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August 5, 2022

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023 (Japanese GAAP)

Company Name: Chuetsu Pulp & Paper Co., Ltd. (the "Company")
Code No./Stock Exchange: 3877/Tokyo
Representative: Hisashi Uematsu, President & Chief Executive Officer
Contact: Yoshio Akinaga, General Manager, Administrative Division
URL: https://www.chuetsu-pulp.co.jp/
Telephone: 0766-26-2404 (Overseas: +81-766-26-2404)
Scheduled date of filing of quarterly report: August 12, 2022
Start of dividend payout: —
Supplementary briefs for quarterly financial results to be presented: None
Quarterly financial results briefing to be held: None

(All yen figures are rounded down to the nearest one million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023 (April 1 to June 30, 2022)

(1) Consolidated Business Results (Cumulative)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2022	24,224	8.4	1,105	35.7	1,791	77.4	1,429	100.6
June 30, 2021	22,352	20.3	814	—	1,009	—	712	—

(Note) Comprehensive income: Three months ended June 30, 2022: 1,523 million yen (148.6%)
Three months ended June 30, 2021: 612 million yen (—%)

	Profit per share	Diluted profit per share
Three months ended	Yen	Yen
June 30, 2022	107.04	—
June 30, 2021	53.36	—

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2022	119,894	49,876	41.6	3,733.58
March 31, 2022	122,029	48,620	39.8	3,639.20

(Reference) Shareholders' equity As of June 30, 2022: 49,844 million yen As of March 31, 2022: 48,584 million yen

2. Cash Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
Fiscal year ended March 31, 2022	Yen —	Yen 20.00	Yen —	Yen 20.00	Yen 40.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecast)		20.00	—	20.00	40.00

(Note) Revisions to the most recently announced dividend forecast during the period: None

3. Consolidated Financial Forecasts for the Year Ending March 2023 (from April 1, 2022 to March 31, 2023)

(% = year-on-year change for each quarter and full-year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	48,000	11.1	400	(63.9)	500	(64.6)	200	(75.1)	14.98
Full year	101,000	12.1	1,500	(36.2)	1,700	(44.8)	1,100	(13.3)	82.39

(Note) Revisions to the most recently announced financial forecast during the period: None

*Notes

(1) Changes in important subsidiaries during the period
(changes in specified subsidiaries resulting in changes in scope of consolidation) : None

New ― (company name)

Excluded ― (company name)

(2) Application of special accounting methods for preparing quarterly consolidated financial statements : None

(3) Changes in accounting policies, changes in accounting estimates, and restatements

1) Changes in accounting policies due to revision of accounting standards, etc.	: None
2) Changes in accounting policies other than (1)	: None
3) Changes in accounting estimates	: None
4) Correction re-representation	: None

(4) Number of shares issued and outstanding (common stock)

1) Number of shares outstanding at end of period (including treasury stock)	As of June 30, 2022	13,354,688 shares	As of March 31, 2022	13,354,688 shares
2) Number of own shares at end of period	As of June 30, 2022	4,334 shares	As of March 31, 2022	4,314 shares
3) Average number of shares during the period	Three months ended June 30, 2022	13,350,364 shares	Three months ended June 30, 2021	13,350,863 shares

* Quarterly financial results are not subject to audit by a certified public accountant or auditing firm.

* Explanation of appropriate use of financial forecasts and other special notes.

The above forecasts are based on information available as of the date of publication of this document and on certain assumptions that we consider reasonable and are therefore subject to a number of uncertainties. Actual results may differ from the above forecasts due to changes in various factor.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	14,861	13,199
Notes and accounts receivable and contract assets	22,720	22,509
Merchandise and finished goods	8,124	7,977
Work in process	492	500
Raw materials and supplies	4,539	5,227
Other	2,564	2,637
Allowance for doubtful accounts	(2)	(2)
Total current assets	53,301	52,049
Non-current assets		
Property, plant and equipment		
Buildings and structures	52,044	52,122
Accumulated depreciation	(35,505)	(35,799)
Buildings and structures, net	16,539	16,323
Machinery, equipment and vehicles	240,663	240,902
Accumulated depreciation	(214,656)	(215,553)
Machinery, equipment and vehicles, net	26,007	25,348
Other	13,074	13,086
Accumulated depreciation	(2,932)	(2,951)
Other, net	10,141	10,135
Total property, plant and equipment	52,688	51,807
Intangible assets		
Other	386	362
Total intangible assets	386	362
Investments and other assets		
Investment securities	8,256	8,418
Other	7,420	7,276
Allowance for doubtful accounts	(44)	(44)
Total investments and other assets	15,632	15,649
Total non-current assets	68,707	67,819
Deferred assets	20	24
Total assets	122,029	119,894

