

Translation

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Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

May 12, 2023

Company name: HOKUTO CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 1379 URL <https://www.hokto-kinoko.co.jp>
 Representative: President Masayoshi Mizuno
 Executive Officer, General Manager of
 Inquiries: Accounting Department Kohei Nakada TEL 026-259-5955
 Scheduled date of ordinary general meeting of shareholders: June 23, 2023
 Scheduled date to file Securities Report: June 23, 2023
 Scheduled date to commence dividend payments: June 26, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2023 (from April 1, 2022 to March 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	%
Year ended March 31, 2023	72,980	2.9	(2,948)	–	(1,854)	–	(2,037)	–
Year ended March 31, 2022	70,932	–	2,014	(66.5)	3,658	(43.9)	2,530	(37.3)

Note: Comprehensive income Year ended March 31, 2023 ¥(1,812) million [–%]
 Year ended March 31, 2022 ¥2,064 million [(59.3)%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2023	(64.43)	–	(3.9)	(1.8)	(4.0)
Year ended March 31, 2022	80.26	69.93	4.7	3.6	2.8

Reference: Share of profit (loss) of entities accounted for using equity method

Year ended March 31, 2023 ¥– million

Year ended March 31, 2022 ¥– million

Note: As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the year ended March 31, 2022, each figure for the year ended March 31, 2022 is the figure after the application of the said standard, etc. The percentage of year-on-year change is not shown.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	104,897	50,955	48.6	1,609.46
As of March 31, 2022	104,933	54,509	51.9	1,726.24

Reference: Equity As of March 31, 2023 ¥50,955 million

As of March 31, 2022 ¥54,509 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	4,675	(4,147)	888	12,047
Year ended March 31, 2022	5,851	(11,608)	3,012	10,399

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	–	10.00	–	50.00	60.00	1,894	74.8	3.5
Year ended March 31, 2023	–	10.00	–	30.00	40.00	1,265	–	2.4
Year ending March 31, 2024 (Forecast)	–	10.00	–	–	–		–	

Total cash dividends do not include dividends paid on the Company's shares held by the Board Incentive Plan Trust (BIP Trust) (¥4 million for the year ended March 31, 2022, ¥3 million for the year ended March 31, 2023) and dividends paid on the Company's shares held by the employee stock ownership plan (ESOP) (¥9 million for the year ended March 31, 2022, ¥2 million for the year ended March 31, 2023).

Note: The forecast for the year-end dividends for the year ending March 31, 2024 has not yet been determined.

3. Forecast of consolidated financial results for the 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		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	35,800	13.2	(2,730)	–	(2,650)	–	(2,110)	–	(66.58)
Full year	80,200	9.9	1,920	–	2,110	–	700	–	22.08

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of March 31, 2023	33,359,040 shares	As of March 31, 2022	33,359,040 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	1,698,816 shares	As of March 31, 2022	1,782,109 shares
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Average number of shares during the period

Year ended March 31, 2023	31,616,605 shares	Year ended March 31, 2022	31,526,608 shares
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1. Overview of Operating Results, Etc.

(1) Overview of operating results for the fiscal year ended March 31, 2023

The Japanese economy during the fiscal year ended March 31, 2023 showed economic activities gradually continuing to normalize due to the steady relaxation of restrictions on activities from the COVID-19 pandemic. However, the outlook remained uncertain due to the soaring prices of energy and raw materials caused by the military invasion of Ukraine by Russia and, furthermore, rising prices of commodities due to the weak yen.

In this economic environment, the Group believes that its priority is the safety of all consumers and employees, and it carried out business activities primarily in the mushroom business to deliver deliciousness and health to more and more people through research & development, production, and sales of mushrooms, which are a health food, while taking into account measures to prevent the spread of COVID-19. Furthermore, based on its new Medium-Term Management Plan starting from April 2021, the Group carried out initiatives with the Management Vision to “Expand the market and consumption, with delivering health through mushrooms as our mission” and to “Achieve both generation of profit and social responsibility as a company.”

