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MEMBERSHIP

January 31, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

Company name: Hokuetsu Industries Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 6364
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 Scheduled date to commence dividend payments: —
 Scheduled date to file quarterly securities report: February 13, 2024
 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, 2023 (from April 1, 2023 to December 31, 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	%
Nine months ended								
December 31, 2023	39,335	8.9	5,444	21.2	5,493	30.8	3,802	32.1
December 31, 2022	36,135	35.3	4,492	74.8	4,199	50.0	2,878	51.3

Note: Comprehensive income For the nine months ended December 31, 2023: ¥4,577 million [35.8%]
 For the nine months ended December 31, 2022: ¥3,371 million [87.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	135.53	—
December 31, 2022	101.49	—

(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, 2023	56,532	36,638	64.5	1,310.14
March 31, 2023	53,237	34,194	63.9	1,206.75

Reference: Equity

As of December 31, 2023: ¥36,477 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 December 31, 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 December 31, 2023	2,323,063 shares
As of March 31, 2023	1,957,534 shares

(iii) Average number of shares outstanding during the period

Nine months ended December 31, 2023	28,056,728 shares
Nine months ended December 31, 2022	28,358,705 shares

Note: The number of treasury shares at the end of the period includes the Company's shares (517,200 shares as of December 31, 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 (465,730 shares for the nine months ended December 31, 2023 and 344,650 shares for the nine months ended December 31, 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. 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.

(How to obtain supplementary material on quarterly financial results)

Supplementary material on quarterly financial results will be posted on the Company's website on Tuesday, February 13, 2024.

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

(1) Explanation of operating results

During the nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023), despite concerns about the downward pressure on the economy stemming from rising raw material and energy prices, opportunity loss caused by labor shortages in the construction and logistics industries, and other factors, the Japanese economy has continued to show a gradual recovery due to continued demand for inbound travel, eased supply constraints for semiconductors, among others, and additional factors. In the global economy, growth weakened against the backdrop of high resource prices associated with the Ukraine crisis, persistent high policy interest rates in Europe and the Americas, an increase in government debt, and a slowdown in the real estate market in China.

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 has been promoting efforts to improve profits through reviewing selling prices in response to rising material costs, enhancing operation rate by improving production efficiency, and promoting cost cutting.

All of which has elicited the following results for the nine months ended December 31, 2023:

	Nine months ended December 31, 2022 (Millions of yen)	Nine months ended December 31, 2023 (Millions of yen)	Year-on-year changes (%)
Net sales	36,135	39,335	8.9
[Domestic sales]	[19,610]	[21,104]	[7.6]
[International sales]	[16,525]	[18,231]	[10.3]
Operating profit	4,492	5,444	21.2
Ordinary profit	4,199	5,493	30.8
Profit attributable to owners of parent	2,878	3,802	32.1

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 remained robust against the backdrop of new construction and renovation of mainly hotels, factories and warehouses fueled by demand for inbound travel and construction works in Japan. Sales of engine compressors and engine generators also increased year on year due to recovery in private-sector investment. For overseas, sales increased year on year due to a strong demand for infrastructure investment in North America, as well as increased demand for resource development in Oceania and the Near and Middle East. From a profit perspective, despite the continuing rise in material costs, our further efforts to revise selling prices, along with an increase in sales, the effect of the record weak yen, and the enhancement of plant operation rate led an increase in profits year on year.

	Nine months ended December 31, 2022 (Millions of yen)	Nine months ended December 31, 2023 (Millions of yen)	Year-on-year changes (%)
Net sales	29,622	32,333	9.2
Segment profit	4,225	5,464	29.3

(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 “Medium-Term Vision 2024.” In addition, sales of components and services rose, and overall sales increased year on year.

From a profit perspective, our progress in revising selling prices of motor compressors, and our good performances achieved for highly profitable products and services resulted in an increase in profits year on year.

