

HOKUTO Corporation

Medium-Term Management Plan

(Fiscal year ending March 31, 2022 to fiscal year ending March 31, 2026)

Five-Year Plan

November 24, 2020



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The current Medium-Term Management Plan was reviewed in November 2017, with its term running through March 2022.

However, amid changes in the Company's environment, the Medium-Term Management Plan has been again reviewed and formulated here in order for officers and employees to share in the direction that the HOKUTO Group seeks and to work together in playing roles aimed at contribution to society and growth of the company.

A Medium-Term Management Plan Formulation Project Team was formed, with department representatives participating as team members. These members considered the future from their respective standpoints, and formulated the plan through repeated discussions centered on cooperation and shared sentiment. The greatest objective of the plan is for all officers and employees to share a sense of accomplishment after the five years of the term of the plan, leading to vitality heading into the next era.

(1) Period of formulation of Medium-Term Management Plan

April 2021 to March 2026 (59th term to 63rd term : 5-year plan)

(2) We structured the Medium-Term Management Plan with the “ The Five Satisfactions ” at the top

a. Company policy

Our company policy is “ the Five Satisfactions, ” which comprise “ consumer satisfaction, ” “ client satisfaction, ” “ community satisfaction, ” “ shareholder satisfaction ” and “ employee satisfaction. ” These are HOKUTO's highest-level principles.

b. Management Vision

This is our vision for ourselves five years from now, born from discussions in the Medium-Term Management Plan Project and pursued by all officers and employees.

c. Basic Strategy

This is our basic approach toward formulating the “ priority measures by business, ” in order to achieve our “ Management Vision ” for the Company five years from now.

d. Priority Measures

We indicated “ priority measures by business, ” with “ Mushroom business in Japan, ” “ Mushroom business outside Japan, ” “ Processed products business, ” and “ Chemical products business ” as the domains.



With the **Five Satisfaction** as our company policy, we continually strive to satisfy all those with a connection to HOKUTO. With the recognition that treasuring each and every connection and creating more and more smiling faces are the first steps toward the future we are aiming for, we set the Five Satisfaction as the highest-level principles when formulating our Medium-Term Management Plan.



4.1 Management Vision



In the Medium-Term Management Plan Formulation Project, we held repeated discussions over our vision for the Company five years ahead.

We consolidated terms including “ health, ” “ functionality, ” “ convenience, ” “ expansion of market or consumption, ” “ improvement of profit margin, ” and “ social contribution ” as keywords, based on which we formulated two management visions.

【 Management Vision (1) 】

Expand the market and consumption, with delivering health through mushrooms as our mission

- We will instill a change in thinking to the effect that HOKUTO delivers not only foodstuffs (concrete goods) but also the added value offered by mushrooms (abstract things) to customers.
- We will work to expand mushroom consumption under the keyword of “ health. ”
We will work to expand the buyer base that selects health foods, i.e., we will work to expand the market and consumption.

