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MEMBERSHIP

November 6, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (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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 Telephone: +81-256-93-5571
 Scheduled date to commence dividend payments: December 4, 2023
 Scheduled date to file quarterly securities report: November 13, 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 six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(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	%
Six months ended								
September 30, 2023	25,803	15.0	3,595	46.0	4,207	34.2	2,927	36.2
September 30, 2022	22,437	32.9	2,461	46.2	3,134	74.8	2,149	74.0

Note: Comprehensive income For the six months ended September 30, 2023: ¥3,477 million [42.4%]
 For the six months ended September 30, 2022: ¥2,442 million [101.1%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	104.07	-
September 30, 2022	75.71	-

(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
September 30, 2023	56,622	36,505	64.2	1,296.67
March 31, 2023	53,237	34,194	63.9	1,206.75

Reference: Equity

As of September 30, 2023: ¥36,347 million

As of March 31, 2023: ¥34,039 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, 2023	–	15.00	–	30.00	45.00
Fiscal year ending March 31, 2024	–	20.00			
Fiscal year ending March 31, 2024 (Forecast)			–	20.00	40.00

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

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
Fiscal year ending March 31, 2024	49,600	1.2	6,550	35.3	6,700	24.5	4,535	20.9	160.77

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 September 30, 2023	30,165,418 shares
As of March 31, 2023	30,165,418 shares

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

As of September 30, 2023	2,134,369 shares
As of March 31, 2023	1,957,534 shares

(iii) Average number of shares outstanding during the period

Six months ended September 30, 2023	28,126,046 shares
Six months ended September 30, 2022	28,388,814 shares

Note: The number of treasury shares at the end of the period includes the Company's shares (506,200 shares as of September 30, 2023 and 368,500 shares as of March 31, 2023) 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 are deducted from the average number of shares outstanding during the period (444,700 shares for the six months ended September 30, 2023 and 338,243 shares for the six months ended September 30, 2022).

* 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.

(How to obtain supplementary material on quarterly financial results)

The Company is scheduled to hold a financial results briefing for institutional investors and analysts on Monday, November 27, 2023.

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

Consolidated financial statements

(1) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	12,839,267	14,207,726
Notes and accounts receivable - trade, and contract assets	19,315,990	19,964,024
Merchandise and finished goods	4,039,207	4,695,938
Work in process	205,234	234,457
Raw materials and supplies	1,507,602	1,546,127
Other	1,209,543	949,507
Allowance for doubtful accounts	(657)	(683)
Total current assets	39,116,189	41,597,097
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,250,898	9,342,425
Accumulated depreciation	(4,718,008)	(4,931,818)
Buildings and structures, net	4,532,889	4,410,607
Machinery, equipment and vehicles	8,756,354	8,892,670
Accumulated depreciation	(6,771,184)	(6,917,578)
Machinery, equipment and vehicles, net	1,985,170	1,975,092
Land	2,210,159	2,210,159
Construction in progress	483,791	1,016,252
Other	1,897,161	1,998,846
Accumulated depreciation	(1,555,171)	(1,639,069)
Other, net	341,989	359,776
Total property, plant and equipment	9,554,000	9,971,888
Intangible assets	171,765	243,085
Investments and other assets		
Investment securities	2,933,974	3,329,405
Investments in capital of subsidiaries and associates	636,000	614,401
Deferred tax assets	547,440	604,378
Other	306,628	267,060
Allowance for doubtful accounts	(28,763)	(4,707)
Total investments and other assets	4,395,280	4,810,538
Total non-current assets	14,121,046	15,025,512
Total assets	53,237,235	56,622,610

Hokuetsu Industries Co., Ltd. (6364)
Consolidated Financial Results for the Six Months Ended September 30, 2023

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,977,497	5,760,386
Electronically recorded obligations - operating	4,847,108	5,096,472
Short-term borrowings	222,000	222,000
Current portion of bonds payable	60,000	93,400
Income taxes payable	968,185	1,390,538
Provision for bonuses	723,634	1,025,537
Provision for bonuses for directors (and other officers)	35,700	28,106
Provision for product warranties	25,410	27,430
Other	2,394,966	2,436,577
Total current liabilities	15,254,501	16,080,448
Non-current liabilities		
Bonds payable	210,000	246,600
Long-term borrowings	778,000	922,000
Deferred tax liabilities	2,757	3,434
Provision for share awards	191,466	209,688
Provision for share awards for directors (and other officers)	123,127	102,004
Retirement benefit liability	2,105,462	2,135,258
Asset retirement obligations	146,047	197,013
Other	231,681	220,334
Total non-current liabilities	3,788,542	4,036,334
Total liabilities	19,043,044	20,116,783
Net assets		
Shareholders' equity		
Share capital	3,416,544	3,416,544
Capital surplus	3,887,594	3,887,594
Retained earnings	27,025,374	29,095,162
Treasury shares	(1,555,922)	(1,859,529)
Total shareholders' equity	32,773,591	34,539,771
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,132,622	1,450,643
Foreign currency translation adjustment	209,141	423,634
Remeasurements of defined benefit plans	(75,607)	(66,983)
Total accumulated other comprehensive income	1,266,155	1,807,294
Non-controlling interests	154,444	158,760
Total net assets	34,194,191	36,505,827
Total liabilities and net assets	53,237,235	56,622,610

