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MEMBERSHIP

May 10, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)

Company name: Hokuetsu Industries Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 6364
 URL: <https://www.airman.co.jp/>
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 Scheduled date of annual general meeting of shareholders: June 28, 2023
 Scheduled date to commence dividend payments: June 29, 2023
 Scheduled date to file annual securities report: June 28, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	49,000	33.7	4,842	35.6	5,380	32.7	3,752	36.5
March 31, 2022	36,650	11.3	3,570	43.4	4,055	38.8	2,748	41.4

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥4,102 million [63.1%]
 For the fiscal year ended March 31, 2022: ¥2,516 million [6.1%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
March 31, 2023	132.47	–	11.5	10.9	9.9
March 31, 2022	95.76	–	9.0	9.1	9.7

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2023: ¥87 million
 For the fiscal year ended March 31, 2022: ¥84 million

(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
March 31, 2023	53,237	34,194	63.9	1,206.75
March 31, 2022	45,827	31,303	68.0	1,097.97

Reference: Equity

As of March 31, 2023: ¥34,039 million

As of March 31, 2022: ¥31,161 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	2,869	(867)	(158)	12,509
March 31, 2022	2,276	(615)	(2,222)	10,613

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended March 31, 2022	Yen –	Yen 10.00	Yen –	Yen 20.00	Yen 30.00	Millions of yen 865	% 31.3	% 2.8
Fiscal year ended March 31, 2023	–	15.00	–	30.00	45.00	1,288	34.0	3.9
Fiscal year ending March 31, 2024 (Forecast)	–	10.00	–	20.00	30.00		33.4	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2023	23,300	3.8	1,660	(32.6)	1,730	(44.8)	1,210	(43.7)	42.90
Fiscal year ending March 31, 2024	47,000	(4.1)	3,620	(25.2)	3,770	(29.9)	2,530	(32.6)	89.69

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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

(3) Number of issued shares (common shares)

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

As of March 31, 2023	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 March 31, 2023	1,957,534 shares
As of March 31, 2022	1,784,261 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	28,323,827 shares
Fiscal year ended March 31, 2022	28,703,998 shares

Note: The number of treasury shares at the end of the fiscal year includes the Company's shares (368,500 shares for the fiscal year ended March 31, 2023 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 (350,231 shares for the fiscal year ended March 31, 2023 and 329,823 shares for the fiscal year ended March 31, 2022).

[Reference] Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	44,249	24.5	2,747	26.1	3,712	20.1	2,647	24.4
March 31, 2022	35,539	18.6	2,179	45.3	3,090	46.4	2,128	49.4

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2023	93.48	—
March 31, 2022	74.16	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	42,907	24,824	57.9	880.05
March 31, 2022	37,611	23,252	61.8	819.28

Reference: Equity

As of March 31, 2023: ¥24,824 million

As of March 31, 2022: ¥23,252 million

* 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 Hokuetsu Industries Co., Ltd. (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. Overview of operating results and others, (1) Overview of operating results for the fiscal year” on page 2 for the assumptions used in the forecast of financial results and precautionary remarks regarding the use of the forecast of financial results.

(How to obtain supplementary material on financial results)

The Company is scheduled to hold a financial results briefing for institutional investors and analysts on Monday, May 29, 2023.

Supplementary material on financial results to be used in this financial results briefing will be posted on the Company’s website shortly after the briefing.

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1. Overview of operating results and others

(1) Overview of operating results for the fiscal year

In the fiscal year under review (April 1, 2022 to March 31, 2023), although the Japanese economy has been gradually recovering in the age of living with COVID-19, corporate performance and household economies were significantly affected by the rising prices due to soaring raw material and energy prices. In the global economy, there were concerns of an economic slowdown, as the outlook continued to be uncertain mainly due to impact of geopolitical risks such as rising tensions between the U.S. and China, and the prolonged situation with Ukraine, and as countries in Europe and the Americas applied sharp monetary tightening in an attempt to control inflation and stabilize prices.

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 “Medium-Term Vision 2024.” The Group also strove to improve production capacity in response to the rapid increase in orders in regions where economies were recovering, and to minimize the impact of deterioration in the procurement environment. In addition, the Group has also worked to improve profits by reviewing selling prices and promoting cost cutting.