(Unit: Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable trade	12,979	12,181
Short-term borrowings	27,328	27,043
Income taxes payable	493	271
Allowance for bonuses	512	182
Other	5,255	4,802
Total current liabilities	46,569	44,480
Non-current liabilities		
Long-term borrowings	20,442	19,150
Provisions for removal cost of property, plant and equipment	320	320
Provisions for environmental measures	159	157
Provisions for loss on business of subsidiaries and affiliates	47	47
Provisions for business restructuring	60	78
Retirement benefit liability	5,631	5,581
Other	178	201
Total non-current liabilities	26,839	25,537
Total liabilities	73,408	70,017
Net assets		
Shareholders equity		
Share capital	18,864	18,864
Capital surplus	16,253	16,253
Retained earnings	12,905	14,068
Treasury shares	(7)	(7)
Total shareholders equity	48,015	49,177
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	799	829
Foreign currency translation adjustment	31	92
Remeasurements of defined benefit plans	(262)	(255)
Total accumulated other comprehensive income	568	666
Non-controlling interests	35	32
Total net assets	48,620	49,876
Total liabilities and net assets	122,029	119,894

2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

For the Three-month Period

(Unit: Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	22,352	24,224
Cost of sales	18,680	20,103
Gross profit	3,671	4,121
Selling, general and administrative expenses		
Sales commissions	44	31
Transportation costs	1,497	1,652
Storage costs	416	391
Other	898	941
Total selling, general and administrative expenses	2,856	3,016
Operating profit	814	1,105
Non-operating income		
Interest income	19	17
Dividend income	72	90
Foreign exchange gains	44	573
Share of profit of entities accounted for using equity met	116	50
Other	27	25
Total non-operating income	279	757
Non-operating expenses		
Interest expenses	73	62
Other	10	8
Total non-operating expenses	84	71
Ordinary profit	1,009	1,791
Extraordinary income		
Gain on sale of non-current assets	1	0
Total extraordinary income	1	0
Extraordinary losses		
Loss on retirement of non-current assets	71	35
Business restructuring expenses	-	35
Special retirement benefits	22	15
Other	18	-
Total extraordinary losses	112	86
Profit before income taxes	898	1,704
Income taxes - current	93	167
Income taxes - deferred	96	111
Total income taxes	189	279
Profit	708	1,425
Loss attributable to non-controlling interests	(3)	(3)
Profit attributable to owners of parent	712	1,429

Quarterly Consolidated Statements of Comprehensive Income

For the Three-month Period

(Unit: Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	708	1,425
Other comprehensive income		
Valuation difference on available-for-sale securities	(132)	35
Remeasurements of defined benefit plans, net of tax	5	6
Share of other comprehensive income of entities accounted for using equity method	31	56
Total other comprehensive income	(95)	97
Comprehensive income	612	1,523
(Breakdown)		
Comprehensive income attributable to owners of parent	616	1,527
Comprehensive income attributable to non-controlling interests	(3)	(3)

(Segment Information)

I Previous consolidated three months ended (April 1, 2021 to June 30, 2021)

1. Information on net sales, profit or loss by reportable segment

(Unit: Millions of yen)

	Reportable Segment			Other (Note)	Total
	Paper and Pulp Manufacturing	Power Generation	Total		
Net sales					
Sales to external customers	18,977	1,440	20,418	1,934	22,352
Intersegment sales and transfers	932	—	932	2,671	3,603
Total	19,909	1,440	21,350	4,605	25,956
Segment profit	681	68	750	62	813

Note: "Others" is a business segment not included in the reportable segments and includes the nanoforest, paper products manufacturing, transportation, equipment design, construction and repair, raw materials, paper cutting, sorting and packaging , and Chuetsu Eco Products.

2. Difference between the total amount of reported segments (profits and loss) and the amount recorded in the quarterly consolidated financial statements and the main details of such difference (matters related to difference adjustment)

(Unit: Millions of yen)

Profit (loss)	Amount
Total of reportable segments	750
Income in "Other" Segment	62
Elimination of intersegment transactions	18
Inventory adjustments	(21)
Other adjustments	4
Operating profit in consolidated financial statements (quarterly)	814

II Current consolidated three months ended (April 1, 2022 to June 30, 2022)

1. Information on net sales, profit or loss by reportable segment

(Unit: Millions of yen)

	Reportable Segment			Other (Note)	Total
	Paper and Pulp Manufacturing	Power Generation	Total		
Net sales					
Sales to external customers	20,749	1,803	22,553	1,671	24,224
Intersegment sales and transfers	482	—	482	2,769	3,252
Total	21,231	1,803	23,035	4,441	27,477
Segment profit	803	186	990	67	1,058

Note: "Others" is a business segment not included in the reportable segments and includes the nanoforest, paper products manufacturing, transportation, equipment design, construction and repair, raw materials, paper cutting, sorting and packaging, and Chuetsu Eco Products.

2. Difference between the total amount of reported segments (profits and loss) and the amount recorded in the quarterly consolidated financial statements and the main details of such difference (matters related to difference adjustment)

(Unit: Millions of yen)

Profit	Amount
Total of reportable segments	990
Income in "Other" Segment	67
Elimination of intersegment transactions	19
Inventory adjustments	22
Other adjustments	4
Operating profit in consolidated financial statements (quarterly)	1,105