In the current fiscal year, the weather was generally favorable for the growth of fruit and vegetable crops, and vegetable market prices remained low, resulting in low mushroom prices. In addition, manufacturing costs rose significantly due to soaring costs of raw materials, electricity, and packaging, but the Company was unable to pass these costs on to products, resulting in a difficult situation.

As a result of the above, the operating results of the Group for the fiscal year ended March 31, 2023 were net sales of ¥72,980 million (up 2.9% from the same period of the previous fiscal year), operating loss of ¥2,948 million (operating profit of ¥2,014 million in the same period of the previous fiscal year), ordinary loss of ¥1,854 million (ordinary profit of ¥3,658 million in the same period of the previous fiscal year), and loss attributable to owners of parent of ¥2,037 million (profit attributable to owners of parent of ¥2,530 million in the same period of the previous fiscal year).

Production output for the fiscal year ended March 31, 2023 consists of 49,345t of Bunashimeji, including Bunapi (up 4.8% year-on-year), 18,902t of Eryngii (down 1.2% year-on-year), and 16,463t of Maitake (up 14.7% year-on-year).

The overview of each segment for the current fiscal year is as follows.

[Mushroom business in Japan]

The production division, amid a significant rise in raw material prices, electricity costs, packaging costs, and other production costs, worked to reduce costs, performed even more thorough hygiene control, worked to improve quality and for stable cultivation, and provided mushrooms safely and securely, while continuing to take into account measures to prevent the spread of COVID-19.

The R&D division worked to strengthen the quality control system, develop new high value-added products, improve existing mushrooms, and pursue pharmacological effects and functionality of mushrooms. In January, we announced the results of a joint research project to demonstrate in human clinical trials that eating mushrooms on a continuous basis improves immune function.

The sales division advocated for “Kinkatsu through mushrooms” (the lifestyle habit of incorporating mushrooms into daily meals) with the three pillars of health, beauty and sports in order to stimulate mushroom demand and carried out sales activities with a commitment to freshness. In terms of sales, sales volume increased due to the full operation of the Mie Mushroom Centers, but vegetable prices remained low throughout the year, resulting in weak mushroom prices and other difficult conditions.

As a result, net sales for the mushroom business in Japan as a whole were ¥47,060 million (up 1.7% year on year).

[Mushroom business outside Japan]

Hokto Kinoko Company, a local subsidiary in the U.S., achieved solid sales throughout the year, but operating profit fell short of the plan due to soaring raw materials prices and competition with imported products. At Taiwan Hokuto Corporation, a local subsidiary in Taiwan, sales in the retail market as a whole were sluggish due to a decline in opportunities for self-catering due to the relaxation of COVID-19 restrictions on activities in the first half of the year and increased demand from domestic tourism and the restaurant industry. However, due to a cold snap from mid-December onward, the sales situation changed drastically. As a result, net sales fell slightly short of the plan, but thanks to the effects of cost-cutting measures and other factors, operating profit slightly exceeded the plan. At our Malaysian subsidiary HOKTO MALAYSIA SDN. BHD., with rising inflation across ASEAN countries and soaring prices of essential products, there has been a growing tendency to buy less of non-essential products and to purchase inexpensive products from China, which significantly affected the Company's mushroom sales. Consequently, both net sales and operating profit fell short of the plan.

As a result, net sales for the mushroom business outside Japan as a whole were ¥6,530 million (up 2.9% year on year).

[Processed products business]

The processed products business carried out sales of processed mushroom products, such as those that are boiled or frozen, and worked to develop new products and develop markets. In the restaurant divisions, sales of products for delicatessen and home meal service were strong, and in terms of sales of processed products for the commercial fruit and vegetable market were also steady, mainly for dried and boiled products and pre-packaged shiitake mushroom rice products. In addition, we launched "Itamenoko," a seasoning for stir-frying mushrooms and vegetables, and "Kinokodashi," a seasoning made from ingredients from the mountains and the sea. Meanwhile, sales of frozen mushroom products for commercial use struggled for convenience stores. We launched dried shiitake mushrooms, etc., in the mail-order business, and sales were strong, mainly through our e-commerce website. Furthermore, at the subsidiary Arden Corporation, net sales outpaced projections due to continued strong orders from major customers in the OEM business.