All of which has elicited the following results for the fiscal year under review:

	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Year-on-year changes (%)
Net sales	36,650	49,000	33.7
[Domestic sales]	[21,708]	[26,724]	[23.1]
[International sales]	[14,942]	[22,275]	[49.1]
Operating profit	3,570	4,842	35.6
Ordinary profit	4,055	5,380	32.7
Profit attributable to owners of parent	2,748	3,752	36.5

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 strong demand for construction works, such as projects for renovation work and new buildings for hotels, etc., on a recovery trend due to demand for inbound travel and the National Travel Discount program in Japan, and continued redevelopment projects in major cities, etc. For overseas, although the suspension of shipments to Russia continued, sales grew significantly due to a further increase in orders from North America, which had continued from the previous fiscal year, and growing demand due to the economic recovery in Southeast Asia, as well as increased demand for resource development in Oceania. From a profit perspective, although the rise in costs of steel and other materials was a major downward factor, the increase in sales, the enhancement of plant operation rate, as well as the effect of the record weak yen in sales for North America led an increase in profits year on year.

	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Year-on-year changes (%)
Net sales	29,109	39,835	36.8
Segment profit	3,489	4,528	29.8

(Industrial Machinery Business)

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

From a sales perspective, shipments of our mainstay motor compressors remained strong due to our push to capture Japanese market share in order to achieve the targets set forth in the medium-term management plan “Medium-Term Vision 2024.” In addition, with a stabilization in OEM supply to KOBELCO COMPRESSORS CORPORATION and favorable sales of large generators, overall sales increased year on year. From a profit perspective, although an abrupt rise in raw material costs was a major downward factor, the success in improving profits by increasing the price of some products and through large generators resulted in an increase in profits year on year.

	Fiscal year ended March 31, 2022 (Millions of yen)	Fiscal year ended March 31, 2023 (Millions of yen)	Year-on-year changes (%)
Net sales	7,541	9,164	21.5
Segment profit	1,122	1,431	27.5

Outlook for fiscal year ending March 31, 2024

As for the future economic outlook, the domestic economy is showing a gradual recovery in the age of living with COVID-19, but prices are rising due to soaring raw material and energy prices. Regarding overseas economies, there are also concerns about a slowdown in the economy due to rapid monetary tightening in an attempt to control inflation and stabilize prices, and the outlook is more uncertain than ever.

Amid these economic conditions, the Group is striving to boost its corporate value on an ongoing basis by developing products that match the changing market based on its core technologies we have cultivated over the years.

In terms of domestic sales, it is expected that the appetite for capital investment will increase in line with the economic recovery, particularly in new construction projects. As for overseas, we believe that demand for construction machinery will continue to increase due to the effects of infrastructure investment in North America and other countries. In terms of profits, it is expected that raw material prices will rise further, and it will be difficult to compensate it through foreign exchange gains as was the case in the previous year.

Consolidated forecasts for the fiscal year ending March 31, 2024 are as follows:

During the forecasting process, assumed exchange rates of ¥125 per US\$ and ¥135 per Euro were used.

	Results for the fiscal year ended March 31, 2023 (Millions of yen)	Forecast for fiscal year ending March 31, 2024 (Millions of yen)	Year-on-year changes (%)
Net sales	49,000	47,000	(4.1)
Operating profit	4,842	3,620	(25.2)
Ordinary profit	5,380	3,770	(29.9)
Profit attributable to owners of parent	3,752	2,530	(32.6)

(2) Overview of financial position for the fiscal year

(Assets, liabilities and net assets)

At the close of the fiscal year under review, total assets of ¥53,237 million meant an increase of ¥7,409 million compared to the end of the previous fiscal year.

As described in “3. Consolidated financial statements and significant notes thereto, (4) Consolidated statement of cash flows,” current assets increased by ¥6,624 million to ¥39,116 million, mainly due to an increase in cash and deposits, as well as increases in accounts receivable - trade, raw materials and supplies thanks to the growth of production and sales.

Non-current assets rose by ¥785 million to ¥14,121 million, mainly due to an increase in property, plant and equipment resulting from the construction of a branch in China and the Development and Administration building, an increase in intangible assets due to cost of establishing a new core system, etc., and an increase in investments in capital of subsidiaries and associates resulting from the application of the equity method.

The increase in current liabilities, rising by ¥3,315 million to ¥15,254 million, was mainly due to increases in notes and accounts payable - trade and electronically recorded obligations - operating thanks to the growth of production, and an increase in accrued liabilities for property, plant and equipment.

The increase in non-current liabilities, rising by ¥1,203 million to ¥3,788 million, was mainly due to an increase in bonds payable resulting from SDGs private placement bond issues and an increase in long-term borrowings due to raising capital expenditures.

Net assets increased by ¥2,890 million to ¥34,194 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 fiscal year decreased by 4.1 points to 63.9% compared with the end of the previous fiscal year.