(2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	22,437,381	25,803,620
Cost of sales	16,587,413	18,771,334
Gross profit	5,849,967	7,032,285
Selling, general and administrative expenses		
Packing and transportation costs	675,299	446,217
Provision of allowance for doubtful accounts	(1,997)	(512)
Provision for product warranties	2,350	2,020
Remuneration, salaries and allowances for directors (and other officers)	991,415	1,010,822
Provision for bonuses	386,922	425,734
Provision for bonuses for directors (and other officers)	20,244	14,056
Retirement benefit expenses	57,754	60,449
Provision for share awards	6,050	11,626
Provision for share awards for directors (and other officers)	13,053	15,478
Other	1,237,003	1,450,980
Total selling, general and administrative expenses	3,388,095	3,436,872
Operating profit	2,461,872	3,595,412
Non-operating income		
Interest income	4,078	15,532
Dividend income	43,287	47,231
Share of profit of entities accounted for using equity method	41,375	54,941
Foreign exchange gains	574,918	493,255
Other	20,765	11,701
Total non-operating income	684,425	622,661
Non-operating expenses		
Interest expenses	3,980	5,974
Other	7,431	5,024
Total non-operating expenses	11,412	10,998
Ordinary profit	3,134,886	4,207,076
Extraordinary income		
Gain on disposal of non-current assets	309	4,192
Gain on sale of investment securities	9,371	4,315
Total extraordinary income	9,681	8,507
Extraordinary losses		
Loss on disposal of non-current assets	6,364	3,424
Other	-	245
Total extraordinary losses	6,364	3,670
Profit before income taxes	3,138,202	4,211,913
Income taxes - current	1,148,720	1,473,253
Income taxes - deferred	(170,347)	(197,978)
Total income taxes	978,372	1,275,274
Profit	2,159,830	2,936,639
Profit attributable to non-controlling interests	10,404	9,560
Profit attributable to owners of parent	2,149,425	2,927,078

Consolidated statement of comprehensive income

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	2,159,830	2,936,639
Other comprehensive income		
Valuation difference on available-for-sale securities	14,056	318,021
Foreign currency translation adjustment	192,596	185,894
Remeasurements of defined benefit plans, net of tax	8,416	8,624
Share of other comprehensive income of entities accounted for using equity method	67,774	28,598
Total other comprehensive income	282,845	541,139
Comprehensive income	2,442,675	3,477,778
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,432,270	3,468,217
Comprehensive income attributable to non-controlling interests	10,404	9,560

(3) Consolidated statement of cash flows

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,138,202	4,211,913
Depreciation	442,204	568,802
Increase (decrease) in retirement benefit liability	29,461	42,204
Increase (decrease) in provision for share awards	10,990	21,049
Increase (decrease) in provision for share awards for directors (and other officers)	13,054	15,445
Increase (decrease) in allowance for doubtful accounts	(2,070)	(24,029)
Increase (decrease) in provision for product warranties	2,350	2,020
Interest and dividend income	(47,366)	(62,763)
Interest expenses	3,980	5,974
Share of loss (profit) of entities accounted for using equity method	(41,375)	(54,941)
Loss (gain) on sale of investment securities	(9,371)	(4,069)
Loss (gain) on disposal of property, plant and equipment	6,054	(767)
Decrease (increase) in trade receivables	(822,036)	(124,963)
Decrease (increase) in inventories	(572,619)	(507,575)
Increase (decrease) in trade payables	1,248,115	(642,544)
Decrease (increase) in consumption taxes refund receivable	303,272	308,427
Increase (decrease) in accrued consumption taxes	(10,076)	(13,722)
Other, net	(538,535)	152,825
Subtotal	3,154,235	3,893,286
Interest and dividends received	47,389	180,888
Interest paid	(4,202)	(7,070)
Income taxes paid	(896,161)	(1,093,945)
Net cash provided by (used in) operating activities	2,301,260	2,973,157
Cash flows from investing activities		
Payments into time deposits	(330,159)	(330,165)
Proceeds from withdrawal of time deposits	330,156	330,162
Purchase of property, plant and equipment	(759,799)	(717,012)
Proceeds from sale of property, plant and equipment	244	4,262
Purchase of intangible assets	(14,687)	(97,279)
Purchase of investment securities	(375)	(424)
Proceeds from sale of investment securities	19,958	9,981
Proceeds from redemption of investment securities	108,970	54,600
Proceeds from collection of loans receivable	250	250
Proceeds from divestments	170	-
Net cash provided by (used in) investing activities	(645,273)	(745,624)

Hokuetsu Industries Co., Ltd. (6364)
Consolidated Financial Results for the Six Months Ended September 30, 2023

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Proceeds from long-term borrowings	–	255,000
Repayments of long-term borrowings	–	(111,000)
Proceeds from issuance of bonds	300,000	100,000
Redemption of bonds	–	(30,000)
Repayments of lease liabilities	(9,004)	(45,285)
Purchase of treasury shares	(29,864)	(368,343)
Proceeds from sale of treasury shares	–	19,808
Dividends paid	(575,517)	(860,751)
Dividends paid to non-controlling interests	(4,940)	(5,244)
Net cash provided by (used in) financing activities	(319,325)	(1,045,816)
Effect of exchange rate change on cash and cash equivalents	241,710	186,739
Net increase (decrease) in cash and cash equivalents	1,578,371	1,368,455
Cash and cash equivalents at beginning of period	10,613,775	12,509,105
Cash and cash equivalents at end of period	12,192,146	13,877,561