As a result, net sales for the processed products business were ¥7,948 million (up 2.8% year on year).

[Chemical products business]

The First Business Department, whose main business is packaging materials, worked to strengthen sales and profitability by responding to successive price hikes of packaging materials and by making efforts to propose and sell less expensive alternative products that meet customers' quality expectations. The Second Business Department, which primarily produces and sells agricultural materials and our own products, focused on stable supply of some production materials and culture medium, which are in tight supply and demand, to mushroom growers, and also worked to improve the quality of our own products and expand sales. In the manufacturing of our own products, we were affected by rising electricity and other costs.

As a result, net sales for the chemical products business were ¥11,439 million (up 8.3% year on year).

(2) Overview of financial position for the current fiscal year

(Assets)

Current assets as of March 31, 2023 amounted to ¥30,790 million, up ¥3,690 million from the previous fiscal year end. This was due mainly to an increase of ¥3,549 million in cash and deposits. Non-current assets amounted to ¥74,106 million, down ¥3,726 million from the previous fiscal year end. This was due mainly to a decrease of ¥4,800 million in property, plant and equipment.

As a result, total assets amounted to ¥104,897 million, down ¥36 million from the previous fiscal year end.

(Liabilities)

Current liabilities as of March 31, 2023 amounted to ¥37,936 million, up ¥16,179 million from the previous fiscal year end. Non-current liabilities amounted to ¥16,004 million, down ¥12,662 million from the previous fiscal year end. This was due mainly to the reclassification of long-term borrowings and bonds with share acquisition rights to shares from non-current liabilities to current liabilities due to the change of their repayment or redemption period to the short term, as well as new short-term borrowings of ¥2,136 million.

As a result, total liabilities amounted to ¥53,941 million, up ¥3,517 million from the previous fiscal year end.

(Net assets)

Total net assets as of March 31, 2023 amounted to ¥50,955 million, down ¥3,553 million from the previous fiscal year end. This was due mainly to a decrease of ¥3,945 million in retained earnings associated with the recording of ¥2,037 million in loss attributable to owners of parent and the payment of dividend of ¥1,908 million.

As a result, the equity ratio was 48.6% (51.9% at the end of the previous fiscal year).

(3) Overview of cash flows for the current fiscal year

Cash and cash equivalents (hereinafter referred to as “capital”) in the current fiscal year increased by ¥1,648 million from the end of the previous fiscal year to ¥12,047 million. The status of the various cash flows for the current fiscal year, and the reasons for the said status, are as follows.

(Cash flows from operating activities)

The amount of capital increased due to operating activities was ¥4,675 million. This was primarily a result of loss before income taxes being ¥2,188 million, depreciation being ¥7,215 million, and income taxes paid being ¥1,149 million.

(Cash flows from investing activities)

The amount of capital decreased due to investing activities was ¥4,147 million. This was due mainly to the expenditure of ¥1,577 million for the acquisition of property, plant and equipment and the net increase in time deposits of ¥1,868 million.

(Cash flows from financing activities)

The amount of capital increased due to financing activities was ¥888 million. This was due mainly to a net increase of ¥2,130 million in short-term borrowings, a net increase of ¥506 million in long-term borrowings, and the payment of dividend of ¥1,909 million.

Reference: Changes in cash flow-related indicators

	March 2019	March 2020	March 2021	March 2022	March 2023
Equity ratio (%)	50.2	50.2	54.0	51.9	48.6
Market value-based equity ratio (%)	58.7	58.6	65.5	57.4	56.0
Cash flow to interest-bearing debt ratio (years)	2.9	2.4	2.1	4.6	6.5
Interest coverage ratio (times)	93.6	123.7	137.9	77.9	50.6

Equity ratio = Shareholder's equity / Total assets

Market value-based equity ratio = Market capitalization / Total assets

Cash flow to interest-bearing debt ratio = Interest bearing debt / Cash flow

Interest coverage ratio = Cash flow / Interest payments

Notes:

1. All are calculated based on consolidated financial figures.
2. Market capitalization is calculated based on the number of shares issued excluding treasury shares.
3. Operating cash flow is used as cash flow.
4. Interest-bearing debt covers all debts recorded on the consolidated balance sheet that are paying interest.

