related to COVID-19, the ongoing shortage of raw materials, including semiconductors, and soaring prices were among the factors that exerted downward pressure on the Japanese economy. In the global economy, the outlook remained uncertain, mainly due to lockdowns in some regions, logistical disruptions brought about by the prolonged situation with Russia and Ukraine, and soaring energy prices and marine transportation costs, as well as exchange rate fluctuations caused by the abrupt depreciation of the yen.

Amid such circumstances, the Group has been working on its growth strategy to become a company that “pursues new value every time and contributes to society and industry” as stated in its medium-term management plan. The Group also has been continuing to follow the guidelines for preventing the spread of COVID-19 and striving to win orders in regions where the economies are rapidly recovering, while promoting efforts to improve profits through company-wide efficiency drives and cost-cutting initiatives.

All of which has elicited the following results for the three months ended June 30, 2022:

	Three months ended June 30, 2021 (Millions of yen)	Three months ended June 30, 2022 (Millions of yen)	Year-on-year changes (%)
Net sales	7,669	10,506	37.0
[Domestic sales]	[4,053]	[4,721]	[16.5]
[International sales]	[3,616]	[5,785]	[60.0]
Operating profit	625	806	28.9
Ordinary profit	659	1,371	107.9
Profit attributable to owners of parent	453	946	108.7

Group operations are divided into two business segments, the status of each of which is as follows:

(Construction Machinery Business)

The key areas of this segment are engine compressors, engine generators and scissors lifters.

From a sales perspective, shipments of scissors lifters increased significantly against the backdrop of a recovery in privately funded new construction works in Japan. In overseas, although there were some factors that reduced sales, such as the continued suspension of shipments to Russia and the lockdown in Shanghai, sales increased significantly due to a significant increase in orders from North America, a trend that continued from the previous fiscal year, and economic recovery triggered by the easing of restrictions related to COVID-19 in Southeast Asia. Additionally, the weakening of the yen against foreign currencies served as momentum for overseas as a whole, resulting in a significant increase in overall sales year on year. From a profit perspective, despite the sharp rise in costs of steel and other materials, and transportation, which has been ongoing since the latter half of the previous fiscal year, the increase in sales and the effect of the record weak yen led an increase in profits year on year.

	Three months ended June 30, 2021 (Millions of yen)	Three months ended June 30, 2022 (Millions of yen)	Year-on-year changes (%)
Net sales	6,094	8,701	42.8
Segment profit	655	877	33.8

(Industrial Machinery Business)

The key areas of this segment are motor compressors, emergency generators, components and services.

From a sales perspective, despite sluggish shipments of emergency generators, shipments of our mainstay motor compressors remained strong due to the recovery of capital investment sentiment as well as our push to capture Japanese market share in order to achieve the targets set forth in the medium-term management plan. In addition, with the effect of OEM supply to KOBELCO COMPRESSORS CORPORATION, which started in the latter half of the previous fiscal year, overall sales increased year on year. From a profit perspective, product price hikes were unable to keep pace with the abrupt rise in raw material costs, resulting in a decrease in profits year on year.

	Three months ended June 30, 2021 (Millions of yen)	Three months ended June 30, 2022 (Millions of yen)	Year-on-year changes (%)
Net sales	1,575	1,805	14.6
Segment profit	246	239	(2.8)

(2) Explanation of financial position

(Assets, liabilities and net assets)

At the close of the first quarter under review, total assets of ¥47,693 million meant an increase of ¥1,866 million compared to the end of the previous fiscal year.

Current assets increased by ¥1,559 million to ¥34,051 million, mainly due to increases in cash and deposits, as well as in notes and accounts receivable - trade, and contract assets, and raw materials and supplies thanks to the growth of production and sales.

Non-current assets rose by ¥306 million to ¥13,641 million, mainly due to an increase in property, plant and equipment resulting from the acquisition of land for the planned construction of a branch in China, and an increase in deferred tax assets.

The increase in current liabilities, rising by ¥1,177 million to ¥13,116 million, was mainly due to increases in notes and accounts payable - trade, electronically recorded obligations - operating and provision for bonuses thanks to the growth of production.

The increase in non-current liabilities, rising by ¥242 million to ¥2,827 million, was mainly due to an increase in bonds resulting from SDGs private placement bond issues.

Net assets increased by ¥446 million to ¥31,749 million, mainly due to an increase in retained earnings and an increase in foreign currency translation adjustment resulting from the weaker yen in exchange rates.

Consequently, the equity ratio at the end of the first quarter under review decreased by 1.7 points to 66.3% compared with the end of the previous fiscal year.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

For the three months ended June 30, 2022, although our performance exceeds the initial plan, the outlook is more uncertain than ever, with the number of new COVID-19 infection cases in Japan reaching a record high and variants continuing to proliferate in certain regions across the world, while the effects of the invasion of Ukraine by Russia and economic sanctions imposed on Russia by various governments in response continues, and the yen has proceeded to substantially weaken. Furthermore, due to the uncertainties in the impact of further surges in raw material costs and the expected continuation of supply chain disruptions on the Company's business activities, we have decided to leave our consolidated earnings forecasts announced on May 10, 2022 unchanged at this point in time.