	Nine months ended December 31, 2022 (Millions of yen)	Nine months ended December 31, 2023 (Millions of yen)	Year-on-year changes (%)
Net sales	6,513	7,001	7.5
Segment profit	1,096	1,133	3.4

(2) Explanation of financial position

(Assets, liabilities and net assets)

At the close of the third quarter under review, total assets of ¥56,532 million meant an increase of ¥3,294 million compared to the end of the previous fiscal year.

Current assets increased by ¥1,872 million to ¥40,989 million, mainly due to an increase in cash and deposits, and an increase in merchandise and finished goods thanks to the growth of production.

Non-current assets rose by ¥1,421 million to ¥15,542 million, mainly due to an increase in property, plant and equipment resulting from the construction of the Development and Administration building, and an increase in investment securities resulting from rise in fair value.

The increase in current liabilities, rising by ¥717 million to ¥15,972 million, was mainly due to an increase in short-term borrowings due to raising working capital, and an increase in accrued liabilities for property, plant and equipment.

The increase in non-current liabilities, rising by ¥133 million to ¥3,921 million, was mainly due to an increase in provision for share awards, an increase in retirement benefit liability, and an increase in asset retirement obligations.

Net assets increased by ¥2,444 million to ¥36,638 million, mainly due to an increase in retained earnings.

Consequently, the equity ratio at the end of the third quarter under review increased by 0.6 points to 64.5% compared with the end of the previous fiscal year.

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

The full-year consolidated earnings forecasts have not been revised from the earnings forecasts announced on July 28, 2023.

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 sheet

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	12,839,267	13,212,161
Notes and accounts receivable - trade, and contract assets	19,315,990	19,152,843
Merchandise and finished goods	4,039,207	5,446,322
Work in process	205,234	253,669
Raw materials and supplies	1,507,602	1,437,558
Other	1,209,543	1,487,177
Allowance for doubtful accounts	(657)	(618)
Total current assets	39,116,189	40,989,114
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,250,898	10,744,128
Accumulated depreciation	(4,718,008)	(5,026,144)
Buildings and structures, net	4,532,889	5,717,984
Machinery, equipment and vehicles	8,756,354	8,843,382
Accumulated depreciation	(6,771,184)	(6,967,445)
Machinery, equipment and vehicles, net	1,985,170	1,875,937
Land	2,210,159	2,210,159
Construction in progress	483,791	174,140
Other	1,897,161	2,110,136
Accumulated depreciation	(1,555,171)	(1,689,503)
Other, net	341,989	420,633
Total property, plant and equipment	9,554,000	10,398,855
Intangible assets	171,765	261,782
Investments and other assets		
Investment securities	2,933,974	3,549,987
Investments in capital of subsidiaries and associates	636,000	654,351
Deferred tax assets	547,440	419,041
Other	306,628	263,454
Allowance for doubtful accounts	(28,763)	(4,557)
Total investments and other assets	4,395,280	4,882,277
Total non-current assets	14,121,046	15,542,915
Total assets	53,237,235	56,532,029

Hokuetsu Industries Co., Ltd. (6364)
Consolidated Financial Results for the Nine Months Ended December 31, 2023

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,977,497	5,887,297
Electronically recorded obligations - operating	4,847,108	4,949,843
Short-term borrowings	222,000	747,000
Current portion of bonds payable	60,000	93,400
Income taxes payable	968,185	755,571
Provision for bonuses	723,634	698,637
Provision for bonuses for directors (and other officers)	35,700	21,084
Provision for product warranties	25,410	27,470
Other	2,394,966	2,791,782
Total current liabilities	15,254,501	15,972,086
Non-current liabilities		
Bonds payable	210,000	216,600
Long-term borrowings	778,000	791,067
Deferred tax liabilities	2,757	3,742
Provision for share awards	191,466	217,425
Provision for share awards for directors (and other officers)	123,127	128,277
Retirement benefit liability	2,105,462	2,149,205
Asset retirement obligations	146,047	197,013
Other	231,681	218,317
Total non-current liabilities	3,788,542	3,921,650
Total liabilities	19,043,044	19,893,736
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	29,399,788
Treasury shares	(1,555,922)	(2,256,152)
Total shareholders' equity	32,773,591	34,447,774
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,132,622	1,604,518
Foreign currency translation adjustment	209,141	487,655
Remeasurements of defined benefit plans	(75,607)	(62,671)
Total accumulated other comprehensive income	1,266,155	2,029,502
Non-controlling interests	154,444	161,015
Total net assets	34,194,191	36,638,293
Total liabilities and net assets	53,237,235	56,532,029