(4)Future outlook

As for the future economic situation in Japan, the COVID-19 was reclassified as a Class 5 infectious disease in May, and although consumer confidence is on a recovery trend, the situation is expected to remain uncertain due to the effects of soaring resource and energy prices and concerns about slowdowns in overseas economies. In such an environment, the Group will strengthen its management base and, in the core mushroom business in Japan, will continue its corporate efforts to reduce costs, including by improving productivity, while ensuring a stable and continuous supply of safe and reliable products. We will also focus on the mushroom business outside Japan and the processed food products business, which are part of the Group's growth strategy. In addition, in the chemical products business, we will strive to improve profits while strengthening our own product divisions.

In the mushroom business in Japan, we will produce and sell better mushrooms that are safe and secure, even in a difficult business environment where labor costs, raw material costs, distribution costs, and energy costs are all rising. In terms of sales, our policy is to aim to increase unit price by promoting "Kinkatsu through mushrooms" (the lifestyle habit of incorporating mushrooms into daily meals) to focus on sales with an emphasis on freshness, and further enhancing our brand value ("When it comes to mushrooms, it's Hokuto"). In addition, we will carry out new business development and strategic sales, and work to expand profits by coordinating with the Research and Development Division and the Processed Foods Department.

In the mushroom business outside Japan, we will focus on raising awareness of mushrooms to a wide range of customers in the United States, and in Taiwan we will carry out sales activities focusing on brand building and project proposals. Furthermore, in Malaysia we want to improve the Company's financial position, working to reduce costs, develop new customers and review our dealings with existing customers. In the processed food business, as well as expanding existing products, we want to develop products with the theme of health, making them a key vehicle for selling the idea of a better lifestyle, etc.

In the chemical products business, efforts are being made to ensure profitability with a focus on continuing to set appropriate prices, improving productivity, and reducing costs in response to the price of everything going up as a result of the global situation and the soaring price of crude oil. As a company involved in plastic molding, we are further strengthening efforts related to SDGs to effectively contribute to society. Based on the above, the consolidated financial results outlook for the next fiscal year is net sales of

¥80,200 million, operating profit of ¥1,920 million, ordinary profit of ¥2,110 million, and profit attributable to owners of parent of ¥700 million.

2. Basic Approach to Selection of Accounting Standards

Taking into account the comparability of consolidated financial statements over the period and the comparability between companies, the Group intends, for the time being, to prepare consolidated financial statements based on Japanese accounting standards.

In the future however, we intend to consider the application of International Financial Reporting Standards based on changes to the ratio of foreign shareholders and the tendency toward applying international accounting standards in Japan.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	12,481	16,031
Notes receivable - trade	329	333
Accounts receivable - trade	5,587	5,917
Merchandise and finished goods	1,975	2,636
Work in process	4,173	4,308
Raw materials and supplies	945	1,056
Other	1,635	538
Allowance for doubtful accounts	(27)	(31)
Total current assets	27,100	30,790
Non-current assets		
Property, plant and equipment		
Buildings and structures	69,934	71,334
Accumulated depreciation	(32,339)	(34,848)
Buildings and structures, net	37,595	36,486
Machinery, equipment and vehicles	66,786	67,555
Accumulated depreciation	(50,418)	(55,339)
Machinery, equipment and vehicles, net	16,368	12,215
Land	14,418	14,506
Construction in progress	27	65
Other	2,264	2,695
Accumulated depreciation	(1,899)	(1,995)
Other, net	365	700
Total property, plant and equipment	68,774	63,973
Intangible assets		
Goodwill	46	9
Other	204	202
Total intangible assets	250	211
Investments and other assets		
Investment securities	5,664	6,681
Deferred tax assets	400	485
Retirement benefit asset	1,040	1,127
Other	1,718	1,768
Allowance for doubtful accounts	(14)	(142)
Total investments and other assets	8,807	9,920
Total non-current assets	77,832	74,106
Total assets	104,933	104,897