The Company will disclose information on any changes in the future in an appropriate manner.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	10,943,932	11,251,584
Notes and accounts receivable - trade, and contract assets	15,045,324	16,006,512
Merchandise and finished goods	4,044,849	3,690,140
Work in process	207,934	197,773
Raw materials and supplies	1,223,282	1,565,539
Other	1,082,865	1,401,544
Allowance for doubtful accounts	(56,172)	(61,172)
Total current assets	32,492,016	34,051,922
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,859,613	8,865,773
Accumulated depreciation	(4,443,267)	(4,513,431)
Buildings and structures, net	4,416,346	4,352,342
Machinery, equipment and vehicles	8,656,006	8,676,721
Accumulated depreciation	(6,391,950)	(6,517,426)
Machinery, equipment and vehicles, net	2,264,055	2,159,294
Land	2,006,579	2,209,759
Construction in progress	168,639	251,361
Other	1,564,706	1,592,137
Accumulated depreciation	(1,430,233)	(1,440,784)
Other, net	134,473	151,352
Total property, plant and equipment	8,990,094	9,124,111
Intangible assets	65,228	78,706
Investments and other assets		
Investment securities	2,984,889	2,865,175
Investments in capital of subsidiaries and associates	528,753	577,986
Deferred tax assets	561,703	787,667
Other	210,492	213,597
Allowance for doubtful accounts	(5,876)	(5,645)
Total investments and other assets	4,279,963	4,438,781
Total non-current assets	13,335,285	13,641,599
Total assets	45,827,302	47,693,521

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Consolidated Financial Results for the Three Months Ended June 30, 2022

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,237,599	4,857,372
Electronically recorded obligations - operating	4,052,298	4,313,148
Short-term borrowings	100,000	100,000
Current portion of bonds payable	-	60,000
Income taxes payable	904,937	665,214
Provision for bonuses	683,160	1,049,886
Provision for bonuses for directors (and other officers)	50,240	60,362
Provision for product warranties	18,600	20,010
Other	1,892,029	1,990,434
Total current liabilities	11,938,864	13,116,427
Non-current liabilities		
Bonds payable	-	240,000
Deferred tax liabilities	2,440	2,808
Provision for share awards	174,896	178,853
Provision for share awards for directors (and other officers)	124,106	105,191
Retirement benefit liability	2,049,661	2,059,201
Asset retirement obligations	114,438	119,424
Other	119,457	122,031
Total non-current liabilities	2,585,000	2,827,510
Total liabilities	14,523,865	15,943,938
Net assets		
Shareholders' equity		
Share capital	3,416,544	3,416,544
Capital surplus	3,887,594	3,887,594
Retained earnings	24,278,736	24,650,812
Treasury shares	(1,354,354)	(1,351,722)
Total shareholders' equity	30,228,520	30,603,228
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	999,897	960,669
Foreign currency translation adjustment	20,966	127,933
Remeasurements of defined benefit plans	(87,775)	(83,567)
Total accumulated other comprehensive income	933,088	1,005,035
Non-controlling interests	141,827	141,319
Total net assets	31,303,436	31,749,583
Total liabilities and net assets	45,827,302	47,693,521

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	7,669,749	10,506,661
Cost of sales	5,673,960	7,998,230
Gross profit	1,995,789	2,508,431
Selling, general and administrative expenses		
Packing and transportation costs	163,226	344,063
Provision of allowance for doubtful accounts	263	4,843
Provision for product warranties	570	1,410
Remuneration, salaries and allowances for directors (and other officers)	484,313	490,921
Provision for bonuses	163,750	189,477
Provision for bonuses for directors (and other officers)	13,370	10,122
Retirement benefit expenses	26,340	27,890
Provision for share awards	3,621	3,480
Provision for share awards for directors (and other officers)	5,837	7,155
Other	508,969	622,580
Total selling, general and administrative expenses	1,370,262	1,701,944
Operating profit	625,526	806,486
Non-operating income		
Interest income	1,678	1,337
Dividend income	7,594	12,010
Share of profit of entities accounted for using equity method	12,335	21,078
Foreign exchange gains	-	524,131
Other	32,202	11,860
Total non-operating income	53,810	570,417
Non-operating expenses		
Interest expenses	2,311	1,549
Bond issuance costs	-	3,024
Foreign exchange losses	17,124	-
Other	291	793
Total non-operating expenses	19,727	5,367
Ordinary profit	659,609	1,371,536
Extraordinary income		
Gain on disposal of non-current assets	1,898	-
Gain on sale of investment securities	2,050	9,191
Total extraordinary income	3,948	9,191
Extraordinary losses		
Loss on disposal of non-current assets	6,715	96
Total extraordinary losses	6,715	96
Profit before income taxes	656,843	1,380,631
Income taxes - current	311,018	640,549
Income taxes - deferred	(111,249)	(210,967)
Total income taxes	199,769	429,582
Profit	457,074	951,048
Profit attributable to non-controlling interests	3,394	4,431
Profit attributable to owners of parent	453,679	946,616

