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MEMBERSHIP

January 31, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)

Company name: Hokuetsu Industries Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 6364
 URL: <https://www.airman.co.jp/>
 Representative: Yoshimasa Horiuchi, President, CEO
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 Scheduled date to commence dividend payments: —
 Scheduled date to file quarterly securities report: February 10, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

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

1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	%
Nine months ended								
December 31, 2022	36,135	35.3	4,492	74.8	4,199	50.0	2,878	51.3
December 31, 2021	26,703	11.8	2,569	56.9	2,798	61.2	1,901	69.3

Note: Comprehensive income For the nine months ended December 31, 2022: ¥3,371 million [87.6%]
 For the nine months ended December 31, 2021: ¥1,797 million [50.3%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	101.49	—
December 31, 2021	66.08	—

(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
December 31, 2022	51,137	33,462	65.1	1,180.93
March 31, 2022	45,827	31,303	68.0	1,097.97

Reference: Equity

As of December 31, 2022: ¥33,310 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	–	15.00	–		
Fiscal year ending March 31, 2023 (Forecast)				20.00	35.00

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
Fiscal year ending March 31, 2023	44,500	21.4	5,250	47.1	5,400	33.2	3,672	33.6	129.38

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 December 31, 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 December 31, 2022	1,958,182 shares
As of March 31, 2022	1,784,261 shares

(iii) Average number of shares outstanding during the period

Nine months ended December 31, 2022	28,358,705 shares
Nine months ended December 31, 2021	28,779,309 shares

Note: The number of treasury shares at the end of the period includes the Company's shares (369,200 shares for the nine months ended December 31, 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 (344,650 shares for the nine months ended December 31, 2022 and 324,880 shares for the nine months ended December 31, 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.

(How to obtain supplementary material on quarterly financial results)

Supplementary material on quarterly financial results will be posted on the Company's website on Monday, February 13, 2023.

Consolidated financial statements

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	10,943,932	11,560,271
Notes and accounts receivable - trade, and contract assets	15,045,324	18,452,629
Merchandise and finished goods	4,044,849	4,251,610
Work in process	207,934	221,441
Raw materials and supplies	1,223,282	1,476,595
Other	1,082,865	1,093,751
Allowance for doubtful accounts	(56,172)	(668)
Total current assets	32,492,016	37,055,630
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,859,613	9,234,613
Accumulated depreciation	(4,443,267)	(4,636,675)
Buildings and structures, net	4,416,346	4,597,937
Machinery, equipment and vehicles	8,656,006	8,707,258
Accumulated depreciation	(6,391,950)	(6,655,195)
Machinery, equipment and vehicles, net	2,264,055	2,052,062
Land	2,006,579	2,210,199
Construction in progress	168,639	502,672
Other	1,564,706	1,650,542
Accumulated depreciation	(1,430,233)	(1,480,391)
Other, net	134,473	170,151
Total property, plant and equipment	8,990,094	9,533,024
Intangible assets	65,228	145,260
Investments and other assets		
Investment securities	2,984,889	3,012,609
Investments in capital of subsidiaries and associates	528,753	661,944
Deferred tax assets	561,703	430,441
Other	210,492	310,721
Allowance for doubtful accounts	(5,876)	(11,933)
Total investments and other assets	4,279,963	4,403,783
Total non-current assets	13,335,285	14,082,067
Total assets	45,827,302	51,137,698

Hokuetsu Industries Co., Ltd. (6364)
Consolidated Financial Results for the Nine Months Ended December 31, 2022

(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,237,599	4,974,162
Electronically recorded obligations - operating	4,052,298	4,827,264
Short-term borrowings	100,000	672,000
Current portion of bonds payable	-	60,000
Income taxes payable	904,937	590,654
Provision for bonuses	683,160	539,775
Provision for bonuses for directors (and other officers)	50,240	30,366
Provision for product warranties	18,600	22,260
Other	1,892,029	2,320,462
Total current liabilities	11,938,864	14,036,945
Non-current liabilities		
Bonds payable	-	210,000
Long-term borrowings	-	778,000
Deferred tax liabilities	2,440	2,457
Provision for share awards	174,896	187,014
Provision for share awards for directors (and other officers)	124,106	119,121
Retirement benefit liability	2,049,661	2,096,968
Asset retirement obligations	114,438	126,227
Other	119,457	118,580
Total non-current liabilities	2,585,000	3,638,369
Total liabilities	14,523,865	17,675,315
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	26,151,421
Treasury shares	(1,354,354)	(1,556,557)
Total shareholders' equity	30,228,520	31,899,002
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	999,897	1,148,840
Foreign currency translation adjustment	20,966	338,066
Remeasurements of defined benefit plans	(87,775)	(75,150)
Total accumulated other comprehensive income	933,088	1,411,756
Non-controlling interests	141,827	151,623
Total net assets	31,303,436	33,462,382
Total liabilities and net assets	45,827,302	51,137,698

(2) Consolidated statements of income and comprehensive income
Consolidated statement of income

(Thousands of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	26,703,360	36,135,866
Cost of sales	19,807,132	26,652,288
Gross profit	6,896,227	9,483,578
Selling, general and administrative expenses		
Packing and transportation costs	567,451	913,312
Provision of allowance for doubtful accounts	(29,551)	(49,372)
Provision for product warranties	2,430	3,660
Remuneration, salaries and allowances for directors (and other officers)	1,716,853	1,807,074
Provision for bonuses	229,950	251,708
Provision for bonuses for directors (and other officers)	40,110	30,366
Retirement benefit expenses	80,505	87,158
Provision for share awards	11,365	9,290
Provision for share awards for directors (and other officers)	20,265	21,079
Other	1,686,864	1,917,207
Total selling, general and administrative expenses	4,326,243	4,991,483
Operating profit	2,569,984	4,492,095
Non-operating income		
Interest income	4,361	9,825
Dividend income	45,215	68,819
Share of profit of entities accounted for using equity method	67,571	70,738
Foreign exchange gains	71,078	-
Other	67,296	18,175
Total non-operating income	255,523	167,559
Non-operating expenses		
Interest expenses	6,815	6,333
Foreign exchange losses	-	432,253
Other	20,070	22,015
Total non-operating expenses	26,885	460,602
Ordinary profit	2,798,622	4,199,051
Extraordinary income		
Gain on disposal of non-current assets	5,141	374
Gain on sale of investment securities	2,050	9,371
Total extraordinary income	7,192	9,746
Extraordinary losses		
Loss on disposal of non-current assets	14,590	8,103
Total extraordinary losses	14,590	8,103
Profit before income taxes	2,791,223	4,200,694
Income taxes - current	837,052	1,247,306
Income taxes - deferred	38,663	60,520
Total income taxes	875,716	1,307,827
Profit	1,915,507	2,892,867
Profit attributable to non-controlling interests	13,722	14,735
Profit attributable to owners of parent	1,901,785	2,878,131

Consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	1,915,507	2,892,867
Other comprehensive income		
Valuation difference on available-for-sale securities	(223,475)	148,943
Foreign currency translation adjustment	60,372	249,616
Remeasurements of defined benefit plans, net of tax	10,569	12,625
Share of other comprehensive income of entities accounted for using equity method	34,499	67,482
Total other comprehensive income	(118,033)	478,668
Comprehensive income	1,797,473	3,371,535
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,783,751	3,356,800
Comprehensive income attributable to non-controlling interests	13,722	14,735