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,763	6,187
Short-term borrowings	4,951	7,088
Current portion of long-term borrowings	4,490	8,821
Current portion of bonds with share acquisition rights	–	9,719
Income taxes payable	1,002	262
Provision for bonuses	1,016	964
Other	4,531	4,892
Total current liabilities	21,757	37,936
Non-current liabilities		
Long-term borrowings	17,753	14,072
Bonds with share acquisition rights	9,719	–
Deferred tax liabilities	356	46
Retirement benefit liability	382	358
Asset retirement obligations	240	1,030
Provision for share awards for directors (and other officers)	71	76
Other	144	420
Total non-current liabilities	28,666	16,004
Total liabilities	50,423	53,941
Net assets		
Shareholders' equity		
Share capital	5,500	5,500
Capital surplus	5,728	5,728
Retained earnings	45,888	41,943
Treasury shares	(3,318)	(3,151)
Total shareholders' equity	53,798	50,020
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,038	1,352
Foreign currency translation adjustment	(205)	(357)
Remeasurements of defined benefit plans	(122)	(59)
Total accumulated other comprehensive income	710	935
Total net assets	54,509	50,955
Total liabilities and net assets	104,933	104,897

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	70,932	72,980
Cost of sales	53,540	60,012
Gross profit	17,392	12,967
Selling, general and administrative expenses	15,377	15,915
Operating profit (loss)	2,014	(2,948)
Non-operating income		
Interest income	5	13
Dividend income	127	152
Subsidy income	651	48
Rental income from land and buildings	92	87
Foreign exchange gains	809	764
Other	68	146
Total non-operating income	1,754	1,213
Non-operating expenses		
Interest expenses	79	102
Settlement payments	13	–
Other	16	18
Total non-operating expenses	110	120
Ordinary profit (loss)	3,658	(1,854)
Extraordinary income		
Gain on sale of non-current assets	4	3
Gain on sale of investment securities	0	32
Other	–	0
Total extraordinary income	4	35
Extraordinary losses		
Loss on retirement of non-current assets	1	2
Impairment losses	–	363
Other	0	3
Total extraordinary losses	1	369
Profit (loss) before income taxes	3,661	(2,188)
Income taxes - current	1,098	407
Income taxes - deferred	32	(558)
Total income taxes	1,131	(151)
Profit (loss)	2,530	(2,037)
Profit (loss) attributable to owners of parent	2,530	(2,037)

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit (loss)	2,530	(2,037)
Other comprehensive income		
Valuation difference on available-for-sale securities	(621)	314
Foreign currency translation adjustment	122	(152)
Remeasurements of defined benefit plans, net of tax	33	62
Total other comprehensive income	(465)	224
Comprehensive income	2,064	(1,812)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,064	(1,812)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,500	5,727	45,267	(3,530)	52,964
Changes during period					
Dividends of surplus			(1,908)		(1,908)
Profit (loss) attributable to owners of parent			2,530		2,530
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		0		213	213
Net changes in items other than shareholders' equity					
Total changes during period	–	0	621	211	834
Balance at end of period	5,500	5,728	45,888	(3,318)	53,798

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	1,659	(328)	(155)	1,176	54,140
Changes during period					
Dividends of surplus					(1,908)
Profit (loss) attributable to owners of parent					2,530
Purchase of treasury shares					(1)
Disposal of treasury shares					213
Net changes in items other than shareholders' equity	(621)	122	33	(465)	(465)
Total changes during period	(621)	122	33	(465)	368
Balance at end of period	1,038	(205)	(122)	710	54,509

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,500	5,728	45,888	(3,318)	53,798
Changes during period					
Dividends of surplus			(1,908)		(1,908)
Profit (loss) attributable to owners of parent			(2,037)		(2,037)
Purchase of treasury shares				(49)	(49)
Disposal of treasury shares		(0)		216	216
Net changes in items other than shareholders' equity					
Total changes during period	–	(0)	(3,945)	167	(3,778)
Balance at end of period	5,500	5,728	41,943	(3,151)	50,020

