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November 10, 2022

Summary of Consolidated Financial Results for the Second 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: November 14, 2022
Start of dividend payout: December 1, 2022
Supplementary briefs for quarterly financial results to be presented: Yes
Quarterly financial results briefing to be held: Yes

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

1. Consolidated Financial Results for the e Second Quarter of the Fiscal Year Ending March 31, 2023 (April 1 to September 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	49,289	14.0	1,502	35.6	2,542	79.8	1,779	121.8
September 30, 2021	43,220	15.6	1,108	—	1,414	—	802	—

(Note) Comprehensive income: Six months ended September 30, 2022: 2,189 million yen (128.4%)
Six months ended September 30, 2021: 958 million yen (—%)

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended September 30, 2022	133.31	—
September 30, 2021	60.10	—

(2) Consolidated Financial Condition

	Total assets	Net assets	Shareholders' equity	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2022	122,056	50,542	41.4	3,783.76
March 31, 2022	122,029	48,620	39.8	3,639.20

(Reference) Shareholders' equity As of September 30, 2022: 50,514 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	—	20.00			
Fiscal year ending March 31, 2023 (Forecast)			—	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
Full year	106,500	18.2	1,300	(44.7)	2,500	(18.8)	1,500	18.2	112.36

(Note) Revisions to the most recently announced financial forecast during the period: Yes

*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 September 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 September 30, 2022	4,387 shares	As of March 31, 2022	4,314 shares
3) Average number of shares during the period	Six months ended September 30, 2022	13,350,338 shares	Six months ended September 30, 2021	13,350,844 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 September 30, 2022
Assets		
Current assets		
Cash and deposits	14,861	11,845
Notes and accounts receivable and contract assets	22,720	23,112
Merchandise and finished goods	8,124	9,936
Work in process	492	630
Raw materials and supplies	4,539	5,804
Other	2,564	2,504
Allowance for doubtful accounts	(2)	(2)
Total current assets	53,301	53,832
Non-current assets		
Property, plant and equipment		
Buildings and structures	52,044	52,120
Accumulated depreciation	(35,505)	(36,059)
Buildings and structures, net	16,539	16,061
Machinery, equipment and vehicles	240,663	241,151
Accumulated depreciation	(214,656)	(216,034)
Machinery, equipment and vehicles, net	26,007	25,117
Other	13,074	13,894
Accumulated depreciation	(2,932)	(2,951)
Other, net	10,141	10,942
Total property, plant and equipment	52,688	52,121
Intangible assets		
Other	386	348
Total intangible assets	386	348
Investments and other assets		
Investment securities	8,256	8,834
Other	7,420	6,936
Allowance for doubtful accounts	(44)	(44)
Total investments and other assets	15,632	15,725
Total non-current assets	68,707	68,195
Deferred assets	20	29
Total assets	122,029	122,056

(Unit: Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable trade	12,979	14,064
Short-term borrowings	27,328	24,208
Income taxes payable	493	541
Allowance for bonuses	512	510
Other	5,255	4,170
Total current liabilities	46,569	43,495
Non-current liabilities		
Long-term borrowings	20,442	21,578
Provisions for removal cost of property, plant and equipment	320	244
Provisions for environmental measures	159	138
Provisions for loss on business of subsidiaries and affiliates	47	47
Provisions for business restructuring	60	-
Retirement benefit liability	5,631	5,804
Other	178	204
Total non-current liabilities	26,839	28,018
Total liabilities	73,408	71,514
Net assets		
Shareholders equity		
Share capital	18,864	18,864
Capital surplus	16,253	16,253
Retained earnings	12,905	14,418
Treasury shares	(7)	(8)
Total shareholders equity	48,015	49,528
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	799	1,052
Foreign currency translation adjustment	31	182
Remeasurements of defined benefit plans	(262)	(248)
Total accumulated other comprehensive income	568	985
Non-controlling interests	35	28
Total net assets	48,620	50,542
Total liabilities and net assets	122,029	122,056