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

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	36,135,866	39,335,765
Cost of sales	26,652,288	28,509,296
Gross profit	9,483,578	10,826,469
Selling, general and administrative expenses		
Packing and transportation costs	913,312	663,876
Provision of allowance for doubtful accounts	(49,372)	(727)
Provision for product warranties	3,660	2,060
Remuneration, salaries and allowances for directors (and other officers)	1,807,074	1,923,536
Provision for bonuses	251,708	324,350
Provision for bonuses for directors (and other officers)	30,366	21,084
Retirement benefit expenses	87,158	90,070
Provision for share awards	9,290	16,504
Provision for share awards for directors (and other officers)	21,079	41,751
Other	1,917,207	2,299,252
Total selling, general and administrative expenses	4,991,483	5,381,759
Operating profit	4,492,095	5,444,709
Non-operating income		
Interest income	9,825	26,640
Dividend income	68,819	107,082
Share of profit of entities accounted for using equity method	70,738	92,640
Other	18,175	16,709
Total non-operating income	167,559	243,073
Non-operating expenses		
Interest expenses	6,333	9,382
Foreign exchange losses	432,253	176,780
Other	22,015	8,087
Total non-operating expenses	460,602	194,250
Ordinary profit	4,199,051	5,493,532
Extraordinary income		
Gain on disposal of non-current assets	374	4,468
Gain on sale of investment securities	9,371	4,315
Total extraordinary income	9,746	8,783
Extraordinary losses		
Loss on disposal of non-current assets	8,103	17,323
Other	-	4,563
Total extraordinary losses	8,103	21,886
Profit before income taxes	4,200,694	5,480,428
Income taxes - current	1,247,306	1,746,959
Income taxes - deferred	60,520	(80,795)
Total income taxes	1,307,827	1,666,163
Profit	2,892,867	3,814,265
Profit attributable to non-controlling interests	14,735	11,815
Profit attributable to owners of parent	2,878,131	3,802,450

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	2,892,867	3,814,265
Other comprehensive income		
Valuation difference on available-for-sale securities	148,943	471,895
Foreign currency translation adjustment	249,616	235,635
Remeasurements of defined benefit plans, net of tax	12,625	12,936
Share of other comprehensive income of entities accounted for using equity method	67,482	42,878
Total other comprehensive income	478,668	763,347
Comprehensive income	3,371,535	4,577,612
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,356,800	4,565,797
Comprehensive income attributable to non-controlling interests	14,735	11,815

(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)

(Purchase of treasury shares)

During the nine months ended December 31, 2023, Custody Bank of Japan, Ltd. (Trust Account E) acquired 180,100 of the Company's shares based on the trust agreement for the Stock Benefit Trust (Employee Shareholding Association Purchase-type) and the Company purchased 216,600 treasury shares based on a resolution of the Board of Directors meeting held on September 4, 2023, along with other means, leading to an increase of ¥700,230 thousand in the Company's treasury shares.

As a result, treasury shares amounted to ¥2,256,152 thousand as of December 31, 2023.

(Additional information)

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

(Stock Benefit Trust (Japanese-style Employee Stock Ownership Plan, or "J-ESOP"))

The Company has introduced the Stock Benefit Trust (Japanese-style Employee Stock Ownership Plan, or "J-ESOP") for the purpose of increasing employees' willingness and motivation to increase the share price and enhance performance.