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	1,038	(205)	(122)	710	54,509
Changes during period					
Dividends of surplus					(1,908)
Profit (loss) attributable to owners of parent					(2,037)
Purchase of treasury shares					(49)
Disposal of treasury shares					216
Net changes in items other than shareholders' equity	314	(152)	62	224	224
Total changes during period	314	(152)	62	224	(3,553)
Balance at end of period	1,352	(357)	(59)	935	50,955

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	3,661	(2,188)
Depreciation	6,905	7,215
Amortization of goodwill	72	37
Increase (decrease) in provision for bonuses	(116)	(53)
Decrease (increase) in retirement benefit asset	(2)	(22)
Increase (decrease) in retirement benefit liability	15	1
Interest and dividend income	(132)	(166)
Interest expenses	79	102
Insurance claim income	–	(4)
Impairment losses	–	363
Loss (gain) on sale of investment securities	0	(32)
Foreign exchange losses (gains)	(849)	(753)
Decrease (increase) in trade receivables	(7)	(318)
Decrease (increase) in inventories	(338)	(854)
Increase (decrease) in trade payables	(1)	742
Decrease (increase) in other current assets	(1,160)	1,122
Increase (decrease) in other current liabilities	159	366
Decrease (increase) in other non-current assets	(350)	150
Other, net	(16)	38
Subtotal	7,918	5,746
Interest and dividends received	132	166
Interest paid	(75)	(92)
Proceeds from insurance income	–	4
Income taxes paid	(2,124)	(1,149)
Net cash provided by (used in) operating activities	5,851	4,675
Cash flows from investing activities		
Payments into time deposits	(1,422)	(4,769)
Proceeds from withdrawal of time deposits	438	2,900
Purchase of property, plant and equipment	(10,396)	(1,577)
Proceeds from sale of property, plant and equipment	5	3
Purchase of shares of subsidiaries and associates	–	(628)
Purchase of investment securities	(100)	(197)
Proceeds from sale of investment securities	86	295
Other payments	(225)	(178)
Other proceeds	6	4
Net cash provided by (used in) investing activities	(11,608)	(4,147)
Cash flows from financing activities		
Proceeds from short-term borrowings	13,000	5,130
Repayments of short-term borrowings	(12,010)	(3,000)
Proceeds from long-term borrowings	11,000	5,000
Repayments of long-term borrowings	(7,269)	(4,493)
Purchase of treasury shares	(1)	(49)
Proceeds from sale of treasury shares	201	210
Dividends paid	(1,908)	(1,909)
Net cash provided by (used in) financing activities	3,012	888
Effect of exchange rate change on cash and cash equivalents	310	231
Net increase (decrease) in cash and cash equivalents	(2,434)	1,648
Cash and cash equivalents at beginning of period	12,833	10,399
Cash and cash equivalents at end of period	10,399	12,047

(5) Notes on consolidated financial statements

Notes on assumptions for going concern

Not applicable.

Changes in accounting policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021) from the beginning of the current fiscal year, and it has applied the new accounting policy stipulated in the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively, in accordance with the transitional treatment provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no effect on the consolidated financial statements for the current fiscal year.

Segment information, etc.

Segment information

1. Summary of reportable segments

The Group's reportable segments are made available with separate financial information from among the Group's organized units, and the Board of Directors periodically examines them in order to determine the allocation of management resources and evaluate performance.

The Group has four reportable segments: the Mushroom Business in Japan (centered on the submitting company), the Mushroom Business Outside Japan, the Processed Products Business, and the Chemical Products Business. The mushroom business in Japan produces and sells mushroom products, mainly Bunashimeji, Eryngii, and Maitake, in Japan, and the mushroom business outside Japan produces and sells mushroom products, mainly Bunashimeji, Eryngii, and Maitake, overseas.

The processed products business produces and sells various retort pouch foods, such as processed foods, curries and soups made with mushrooms, and also sells supplements. The chemical products business produces and sells packaging materials and agricultural materials.

2. Calculating net sales, profits or losses, assets, liabilities and other items for each reportable segment

The method of accounting for the reported business segments is generally the same as described in the "Important matters that are the basis for preparing consolidated financial statements."

Profit for the reportable segments is based on operating profit.

Internal revenues and money transfers between segments are based on current market prices.

