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July 30, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (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: —
 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 three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2024	13,249	12.2	1,760	11.0	2,237	3.5	1,557	3.5
June 30, 2023	11,804	12.4	1,585	96.6	2,161	57.6	1,504	58.9

Note: Comprehensive income For the three months ended June 30, 2024: ¥1,968 million [20.0%]
 For the three months ended June 30, 2023: ¥1,639 million [60.3%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	56.07	—
June 30, 2023	53.39	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2024	58,164	38,500	65.9	1,380.41
March 31, 2024	56,347	37,575	66.4	1,347.30

Reference: Equity

As of June 30, 2024: ¥38,337 million

As of March 31, 2024: ¥37,410 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, 2024	–	20.00	–	37.00	57.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		20.00	–	37.00	57.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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, 2024	27,900	8.1	3,600	0.1	3,700	(12.1)	2,600	(11.2)	93.64
Fiscal year ending March 31, 2025	56,000	7.9	7,130	15.2	7,400	1.0	5,100	0.0	183.67

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

*** Notes**

- (1) Significant changes in scope of consolidation during the period: None
- (2) Application of specific accounting for preparing the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of June 30, 2024	30,165,418 shares
As of March 31, 2024	30,165,418 shares

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

As of June 30, 2024	2,393,048 shares
As of March 31, 2024	2,398,448 shares

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

Three months ended June 30, 2024	27,769,720 shares
Three months ended June 30, 2023	28,174,989 shares

Note: The number of treasury shares at the end of the period includes the Company's shares (489,707 shares as of June 30, 2024 and 495,107 shares as of March 31, 2024) 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 (492,357 shares for the three months ended June 30, 2024 and 401,375 shares for the three months ended June 30, 2023).

- * Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None
- * 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, (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 financial results)

Supplementary material on financial results will be posted on the Company's website on Friday, August 9, 2024.

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1. Overview of operating results and others

(1) Overview of operating results for the period under review

During the three months ended June 30, 2024 (April 1, 2024 to June 30, 2024), the Japanese economy was not improving due to sluggish personal consumption caused by the rising cost burden associated with the weak yen, as well as persistently high raw material costs. In the global economy, conditions continued to be uncertain, mainly due to the impact of prolonged inflation and the continued high policy interest rates in Europe and the Americas, as well as concerns about the future of the Chinese economy.

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,” where the current fiscal year is the final year of the plan. The Group has been promoting efforts to improve profits through reviewing selling prices and promoting cost cutting in response to raw material costs that continued to rise even further.

All of which has elicited the following results for the three months ended June 30, 2024:

	Three months ended June 30, 2023 (Millions of yen)	Three months ended June 30, 2024 (Millions of yen)	Year-on-year changes (%)
Net sales	11,804	13,249	12.2
[Domestic sales]	[6,583]	[7,346]	[11.6]
[International sales]	[5,220]	[5,903]	[13.1]
Operating profit	1,585	1,760	11.0
Ordinary profit	2,161	2,237	3.5
Profit attributable to owners of parent	1,504	1,557	3.5

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 significantly increased against the backdrop of a strong demand for construction works, as projects for new construction and renovation for hotels, etc. as a result of the recovery in demand for inbound travel in Japan remained robust, as well as those for warehouses and semiconductor manufacturing factories, etc. For overseas, sales increased year on year as shipments for North America and Southeast Asia remained robust and demand for resource development in the Near and Middle East increased. From a profit perspective, although the further rise in raw material costs was a downward factor, the increase in sales in Japan, which are relatively more profitable compared to overseas sales, as well as the effect of the record weak yen against the U.S. dollar in sales for North America led an increase in profits year on year.

	Three months ended June 30, 2023 (Millions of yen)	Three months ended June 30, 2024 (Millions of yen)	Year-on-year changes (%)
Net sales	9,582	10,968	14.5
Segment profit	1,562	1,707	9.3

(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 were sluggish as the market shrank due to a decline in Japanese capital investment sentiment. However, shipments of our emergency generators remained strong due to heightened disaster awareness, and sales of parts and services also increased, resulting in an increase in sales year on year. From a profit perspective, although the further rise in raw material costs was a downward factor, improving profits by making progress on passing through costs to selling prices of products and components resulted in an increase in profits year on year.

	Three months ended June 30, 2023 (Millions of yen)	Three months ended June 30, 2024 (Millions of yen)	Year-on-year changes (%)
Net sales	2,221	2,280	2.7
Segment profit	382	425	11.1

(2) Overview of financial position for the period under review

(Assets, liabilities and net assets)

At the close of the first quarter under review, total assets of ¥58,164 million meant an increase of ¥1,817 million compared to the end of the previous fiscal year.

Current assets increased by ¥1,318 million compared to the end of the previous fiscal year to ¥41,458 million, mainly due to an increase in merchandise and finished goods thanks to the growth of production.