(Cash flows)

The level of cash and cash equivalents at the end of the fiscal year increased by ¥1,895 million to ¥12,509 million compared with the end of the previous fiscal year.

Cash flows from operating activities increased by ¥592 million to ¥2,869 million, mainly due to increases in profit before income taxes and accounts receivable as well as trade payables.

Cash flows from investing activities decreased by ¥252 million compared to the previous year to a surplus of ¥867 million, mainly due to purchase of property, plant and equipment, purchase of intangible assets and proceeds from redemption of investment securities.

Cash flows from financing activities increased by ¥2,063 million compared to the previous year to a total of ¥158 million, most of which was for proceeds from long-term borrowings, purchase of treasury shares and cash dividends paid.

The Group includes the following cash flow-related indicators:

Reference: Trend of consolidated cash flow indicators

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity ratio	61.3%	64.4%	68.8%	68.0%	63.9%
Market capitalization ratio	78.0%	71.1%	71.9%	54.1%	74.1%
Cash flow to interest-bearing liabilities ratio	0.6 years	0.4 years	0.3 years	0.1 years	0.5 years
Interest coverage ratio	218.0 times	263.0 times	349.9 times	279.1 times	323.4 times

Notes: Equity ratio: Own capital / Total assets

Market capitalization ratio: Market capitalization / Total assets

Cash flow to interest-bearing liabilities ratio: Interest-bearing liabilities / Cash flow

Interest coverage ratio: Cash flow / Interest payment

- * All indicators are calculated based on consolidated financial figures.
- * Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period (excluding treasury shares).
- * Cash flows are based on cash flows from operating activities in the consolidated statement of cash flows. Interest-bearing liabilities cover the entire scope of interest-bearing liabilities recorded in the consolidated balance sheet. For interest payments, interest paid in the consolidated statement of cash flows is used.

(3) Basic policy on profit distribution, and dividends for the fiscal year under review and the following fiscal year

From the Company's perspective, returning profit to shareholders is one of its top management priorities. As a general rule, dividends commensurate with earnings will continue to be paid, while efficiently using retained earnings for investments aiming to strengthen the business structure and boost profitability going forward.

The Company plans to pay a year-end dividend of ¥30 per share for the fiscal year under review. Consequently, the annual dividend for the fiscal year, including the interim dividend of ¥15 per share, will be ¥45 per share.

For the following fiscal year, the Company plans to pay a dividend of ¥30 per share (interim dividend of ¥10 and year-end dividend of ¥20).

2. Basic approach to selection of accounting standards

The Group intends to prepare its consolidated financial statements in a manner compliant with the Japanese GAAP standard, taking into account comparability of consolidated financial statements between periods and between companies.

Going forward, the Company intends to consider applying international accounting standards, taking into account trends in the ratio of foreign shareholders and the extent to which industry peers in Japan apply international accounting standards.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	10,943,932	12,839,267
Notes receivable - trade	4,213,794	4,392,594
Accounts receivable - trade	10,831,530	14,923,396
Merchandise and finished goods	4,044,849	4,039,207
Work in process	207,934	205,234
Raw materials and supplies	1,223,282	1,507,602
Other	1,082,865	1,209,543
Allowance for doubtful accounts	(56,172)	(657)
Total current assets	32,492,016	39,116,189
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,859,613	9,250,898
Accumulated depreciation	(4,443,267)	(4,718,008)
Buildings and structures, net	4,416,346	4,532,889
Machinery, equipment and vehicles	8,656,006	8,756,354
Accumulated depreciation	(6,391,950)	(6,771,184)
Machinery, equipment and vehicles, net	2,264,055	1,985,170
Land	2,006,579* ¹	2,210,159* ¹
Construction in progress	168,639	483,791
Other	1,564,706	1,897,161
Accumulated depreciation	(1,430,233)	(1,555,171)
Other, net	134,473	341,989
Total property, plant and equipment	8,990,094	9,554,000
Intangible assets	65,228	171,765
Investments and other assets		
Investment securities	2,984,889	2,933,974
Investments in capital of subsidiaries and associates	528,753	636,000
Deferred tax assets	561,703	547,440
Other	210,492	306,628
Allowance for doubtful accounts	(5,876)	(28,763)
Total investments and other assets	4,279,963	4,395,280
Total non-current assets	13,335,285	14,121,046
Total assets	45,827,302	53,237,235