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

Quarterly Consolidated Statements of Income

For the Six-month Period

(Unit: Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	43,220	49,289
Cost of sales	36,634	41,878
Gross profit	6,585	7,411
Selling, general and administrative expenses		
Sales commissions	84	60
Transportation costs	2,807	3,280
Storage costs	823	753
Other	1,762	1,814
Total selling, general and administrative expenses	5,477	5,908
Operating profit	1,108	1,502
Non-operating income		
Interest income	38	34
Dividend income	73	91
Foreign exchange gains	103	914
Share of profit of entities accounted for using equity method	236	114
Other	31	36
Total non-operating income	483	1,192
Non-operating expenses		
Interest expenses	145	125
Other	31	27
Total non-operating expenses	177	153
Ordinary profit	1,414	2,542
Extraordinary income		
Gain on sale of non-current assets	1	18
Total extraordinary income	1	18
Extraordinary losses		
Loss on retirement of non-current assets	339	145
Impairment losses	-	77
Business restructuring expenses	-	36
Special retirement benefits	22	15
Other	18	50
Total extraordinary losses	380	325
Profit before income taxes	1,035	2,235
Income taxes - current	143	353
Income taxes - deferred	95	109
Total income taxes	238	462
Profit	797	1,772
Loss attributable to non-controlling interests	(5)	(7)
Profit attributable to owners of parent	802	1,779

Quarterly Consolidated Statements of Comprehensive Income
For the Six -month Period

(Unit: Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	797	1,772
Other comprehensive income		
Valuation difference on available-for-sale securities	98	263
Remeasurements of defined benefit plans, net of tax	11	12
Share of other comprehensive income of entities accounted for using equity method	51	141
Total other comprehensive income	161	417
Comprehensive income	958	2,189
(Breakdown)		
Comprehensive income attributable to owners of parent	964	2,196
Comprehensive income attributable to non-controlling interests	(5)	(7)

3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,035	2,235
Depreciation	3,186	2,920
Impairment losses	-	77
Increase (decrease) in allowance for doubtful accounts	(8)	0
Interest and dividend income	(111)	(126)
Interest expenses	145	125
Foreign exchange gain/loss	(0)	(499)
Share of loss (profit) of entities accounted for using equity method	(236)	(114)
Loss on retirement of non-current assets	83	27
Loss (gain) on sale and disposal of property, plant and equipment, net	(1)	(18)
Decrease (increase) in trade receivables	1,472	(391)
Decrease (increase) in inventories	652	(3,215)
Decrease (increase) in other assets	(85)	39
Increase (decrease) in trade payables	(1,537)	1,085
Increase (decrease) in other liabilities	309	(279)
Increase (decrease) in consumption taxes payable or receivable	(115)	(210)
Increase (decrease) in accrued bonuses	5	(1)
Increase (decrease) in retirement benefit liability	16	193
Increase (decrease) in provisions for fixed asset removal costs	-	(75)
Business restructuring expenses	-	36
Other, net	1	(114)
Subtotal	4,812	1,692
Interest and dividends received	111	126
Interest paid	(141)	(129)
Income taxes paid	32	(304)
Net cash provided by (used in) operating activities	4,815	1,384
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,786)	(2,988)
Proceeds from sale of property, plant and equipment	1	62
Purchase of investment securities	(5)	(0)
Proceeds from sale of investment securities	-	0
Net decrease (increase) in short-term loans receivable	(75)	17
Proceeds from collection of long-term loans receivable	327	315
Other, net	(38)	(48)
Net cash provided by (used in) investing activities	(1,576)	(2,641)

(Unit: Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,650)	(2,699)
Proceeds from long-term borrowings	3,560	4,100
Repayments of long-term borrowings	(5,004)	(3,384)
Purchase of treasury shares	(0)	(0)
Dividends paid	(0)	(265)
Repayments of finance lease liabilities	(16)	(9)
Net cash provided by (used in) financing activities	(3,111)	(2,259)
Effect of exchange rate change on cash and cash equivalents	0	499
Net increase (decrease) in cash and cash equivalents	128	(3,016)
Cash and cash equivalents at beginning of period	15,575	14,861
Cash and cash equivalents at end of period	15,703	11,845

(Segment Information)

I Previous consolidated Six months ended (April 1, 2021 to September 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	35,996	3,237	39,233	3,987	43,220
Intersegment sales and transfers	1,873	—	1,873	5,234	7,108
Total	37,870	3,237	41,107	9,221	50,328
Segment profit	594	435	1,030	45	1,076

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	1,030
Income in “Other” Segment	45
Elimination of intersegment transactions	36
Inventory adjustments	(13)
Other adjustments	9
Operating profit in consolidated financial statements (quarterly)	1,108

II Current consolidated Six months ended (April 1, 2022 to September 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	42,867	3,774	46,641	2,648	49,289
Intersegment sales and transfers	489	—	489	5,729	6,219
Total	43,357	3,774	47,131	8,377	55,509
Segment profit (loss)	964	503	1,467	(44)	1,423

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	1,467
Income in "Other" Segment	(44)
Elimination of intersegment transactions	40
Inventory adjustments	30
Other adjustments	8
Operating profit in consolidated financial statements (quarterly)	1,502