Non-current assets increased by ¥498 million compared to the end of the previous fiscal year to ¥16,705 million, mainly due to an increase in intangible assets due to cost of establishing a new core system, etc., an increase in investment securities resulting from rise in fair value, and an increase in investments in capital of subsidiaries and associates accounted for using equity method.

Current liabilities increased by ¥1,043 million compared to the end of the previous fiscal year to ¥15,956 million, mainly due to an increase in notes and accounts payable - trade thanks to the growth of production, a decrease in electronically recorded obligations - operating by reviewing payment sites, and an increase in short-term borrowings due to rising working capital.

Non-current liabilities decreased by ¥151 million compared to the end of the previous fiscal year to ¥3,706 million, mainly due to a decrease in bonds payable and long-term borrowings as a result of transfers to current liabilities.

Net assets increased by ¥924 million compared to the end of the previous fiscal year to ¥38,500 million, mainly due to an increase in retained earnings, an increase in valuation difference on available-for-sale securities resulting from rise in fair value, and an increase in foreign currency translation adjustment resulting from the weaker yen in exchange rates.

Consequently, the equity ratio at the end of the first quarter under review decreased by 0.5 points to 65.9% compared to the end of the previous fiscal year.

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

Consolidated earnings are largely in line with initial expectations, and therefore the consolidated earnings forecasts for the first six months of the fiscal year and for the full year have not been revised from those announced on May 9, 2024 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2024.”

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, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	11,654,603	11,674,936
Notes and accounts receivable - trade, and contract assets	19,452,115	19,101,265
Merchandise and finished goods	5,859,594	7,152,620
Work in process	234,857	248,708
Raw materials and supplies	1,316,593	1,399,460
Other	1,638,627	1,882,400
Allowance for doubtful accounts	(16,262)	(717)
Total current assets	40,140,130	41,458,674
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,661,776	10,679,336
Accumulated depreciation	(4,961,946)	(5,044,835)
Buildings and structures, net	5,699,830	5,634,500
Machinery, equipment and vehicles	8,848,017	9,106,602
Accumulated depreciation	(7,034,747)	(7,150,654)
Machinery, equipment and vehicles, net	1,813,270	1,955,948
Land	2,210,159	2,210,159
Construction in progress	190,872	115,563
Other	2,083,701	2,128,902
Accumulated depreciation	(1,709,683)	(1,747,817)
Other, net	374,018	381,085
Total property, plant and equipment	10,288,150	10,297,257
Intangible assets	318,859	381,085
Investments and other assets		
Investment securities	3,511,732	3,762,120
Investments in capital of subsidiaries and associates	650,485	715,256
Deferred tax assets	546,417	608,236
Other	896,229	946,452
Allowance for doubtful accounts	(4,762)	(4,662)
Total investments and other assets	5,600,102	6,027,403
Total non-current assets	16,207,112	16,705,746
Total assets	56,347,242	58,164,421

Hokuetsu Industries Co., Ltd. (6364)
Consolidated Financial Results for the Three Months Ended June 30, 2024

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,354,190	6,003,790
Electronically recorded obligations - operating	4,986,554	3,678,414
Short-term borrowings	222,000	2,022,000
Current portion of bonds payable	93,400	93,400
Income taxes payable	1,287,358	807,628
Provision for bonuses	882,915	1,232,151
Provision for bonuses for directors (and other officers)	40,120	48,380
Provision for product warranties	27,180	27,270
Other	2,019,637	2,043,859
Total current liabilities	14,913,356	15,956,894
Non-current liabilities		
Bonds payable	199,900	169,900
Long-term borrowings	772,916	653,818
Deferred tax liabilities	2,188	2,524
Provision for share awards	221,320	227,944
Provision for share awards for directors (and other officers)	112,502	92,560
Retirement benefit liability	2,175,775	2,187,781
Asset retirement obligations	193,979	193,979
Other	179,421	178,397
Total non-current liabilities	3,858,004	3,706,906
Total liabilities	18,771,360	19,663,801
Net assets		
Shareholders' equity		
Share capital	3,416,544	3,416,544
Capital surplus	3,887,594	3,887,594
Retained earnings	30,696,170	31,207,633
Treasury shares	(2,477,395)	(2,470,284)
Total shareholders' equity	35,522,913	36,041,488
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,578,053	1,752,166
Foreign currency translation adjustment	388,398	617,794
Remeasurements of defined benefit plans	(78,857)	(74,065)
Total accumulated other comprehensive income	1,887,594	2,295,895
Non-controlling interests	165,373	163,236
Total net assets	37,575,881	38,500,620
Total liabilities and net assets	56,347,242	58,164,421