Hokuetsu Industries Co., Ltd. (6364)
Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,237,599	5,977,497
Electronically recorded obligations - operating	4,052,298	4,847,108
Short-term borrowings	100,000	222,000
Current portion of bonds payable	-	60,000
Income taxes payable	904,937	968,185
Contract liabilities	305,666	209,076
Provision for bonuses	683,160	723,634
Provision for bonuses for directors (and other officers)	50,240	35,700
Provision for product warranties	18,600	25,410
Other	1,586,362	2,185,889
Total current liabilities	11,938,864	15,254,501
Non-current liabilities		
Bonds payable	-	210,000
Long-term borrowings	-	778,000
Deferred tax liabilities	2,440	2,757
Provision for share awards	174,896	191,466
Provision for share awards for directors (and other officers)	124,106	123,127
Retirement benefit liability	2,049,661	2,105,462
Asset retirement obligations	114,438	146,047
Other	119,457	231,681
Total non-current liabilities	2,585,000	3,788,542
Total liabilities	14,523,865	19,043,044
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	27,025,374
Treasury shares	(1,354,354)	(1,555,922)
Total shareholders' equity	30,228,520	32,773,591
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	999,897	1,132,622
Foreign currency translation adjustment	20,966	209,141
Remeasurements of defined benefit plans	(87,775)	(75,607)
Total accumulated other comprehensive income	933,088	1,266,155
Non-controlling interests	141,827	154,444
Total net assets	31,303,436	34,194,191
Total liabilities and net assets	45,827,302	53,237,235

(2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	36,650,986* ¹	49,000,185* ¹
Cost of sales	27,102,151* ²	37,476,571* ²
Gross profit	9,548,835	11,523,613
Selling, general and administrative expenses		
Packing and transportation costs	871,201	1,127,683
Provision of allowance for doubtful accounts	(24,927)	(32,554)
Provision for product warranties	2,400	6,810
Remuneration, salaries and allowances for directors (and other officers)	2,272,562	2,387,104
Provision for bonuses	318,982	348,818
Provision for bonuses for directors (and other officers)	50,240	35,700
Retirement benefit expenses	107,689	116,346
Provision for share awards	14,231	12,590
Provision for share awards for directors (and other officers)	28,550	25,085
Other	2,337,709* ³	2,653,985* ³
Total selling, general and administrative expenses	5,978,639	6,681,569
Operating profit	3,570,195	4,842,044
Non-operating income		
Interest income	6,133	21,973
Dividend income	81,914	104,278
Share of profit of entities accounted for using equity method	84,436	87,188
Foreign exchange gains	252,485	325,054
Other	93,311	34,627
Total non-operating income	518,280	573,122
Non-operating expenses		
Interest expenses	8,475	9,263
Loss on valuation of investment securities	-	13,951
Other	24,757	11,940
Total non-operating expenses	33,233	35,155
Ordinary profit	4,055,242	5,380,011
Extraordinary income		
Gain on disposal of non-current assets	5,226* ⁴	386* ⁴
Gain on sale of investment securities	2,050	9,371
Total extraordinary income	7,277	9,758
Extraordinary losses		
Loss on disposal of non-current assets	15,522* ⁵	12,658* ⁵
Total extraordinary losses	15,522	12,658
Profit before income taxes	4,046,997	5,377,111
Income taxes - current	1,316,606	1,654,597
Income taxes - deferred	(34,535)	(47,128)
Total income taxes	1,282,070	1,607,469
Profit	2,764,927	3,769,642
Profit attributable to non-controlling interests	16,122	17,556
Profit attributable to owners of parent	2,748,804	3,752,085

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	2,764,927	3,769,642
Other comprehensive income		
Valuation difference on available-for-sale securities	(388,193)	132,725
Foreign currency translation adjustment	81,587	160,421
Remeasurements of defined benefit plans, net of tax	4,858	12,168
Share of other comprehensive income of entities accounted for using equity method	52,963	27,752
Total other comprehensive income	(248,782)	333,067
Comprehensive income	2,516,144	4,102,709
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,500,021	4,085,152
Comprehensive income attributable to non-controlling interests	16,122	17,556

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,416,544	3,887,594	22,316,367	(967,748)	28,652,758
Changes during period					
Dividends of surplus			(786,435)		(786,435)
Profit attributable to owners of parent			2,748,804		2,748,804
Purchase of treasury shares				(442,726)	(442,726)
Disposal of treasury shares				56,119	56,119
Net changes in items other than shareholders' equity					
Total changes during period	–	–	1,962,369	(386,606)	1,575,762
Balance at end of period	3,416,544	3,887,594	24,278,736	(1,354,354)	30,228,520