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 ¥227,077 thousand and 225,000 shares for the previous fiscal year and ¥252,202 thousand and 236,200 shares in the third quarter under review.

(Stock Benefit Trust (Employee Shareholding Association Purchase-type))

The Company has introduced the Stock Benefit Trust (Employee Shareholding Association Purchase-type) (hereinafter referred to as the "Plan") for the purpose of enhancing employee benefits and providing incentives to enhance the Company's corporate value.

i) Transaction overview

The Plan is an incentive plan for returning the benefits of increases to the Company's share price to all employees who are enrolled in the Hokuetsu Industries' Shareholding Association (hereinafter referred to as the "Shareholding Association").

The trust bank that is the trustee for the Plan will collectively obtain in advance shares of the Company equivalent to the number of shares expected to be purchased by the Shareholding Association over the five years after the establishment of the trust, and following this, periodically sell the Company's shares when the Shareholding Association purchases shares. If gains equivalent to capital gains on sales of shares are accumulated within the trust assets of the trust until the termination of the trust through the sale of the Company's shares to the

Shareholding Association by the trust bank, the amount is distributed as residual assets to persons enrolled in the Shareholding Association (employees), etc. who satisfy the qualifying conditions for beneficiaries.

Moreover, as the Company guarantees borrowings for the trust bank to acquire the Company's shares, if there are any remaining borrowings equivalent to losses on sales of shares upon termination of the trust due to a downturn in the price of the Company's shares, the Company is to repay any such remaining borrowings in accordance with the guarantee agreement.

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 ¥- thousand and - shares for the previous fiscal year and ¥225,624 thousand and 159,700 shares in the third quarter under review.

iii) Book value of borrowings recorded using the gross method

Previous fiscal year: ¥- thousand

Third quarter under review: ¥235,067 thousand

(Stock Benefit Trust (Board Benefit Trust, or "BBT"))

The Company has introduced the Stock Benefit Trust (Board Benefit Trust, or "BBT") for the purpose of providing 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").

i) Transaction overview

Pursuant to its officer stock benefit regulations, the Company will grant points to the Officers in accordance with their responsibilities, the level of achievement of performance (consolidated net sales, consolidated operating profit, ratio of consolidated operating profit to net sales, consolidated ROE), etc. (internal directors appointed as audit committee members will be granted points in accordance with their responsibilities, etc.), and will provide the Company's shares, etc. equivalent to the accumulated points at the time 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 ¥148,166 thousand and 143,500 shares for the previous fiscal year and ¥145,411 thousand and 121,300 shares in the third quarter under review.

(Segment information)

Nine months ended December 31, 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	28,113,200	4,798,082	32,911,282
Components	815,257	833,051	1,648,309
Services	693,547	882,726	1,576,273
Revenue from contracts with customers	29,622,006	6,513,860	36,135,866
Other revenue	–	–	–
Sales to external customers	29,622,006	6,513,860	36,135,866
Transactions with other segments	–	–	–
Total	29,622,006	6,513,860	36,135,866
Segment profit	4,225,380	1,096,037	5,321,418

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	5,321,418
Corporate expenses (Note)	(829,323)
Operating profit on the quarterly consolidated statement of income	4,492,095

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.

Nine months ended December 31, 2023

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	30,788,889	5,055,509	35,844,399
Components	949,862	936,473	1,886,335
Services	595,161	1,009,868	1,605,029
Revenue from contracts with customers	32,333,913	7,001,851	39,335,765
Other revenue	-	-	-
Sales to external customers	32,333,913	7,001,851	39,335,765
Transactions with other segments	-	-	-
Total	32,333,913	7,001,851	39,335,765
Segment profit	5,464,921	1,133,378	6,598,300

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	6,598,300
Corporate expenses (Note)	(1,153,590)
Operating profit on the quarterly consolidated statement of income	5,444,709

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.