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	457,074	951,048
Other comprehensive income		
Valuation difference on available-for-sale securities	(155,564)	(39,227)
Foreign currency translation adjustment	52,556	71,910
Remeasurements of defined benefit plans, net of tax	3,523	4,208
Share of other comprehensive income of entities accounted for using equity method	23,323	35,055
Total other comprehensive income	(76,161)	71,947
Comprehensive income	380,912	1,022,995
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	377,517	1,018,563
Comprehensive income attributable to non-controlling interests	3,394	4,431

(3) Notes to quarterly consolidated financial statements

(Notes on the going-concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Additional information)

(Transactions of delivering the Company's own shares to employees, etc. through trusts)

The Company concludes transactions as part of efforts to deliver its own shares to employees, etc. through trust for the purpose of providing benefits to employees. As regards to how such trust agreements are usually accounted for, the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (ASBJ PITF No. 30, March 26, 2015), has been applied and the relevant accounting treatment implemented in accordance with the relevant guidelines.

i) Transaction overview

The Company issues points to its employees based on their individual contributions and other factors, and when they acquire entitlements under certain conditions, they will receive shares in the Company equivalent to the points thus granted. The shares to be provided to employees are acquired ahead of time using money set up in advance in a trust, then segregated and managed as trust assets.

ii) Company shares remaining in trust

The Company's shares remaining in the trust are recorded as treasury shares under net assets at their book value in the trust (excluding the incidental expenses incurred). The book value and number of such treasury shares were ¥202,876 thousand and 200,400 shares for the previous fiscal year and ¥200,244 thousand and 197,800 shares in the first quarter under review.

(Performance-linked share-based remuneration scheme for officers)

The purpose of the Company is to provide incentives to directors (excluding those appointed as audit committee members and outside directors), executive officers and directors appointed as audit committee members (excluding outside directors), (hereinafter referred to as "Officers"). The Company has entered into transactions to issue its shares through a trust to the Officers for the purpose of providing incentives to the Officers. As regards how such trust agreements are usually accounted for, the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (ASBJ PITF No. 30, March 26, 2015), has been applied and the relevant accounting treatment implemented in accordance with the relevant guidelines.

i) Transaction overview

The Company will award certain points to officers according to the monthly remuneration amount, achievement level, etc. for the relevant fiscal year, and will provide the Company's shares according to the accumulated points when the officer retires. The shares to be provided to officers are acquired ahead of time using money set up in advance in a trust, then segregated and managed as trust assets.

ii) Company shares remaining in trust

The Company's shares remaining in the trust are recorded as treasury shares under net assets at their book value in the trust (excluding the incidental expenses incurred). The book value and number of such treasury shares were ¥144,890 thousand and 145,500 shares for the previous fiscal year and ¥144,890 thousand and 145,500 shares in the first quarter under review.

(Segment information)

Three months ended June 30, 2021

i) Information on net sales and profit or loss by reportable segment, and disaggregation of revenue

(Thousands of yen)

	Construction Machinery Business	Industrial Machinery Business	Total
Net sales			
Finished goods	5,697,575	1,061,389	6,758,964
Components	251,153	261,511	512,664
Services	145,977	252,143	398,120
Revenue from contracts with customers	6,094,706	1,575,043	7,669,749
Other revenue	–	–	–
Sales to external customers	6,094,706	1,575,043	7,669,749
Transactions with other segments	–	–	–
Total	6,094,706	1,575,043	7,669,749
Segment profit	655,759	246,721	902,481

ii) Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income, and details thereof (Reconciliation)

(Thousands of yen)

Profit	Amount
Total for reportable segments	902,481
Corporate expenses (Note)	(276,954)
Operating profit in the quarterly consolidated statement of income	625,526

Note: Corporate expenses mainly comprise general and administrative expenses and R&D expenses outside the scope of the reportable segments.

iii) Information on impairment loss of non-current assets and goodwill by reportable segments

Not applicable.

Three months ended June 30, 2022

i) Information on net sales and profit or loss by reportable segment, and disaggregation of revenue

(Thousands of yen)

	Construction Machinery Business	Industrial Machinery Business	Total
Net sales			
Finished goods	8,196,256	1,298,308	9,494,565
Components	264,517	247,797	512,314
Services	240,882	258,898	499,781
Revenue from contracts with customers	8,701,656	1,805,005	10,506,661
Other revenue	–	–	–
Sales to external customers	8,701,656	1,805,005	10,506,661
Transactions with other segments	–	–	–
Total	8,701,656	1,805,005	10,506,661
Segment profit	877,344	239,808	1,117,152

ii) Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income and details thereof (Reconciliation)

(Thousands of yen)

Profit	Amount
Total for reportable segments	1,117,152
Corporate expenses (Note)	(310,666)
Operating profit on the quarterly consolidated statement of income	806,486

Note: Corporate expenses mainly comprise general and administrative expenses and R&D expenses outside the scope of the reportable segments.

iii) Information on impairment loss of non-current assets and goodwill by reportable segments

Not applicable.