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,388,090	(113,584)	(92,634)	1,181,871	127,795	29,962,424
Changes during period						
Dividends of surplus						(786,435)
Profit attributable to owners of parent						2,748,804
Purchase of treasury shares						(442,726)
Disposal of treasury shares						56,119
Net changes in items other than shareholders' equity	(388,193)	134,551	4,858	(248,782)	14,032	(234,750)
Total changes during period	(388,193)	134,551	4,858	(248,782)	14,032	1,341,012
Balance at end of period	999,897	20,966	(87,775)	933,088	141,827	31,303,436

Hokuetsu Industries Co., Ltd. (6364)
Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

Fiscal year ended March 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,416,544	3,887,594	24,278,736	(1,354,354)	30,228,520
Changes during period					
Dividends of surplus			(1,005,446)		(1,005,446)
Profit attributable to owners of parent			3,752,085		3,752,085
Purchase of treasury shares				(238,897)	(238,897)
Disposal of treasury shares				37,329	37,329
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,746,638	(201,567)	2,545,070
Balance at end of period	3,416,544	3,887,594	27,025,374	(1,555,922)	32,773,591

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	999,897	20,966	(87,775)	933,088	141,827	31,303,436
Changes during period						
Dividends of surplus						(1,005,446)
Profit attributable to owners of parent						3,752,085
Purchase of treasury shares						(238,897)
Disposal of treasury shares						37,329
Net changes in items other than shareholders' equity	132,725	188,174	12,168	333,067	12,616	345,683
Total changes during period	132,725	188,174	12,168	333,067	12,616	2,890,754
Balance at end of period	1,132,622	209,141	(75,607)	1,266,155	154,444	34,194,191

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	4,046,997	5,377,111
Depreciation	1,022,086	944,875
Increase (decrease) in retirement benefit liability	(7,812)	73,309
Increase (decrease) in provision for share awards	25,279	22,237
Increase (decrease) in provision for share awards for directors (and other officers)	28,419	25,087
Increase (decrease) in allowance for doubtful accounts	(24,927)	(32,627)
Increase (decrease) in provision for product warranties	2,400	6,810
Interest and dividend income	(88,047)	(126,251)
Interest expenses	8,475	9,263
Share of loss (profit) of entities accounted for using equity method	(84,436)	(87,188)
Loss (gain) on sale of investment securities	(2,050)	(9,371)
Loss (gain) on valuation of investment securities	(12,481)	13,951
Loss (gain) on disposal of property, plant and equipment	10,296	12,271
Decrease (increase) in trade receivables	(1,261,849)	(3,869,911)
Decrease (increase) in inventories	(1,174,172)	57,296
Increase (decrease) in trade payables	1,674,433	2,069,273
Decrease (increase) in consumption taxes refund receivable	(628,967)	(159,161)
Increase (decrease) in accrued consumption taxes	(91,605)	13,936
Other, net	(218,305)	(9,364)
Subtotal	3,223,731	4,331,547
Interest and dividends received	88,167	126,309
Interest paid	(8,156)	(8,870)
Income taxes paid	(1,027,577)	(1,579,916)
Net cash provided by (used in) operating activities	2,276,164	2,869,069
Cash flows from investing activities		
Payments into time deposits	(630,273)	(630,284)
Proceeds from withdrawal of time deposits	630,266	630,278
Purchase of property, plant and equipment	(1,105,124)	(999,901)
Proceeds from sale of property, plant and equipment	5,424	389
Purchase of intangible assets	(22,311)	(106,211)
Purchase of investment securities	(750)	(778)
Proceeds from sale of investment securities	9,450	19,958
Proceeds from redemption of investment securities	497,950	217,940
Loan advances	(1,000)	-
Proceeds from collection of loans receivable	290	500
Proceeds from divestments	180	170
Net cash provided by (used in) investing activities	(615,898)	(867,940)

Hokuetsu Industries Co., Ltd. (6364)
Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Proceeds from long-term borrowings	–	1,000,000
Repayments of long-term borrowings	(375,000)	(100,000)
Proceeds from issuance of bonds	–	300,000
Redemption of bonds	(600,000)	(30,000)
Repayments of lease liabilities	(16,009)	(83,063)
Purchase of treasury shares	(442,726)	(238,897)
Dividends paid	(786,202)	(1,002,073)
Dividends paid to non-controlling interests	(2,090)	(4,940)
Net cash provided by (used in) financing activities	(2,222,028)	(158,974)
Effect of exchange rate change on cash and cash equivalents	125,672	53,174
Net increase (decrease) in cash and cash equivalents	(436,090)	1,895,330
Cash and cash equivalents at beginning of period	11,049,865	10,613,775
Cash and cash equivalents at end of period	10,613,775* ¹	12,509,105* ¹

(5) Notes to consolidated financial statements

(Notes on the going-concern assumption)

Not applicable.