3. Information on net sales, profits or losses, assets, liabilities and other items for each reportable segment

Previous fiscal year (April 1, 2021 - March 31, 2022)

(Millions of yen)

	Reportable segments				Total	Adjustments (Note 1.)	Amount recorded on consolidated financial statements (Note 2.)
	Mushroom business in Japan	Mushroom business outside Japan	Processed products business	Chemical products business			
Net sales							
(1) Net sales from external customers	46,286	6,348	7,732	10,565	70,932	–	70,932
(2) Internal net sales or transfers between segments	9	–	–	1,566	1,576	(1,576)	–
Total	46,295	6,348	7,732	12,132	72,509	(1,576)	70,932
Segment profit	2,788	642	340	109	3,881	(1,866)	2,014
Segment assets	77,293	11,760	5,552	8,426	103,033	1,899	104,933
Segment liabilities	43,869	1,089	1,643	3,821	50,423	–	50,423
Other items							
Depreciation	5,804	534	158	340	6,837	67	6,905
Amortization of goodwill	–	–	72	–	72	–	72
Increase in property, plant and equipment and intangible assets	10,427	190	342	69	11,029	5	11,035

Notes:

1. Adjustments are as follows:

- (1) Adjustments for segment profit of ¥(1,866) million are Group-wide expenses of ¥(1,844) million not allocated to an individual reporting segment and elimination of internal transactions of ¥(21) million. Group-wide expenses are mainly selling, general and administrative expenses that do not belong to any reportable segment.
- (2) The segment asset adjustment amount of ¥1,899 million corresponds to Group-wide assets, etc. not allocated to an individual reportable segment. The main assets of the Group are assets related to the management division.
- (3) The adjustment amount of ¥73 million for other items is the increase in Group-wide assets not allocated to an individual reportable segment and its depreciation. The main increase in Group-wide assets is assets related to Company management division that do not belong to any segment.

2. Segment profit is adjusted with operating profit on the consolidated financial statement.

Current fiscal year (April 1, 2022 - March 31, 2023)

(Millions of yen)

	Reportable segments				Total	Adjustments (Note 1.)	Amount recorded on consolidated financial statements (Note 2.)
	Mushroom business in Japan	Mushroom business outside Japan	Processed products business	Chemical products business			
Net sales							
(1) Net sales from external customers	47,060	6,530	7,948	11,439	72,980	–	72,980
(2) Internal net sales or transfers between segments	36	–	–	1,079	1,115	(1,115)	–
Total	47,097	6,530	7,948	12,518	74,095	(1,115)	72,980
Segment profit	(1,619)	153	275	145	(1,045)	(1,902)	(2,948)
Segment assets	76,089	12,588	5,705	8,603	102,987	1,909	104,897
Segment liabilities	46,800	1,598	1,600	3,941	53,941	–	53,941
Other items							
Depreciation	6,022	571	213	350	7,157	58	7,215
Amortization of goodwill	–	–	37	–	37	–	37
Increase in property, plant and equipment and intangible assets	870	71	58	139	1,139	67	1,207

Notes:

1. Adjustments are as follows:

- (1) Adjustments for segment profit of ¥(1,902) million are Group-wide expenses of ¥(1,919) million not allocated to an individual reporting segment and elimination of internal transactions of ¥17 million. Group-wide expenses are mainly selling, general and administrative expenses that do not belong to any reportable segment.
- (2) The segment asset adjustment amount of ¥1,909 million corresponds to Group-wide assets, etc. not allocated to an individual reportable segment. The main assets of the Group are assets related to the management division.
- (3) The adjustment amount of ¥126 million for other items is the increase in Group-wide assets not allocated to an individual reportable segment and its depreciation. The main increase in Group-wide assets is assets related to Company management division that do not belong to any segment.

2. Segment profit is adjusted with operating loss on the consolidated financial statement.

Related information

Previous fiscal year (April 1, 2021 - March 31, 2022)

1. Information by product and service

Not stated as similar information is disclosed in segment information.