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	11,804,585	13,249,725
Cost of sales	8,574,656	9,635,914
Gross profit	3,229,928	3,613,810
Selling, general and administrative expenses		
Packing and transportation costs	214,208	239,817
Provision of allowance for doubtful accounts	(469)	(15,645)
Provision for product warranties	690	90
Remuneration, salaries and allowances for directors (and other officers)	503,282	537,594
Provision for bonuses	182,584	196,362
Provision for bonuses for directors (and other officers)	7,028	8,260
Retirement benefit expenses	28,655	31,026
Provision for share awards	3,590	4,479
Provision for share awards for directors (and other officers)	6,971	9,629
Other	697,761	841,917
Total selling, general and administrative expenses	1,644,302	1,853,529
Operating profit	1,585,626	1,760,280
Non-operating income		
Interest income	4,301	3,786
Dividend income	13,288	24,441
Share of profit of entities accounted for using equity method	23,655	33,571
Foreign exchange gains	530,170	413,021
Other	7,673	7,227
Total non-operating income	579,089	482,047
Non-operating expenses		
Interest expenses	2,580	4,379
Other	214	813
Total non-operating expenses	2,794	5,193
Ordinary profit	2,161,921	2,237,135
Extraordinary income		
Gain on disposal of non-current assets	3,565	-
Total extraordinary income	3,565	-
Extraordinary losses		
Loss on disposal of non-current assets	3,352	1,714
Total extraordinary losses	3,352	1,714
Profit before income taxes	2,162,135	2,235,420
Income taxes - current	803,654	815,516
Income taxes - deferred	(150,915)	(139,983)
Total income taxes	652,739	675,533
Profit	1,509,395	1,559,887
Profit attributable to non-controlling interests	5,222	2,727
Profit attributable to owners of parent	1,504,173	1,557,159

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	1,509,395	1,559,887
Other comprehensive income		
Valuation difference on available-for-sale securities	88,564	174,113
Foreign currency translation adjustment	23,617	199,720
Remeasurements of defined benefit plans, net of tax	4,312	4,792
Share of other comprehensive income of entities accounted for using equity method	13,719	29,675
Total other comprehensive income	130,213	408,300
Comprehensive income	1,639,609	1,968,188
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,634,386	1,965,460
Comprehensive income attributable to non-controlling interests	5,222	2,727

(3) Notes to quarterly consolidated financial statements

(Notes on segment information, etc.)

Three months ended June 30, 2023

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

(Thousands of yen)

	Construction Machinery Business	Industrial Machinery Business	Total
Net sales			
Finished goods	9,032,245	1,618,570	10,650,816
Components	343,491	279,198	622,690
Services	207,099	323,978	531,078
Revenue from contracts with customers	9,582,837	2,221,748	11,804,585
Other revenue	–	–	–
Sales to external customers	9,582,837	2,221,748	11,804,585
Transactions with other segments	–	–	–
Total	9,582,837	2,221,748	11,804,585
Segment profit	1,562,475	382,924	1,945,399

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

(Thousands of yen)

Profit	Amount
Total for reportable segments	1,945,399
Corporate expenses (Note)	(359,773)
Operating profit on the quarterly consolidated statement of income	1,585,626

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

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

Not applicable.

Three months ended June 30, 2024

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

(Thousands of yen)

	Construction Machinery Business	Industrial Machinery Business	Total
Net sales			
Finished goods	10,440,844	1,616,834	12,057,679
Components	298,865	321,073	619,939
Services	229,266	342,839	572,106
Revenue from contracts with customers	10,968,977	2,280,747	13,249,725
Other revenue	–	–	–
Sales to external customers	10,968,977	2,280,747	13,249,725
Transactions with other segments	–	–	–
Total	10,968,977	2,280,747	13,249,725
Segment profit	1,707,913	425,350	2,133,263

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	2,133,263
Corporate expenses (Note)	(372,982)
Operating profit on the quarterly consolidated statement of income	1,760,280

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.

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

Not applicable.

(Notes on the going-concern assumption)

Not applicable.

(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 ¥250,387 thousand and 234,500 shares for the previous fiscal year and ¥248,786 thousand and 233,000 shares in the first 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 Employee 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 ¥220,680 thousand and 156,200 shares for the previous fiscal year and ¥215,170 thousand and 152,300 shares in the first quarter under review.

iii) Book value of borrowings recorded using the gross method

Previous fiscal year: ¥216,916 thousand
First quarter under review: ¥208,818 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 ¥125,160 thousand and 104,407 shares for the previous fiscal year and ¥125,160 thousand and 104,407 shares in the first quarter under review.

(Notes on quarterly consolidated statement of cash flows)

Quarterly consolidated statement of cash flows for the three months ended June 30, 2024 is not prepared. Depreciation (including amortization related to intangible assets) for the three months ended June 30, 2023 and 2024 is as follows.

	(Thousands of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	274,274	257,483