(Change in presentation)

(Consolidated statement of income)

The item “Commission for syndicated loans” under “Non-operating expenses,” presented in the previous fiscal year as a separate item, is included in “Other” in the fiscal year under review, as it comprised less than 10/100 of total non-operating expenses. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in the presentation detail.

This means that ¥14,999 thousand, which was presented as “Commission for syndicated loans” as part of “Non-operating expenses” in the consolidated statement of income for the previous fiscal year has been reclassified as “Other.”

(Consolidated statement of cash flows)

The items “Subsidy income” and “Subsidies received” under “Cash flows from operating activities,” presented in the previous fiscal year as separate items, are included in “Other” in the fiscal year under review, as they have become insignificant in terms of amount.

“Loss (gain) on valuation of investment securities,” which was included in “Other” under “Cash flows from operating activities” in the previous fiscal year, is presented as a separate item in the fiscal year under review due to its increased importance in terms of amount. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in the presentation detail.

As a result, “Subsidy income” of minus ¥27,929 thousand, “Subsidies received” of ¥33,374 thousand, and “Other” of minus ¥236,232 thousand, which were presented in “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year, have been reclassified as “Loss (gain) on valuation of investment securities” of minus ¥12,481 thousand and “Other” of minus ¥218,305 thousand, and “Subtotal” of ¥3,190,356 thousand was changed to ¥3,223,731 thousand.

(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 ¥227,077 thousand and 225,000 shares in the fiscal year under review.

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

The Company has entered into transactions to issue its shares through a trust 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") 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 the 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 the 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 ¥148,166 thousand and 143,500 shares in the fiscal year under review.

(Consolidated balance sheet)

*1 Idle fixed assets included in property, plant and equipment are as follows:

	(Thousands of yen)	
	As of March 31, 2022	As of March 31, 2023
Land	1,000	1,000

2 The company has concluded commitment line agreements with four banks with which it does business, to ensure more flexible and stable fundraising.
Undrawn borrowings and other balances relevant to commitment lines of credit for the fiscal year are as follows:

	(Thousands of yen)	
	As of March 31, 2022	As of March 31, 2023
Total commitment lines	2,000,000	2,000,000
Outstanding borrowings	-	-
Balance	2,000,000	2,000,000

(Consolidated statement of income)

*1 Revenue from contracts with customers

Sales are not presented separately for revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is presented in “3. Consolidated financial statements and significant notes thereto, (5) Notes to consolidated financial statements (Segment Information, etc.).”

*2 The book value of inventories held for sale in the ordinary course of business has been impaired due to a decline in profitability as follows:

	(Thousands of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cost of sales	73,315	85,772

*3 Research and development expenses included in general and administrative expenses and manufacturing costs for the period under review are as follows:

	(Thousands of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	193,728	273,672

*4 Breakdown of gain on disposal of non-current assets are as follows:

	(Thousands of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Gain on the sale of machinery, equipment and vehicles	5,224	384
Other	2	2
Total	5,226	386

*5 Breakdown of loss on disposal of non-current assets are as follows:

	(Thousands of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Loss on disposal of buildings and structures	6,865	5,635
Loss on disposal of machinery, equipment and vehicles	7,270	6,482
Other	1,386	540
Total	15,522	12,658

(Consolidated statement of changes in equity)

Fiscal year ended March 31, 2022

1 Type and number of issued shares and treasury shares

(Shares)

	Number of shares at beginning of the fiscal year	Increase	Decrease	Number of shares at end of the fiscal year
Issued shares				
Ordinary shares	30,165,418	–	–	30,165,418
Total	30,165,418	–	–	30,165,418
Treasury shares				
Ordinary shares (Note)	1,377,850	462,711	56,300	1,784,261
Total	1,377,850	462,711	56,300	1,784,261

Notes: 1. The number of treasury shares of ordinary shares includes the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) (339,700 and 345,900 shares at the start and end of the fiscal year, respectively).

2. This increase in the number of treasury shares, to 462,711 ordinary shares, represents an increase of 400,000 shares from the acquisition of treasury shares based on a resolution of the Board of Directors, an increase of 211 shares from the purchase of shares of less than one unit, an increase of 27,500 shares from the acquisition of shares in the Japanese-style Employee Stock Ownership Plan (J-ESOP) and an increase of 35,000 shares from the acquisition of shares in the Board Benefit Trust (BBT).

3. The decrease of 56,300 ordinary shares in the number of treasury shares represents a decrease of 7,600 shares held in the J-ESOP and a decrease of 48,700 shares held in the BBT.