2. Information by region

(1) Net sales

Not stated as net sales from external customers in Japan exceed 90% of net sales on the consolidated income statement.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	North America	Total
61,458	3,565	3,750	68,774

3. Information by major customer

Not stated as there is no other party of the net sales from external customers that accounts for 10% or more of net sales on the consolidated income statement.

Current fiscal year (April 1, 2022 - March 31, 2023)

1. Information by product and service

Not stated as similar information is disclosed in segment information.

2. Information by region

(1) Net sales

Not stated as net sales from external customers in Japan exceed 90% of net sales on the consolidated income statement.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	North America	Total
56,686	3,080	4,206	63,973

3. Information by major customer

Not stated as there is no other party of the net sales from external customers that accounts for 10% or more of net sales on the consolidated income statement.

Information on impairment losses on non-current assets by reportable segment

Previous fiscal year (April 1, 2021 - March 31, 2022)

Not applicable.

Current fiscal year (April 1, 2022 - March 31, 2023)

(Millions of yen)

	Mushroom business in Japan	Mushroom business outside Japan	Processed products business	Chemical products business	Group-wide / Eliminations	Total
Impairment loss	—	363	—	—	—	363

Information on amortization of goodwill and unamortized balance by reportable segment

Previous fiscal year (April 1, 2021 - March 31, 2022)

(Millions of yen)

	Mushroom business in Japan	Mushroom business outside Japan	Processed products business	Chemical products business	Group-wide / Eliminations	Total
Amortization amount	–	–	72	–	–	72
Unamortized balance	–	–	46	–	–	46

Current fiscal year (April 1, 2022 - March 31, 2023)

(Millions of yen)

	Mushroom business in Japan	Mushroom business outside Japan	Processed products business	Chemical products business	Group-wide / Eliminations	Total
Amortization amount	–	–	37	–	–	37
Unamortized balance	–	–	9	–	–	9

Information on negative goodwill gains by reportable segment

Previous fiscal year

(April 1, 2021 - March 31, 2022)

Not applicable.

Current fiscal year

(April 1, 2022 - March 31, 2023)

Not applicable.

Per share data

Previous fiscal year (April 1, 2021 - March 31, 2022)		Current fiscal year (April 1, 2022 - March 31, 2023)	
Net assets per share	1,726.24 yen	Net assets per share	1,609.46 yen
Earnings per share	80.26 yen	Earnings (loss) per share	(64.43 yen)
Diluted earnings per share	69.93 yen	Diluted earnings per share	–

Notes:

- Company shares held by the Board Incentive Plan Trust (BIP Trust) and in the employee stock ownership plan (ESOP) are included in treasury shares deducted from the total number of issued shares at the end of the fiscal year based on the calculation of the net assets per share (BIP Trust: 72,000 shares in previous fiscal year and 92,000 shares in current fiscal year; ESOP: 158,000 shares in previous fiscal year and 54,000 shares in current fiscal year). They are also included in treasury shares deducted in the calculation of the average number of shares during the period based on the calculation of earnings and loss per share and diluted earnings per share (BIP Trust: 73,000 shares in previous fiscal year and 86,000 shares in current fiscal year; ESOP: 206,000 shares in previous fiscal year and 104,000 shares in current fiscal year).
- Diluted earnings per share for the current fiscal year is not shown because earnings per share was a net loss, although there are diluted shares.
- The basis for calculating earnings and loss per share and diluted earnings per share is as follows.

	Previous fiscal year (April 1, 2021 - March 31, 2022)	Current fiscal year (April 1, 2022 - March 31, 2023)
Earnings (loss) per share		
Profit (loss) attributable to owners of parent (Millions of yen)	2,530	(2,037)
Amount not attributable to ordinary shareholders (Millions of yen)	–	–
Profit (loss) attributable to owners of parent pertaining to common shares (Millions of yen)	2,530	(2,037)
Average number of shares during the period (Thousands of shares)	31,526	31,616
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (Millions of yen)	–	–
Increase in common shares (Thousands of shares)	4,655	–
[Of which are convertible bonds with share acquisition rights (Thousands of shares)]	[4,655]	–
Summary of diluted shares not included in calculation of diluted earnings per share because they do not have a dilutive effect	–	–

Material subsequent events

Not applicable.