2 Matters related to dividends

(1) Details of dividend paid

Resolution	Classes of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Base date	Effective date
June 25, 2021 Ordinary general meeting of shareholders	Ordinary shares	495,163	17	March 31, 2021	June 28, 2021
November 8, 2021 Board of Directors	Ordinary shares	291,271	10	September 30, 2021	December 2, 2021

Notes: 1. The total amount of dividends as defined by the resolution of the Ordinary General Meeting of Shareholders on June 25, 2021 includes a dividend valued at ¥5,774 thousand for the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E).

2. The total amount of dividends as defined by the resolution of the Board of Directors on November 8, 2021 includes a dividend valued at ¥3,151 thousand for the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E).

(2) Dividends recorded in the fiscal year but with a record date that falls in the following fiscal year

Resolution	Classes of shares	Source of dividend	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Base date	Effective date
June 28, 2022 Ordinary general meeting of shareholders	Ordinary shares	Retained earnings	574,541	20	March 31, 2022	June 29, 2022

Note: The total amount of dividends as defined by the resolution of the Ordinary General Meeting of Shareholders on June 28, 2022 includes a dividend valued at ¥6,918 thousand for the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E).

Fiscal year ended March 31, 2023

1 Type and number of issued shares and treasury shares

(Shares)

	Number of shares at beginning of the fiscal year	Increase	Decrease	Number of shares at end of the fiscal year
Issued shares				
Ordinary shares	30,165,418	–	–	30,165,418
Total	30,165,418	–	–	30,165,418
Treasury shares				
Ordinary shares (Note)	1,784,261	210,673	37,400	1,957,534
Total	1,784,261	210,673	37,400	1,957,534

Notes: 1. The number of treasury shares of ordinary shares includes the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) (345,900 and 368,500 shares at the start and end of the fiscal year under review, respectively).

2. This increase in the number of treasury shares, to 210,673 ordinary shares, represents an increase of 150,600 shares from the acquisition of treasury shares based on a resolution of the Board of Directors, an increase of 73 shares from the purchase of shares of less than one unit, an increase of 30,200 shares from the acquisition of shares in the J-ESOP and an increase of 29,800 shares from the acquisition of shares in the BBT.

3. The decrease of 37,400 ordinary shares in the number of treasury shares represents a decrease of 5,600 shares held in the J-ESOP and a decrease of 31,800 shares held in the BBT.

2 Matters related to dividends

(1) Details of dividend paid

Resolution	Classes of shares	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Base date	Effective date
June 28, 2022 Ordinary general meeting of shareholders	Ordinary shares	574,541	20	March 31, 2022	June 29, 2022
November 7, 2022 Board of Directors	Ordinary shares	430,905	15	September 30, 2022	December 2, 2022

Notes: 1. The total amount of dividends as defined by the resolution of the Ordinary General Meeting of Shareholders on June 28, 2022 includes a dividend valued at ¥6,918 thousand for the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E).

2. The total amount of dividends as defined by the resolution of the Board of Directors on November 7, 2022 includes a dividend valued at ¥5,101 thousand for the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E).

(2) Dividends recorded in the fiscal year but with a record date that falls in the following fiscal year

The following resolutions are planned:

Resolution	Classes of shares	Source of dividend	Total amount of dividends (Thousands of yen)	Dividend per share (Yen)	Base date	Effective date
June 28, 2023 Ordinary general meeting of shareholders	Ordinary shares	Retained earnings	857,291	30	March 31, 2023	June 29, 2023

Note: The total amount of dividends as defined by the resolution of the Ordinary General Meeting of Shareholders on June 28, 2023 includes a dividend valued at ¥11,055 thousand for the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E).

(Consolidated statement of cash flows)

*1 The cash and cash equivalents held at the end of the fiscal year were reconciled with the amounts shown in the consolidated balance sheet as follows:

	(Thousands of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash and time deposits	10,943,932	12,839,267
Time deposits with a maturity of three month or more at date of purchase	(330,156)	(330,162)
Cash and cash equivalents	10,613,775	12,509,105

(Segment information, etc.)

1 Description of reportable segments

The Company's reportable segments are corporate components for which separate financial information is available and which are regularly reviewed by the Board of Directors to determine how management resources should be allocated and evaluate their performance.

The Company has established business departments by product and service at its headquarters. Each business department formulates comprehensive domestic and international strategies for the products and services for which it is responsible and develops its business activities accordingly.

Accordingly, the Company comprises product and service segments based on business departments, with two reportable segments: Construction Machinery Business and Industrial Machinery Business.

The key areas of the Construction Machinery Business are engine compressors, engine generators and scissors lifters. The key areas of the Industrial Machinery Business are motor compressors, emergency generators, components and services.

2 Explanation of measurements of net sales, profit (loss), asset, liability, and other items for each reportable segment

The accounting method used for the business segments reported tallies with the accounting policies adopted when preparing the consolidated financial statements.

Profit figures for reportable segments are based on operating profit.

3 Information on net sales, profit or loss, assets, liabilities and other items by reportable segment and breakdown of revenue

Fiscal year ended March 31, 2022

(Thousands of yen)

	Construction Machinery Business	Industrial Machinery Business	Total
Net sales			
Finished goods	27,345,093	5,316,257	32,661,350
Components	996,501	1,049,046	2,045,547
Services	767,723	1,176,364	1,944,088
Revenue from contracts with customers	29,109,317	7,541,668	36,650,986
Other revenue	—	—	—
Sales to external customers	29,109,317	7,541,668	36,650,986
Transactions with other segments	—	—	—
Total	29,109,317	7,541,668	36,650,986
Segment profit	3,489,217	1,122,618	4,611,836
Other items			
Depreciation	891,072	125,129	1,016,202

Notes: 1. Segment assets and liabilities have been omitted. The Company does not allocate these to individual reportable segments given the common processes applied from manufacturing to sales for all segments.

2. Depreciation is thus allocated to each reportable segment according to the percentage of net sales in the Construction Machinery and Industrial Machinery Businesses.

Fiscal year ended March 31, 2023

(Thousands of yen)

	Construction Machinery Business	Industrial Machinery Business	Total
Net sales			
Finished goods	37,786,256	6,802,747	44,589,004
Components	1,083,319	1,119,965	2,203,285
Services	966,072	1,241,823	2,207,896
Revenue from contracts with customers	39,835,649	9,164,536	49,000,185
Other revenue	-	-	-
Sales to external customers	39,835,649	9,164,536	49,000,185
Transactions with other segments	-	-	-
Total	39,835,649	9,164,536	49,000,185
Segment profit	4,528,810	1,431,131	5,959,941
Other items			
Depreciation	826,109	112,176	938,286

Notes: 1. Segment assets and liabilities have been omitted. The Company does not allocate these to individual reportable segments given the common processes applied from manufacturing to sales for all segments.

2. Depreciation is thus allocated to each reportable segment according to the percentage of net sales in the Construction Machinery and Industrial Machinery Businesses.

4 Disparities between the total for the reportable segments and the amounts recorded in the consolidated financial statements and the main details of such disparities

(Differential adjustments)

(Thousands of yen)

Profit	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Total for reportable segments	4,611,836	5,959,941
Corporate expenses (Note)	(1,041,640)	(1,117,896)
Operating profit in the consolidated financial statements	3,570,195	4,842,044

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

(Thousands of yen)

Other items	Total for reportable segments		Adjustments		Amount recorded in consolidated financial statements	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Depreciation	1,016,202	938,286	5,884	6,588	1,022,086	944,875

Note: Adjustments mainly comprise depreciation and amortization in administrative departments outside the reportable segments.

(Per-share information)

(Yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	1,097.97	1,206.75
Basic earnings per share	95.76	132.47

Notes: 1. Diluted earnings per share has been omitted, given the lack of potential shares.

2. Basic earnings per share is calculated as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit attributable to owners of parent (Thousands of yen)	2,748,804	3,752,085
Profit attributable to owners of parent for ordinary share (Thousands of yen)	2,748,804	3,752,085
Average number of ordinary shares outstanding during the year (Shares)	28,703,998	28,323,827

3. Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) are included in the number of treasury shares deducted from the number of shares issued at the end of the year when calculating "Net assets per share" (345,900 shares in the previous fiscal year and 368,500 shares in the fiscal year under review).

When calculating "Basic earnings per share," these shares are included in treasury shares, which are deducted from the average number of shares outstanding during the period (329,823 shares in the previous fiscal year and 350,231 shares in the fiscal year under review).

(Significant subsequent events)

Not applicable.

4. Others

(1) Changes to officers

i) Change to representative directors

Not applicable.

ii) Changes to other officers

- Candidate for newly appointed director (excluding directors appointed as audit committee members)

Director Norimi Nagasawa (currently Executive Officer, General Manager of Sales Dept.)

- Director scheduled to resign (excluding directors appointed as audit committee members)

Director and Senior Advisor Masayoshi Terao

iii) Date of appointment and resignation

June 28, 2023