4.2 Management Vision



【 Management Vision (2) 】

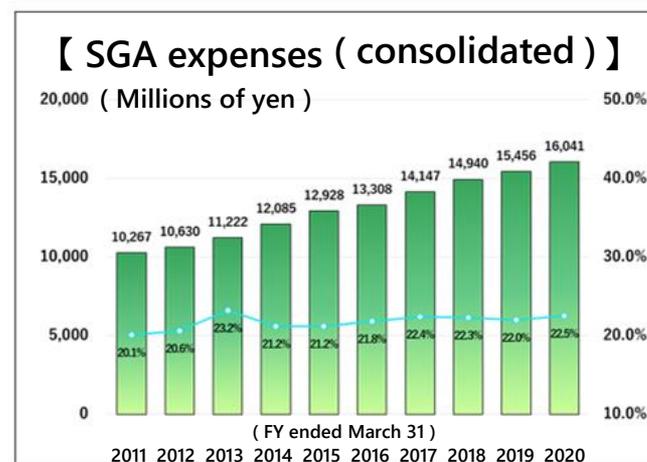
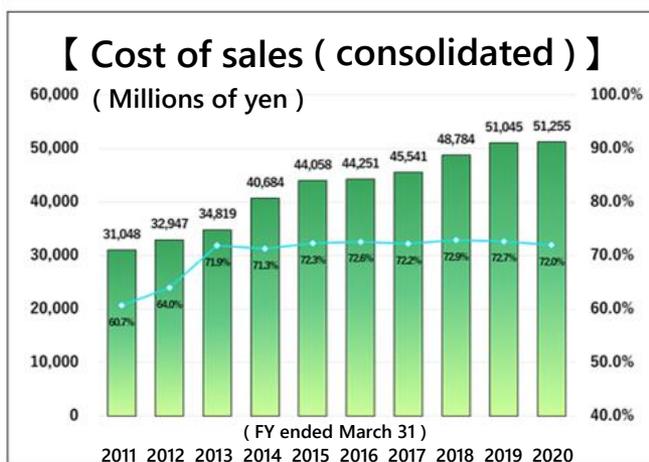
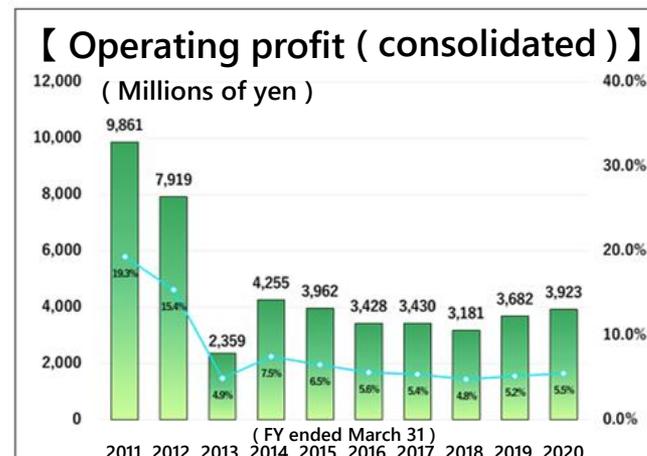
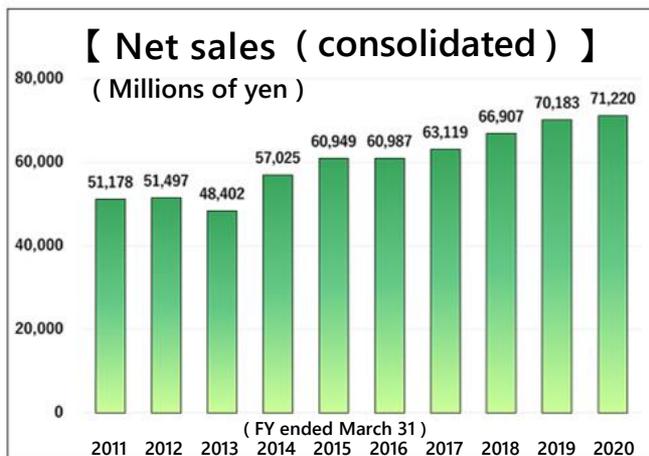
Achieve both generation of profit and social responsibility as a company

Fiscal year ended March 31, 2011 to fiscal year ended March 31, 2020

Charts of 10 – year transitions in metrics

Push a shift in awareness from net sales to operating profit.

Reference : “ Company Earnings Briefing ” (2011 – 2020)



- Sales, operating profit, cost of sales, and selling, general, and administrative expenses on a consolidated basis are charted here from the fiscal year ended March 31, 2011 (48th term) to the most recent fiscal year ended March 31, 2020 (57th term).

Although sales are rising in general, operating profit margin has remained near the 5% level for the past five years since operating profit fell during the fiscal year ended March 31, 2013 (50th term). Cost of sales margin and selling, general, and administrative expense ratio remain high, and are generally rising year by year on a monetary basis.

Restated, under a shared understanding that the era in which increasing net sales means increasing profit has come to an end, we will consider and share what every executive and employee should do in their respective positions to generate the profits that are indispensable to the growth of the Company, and will establish a culture committed to the creation of the operating profit that measures performance of our core business, in order to increase our corporate value.

- At the same time, we have engaged in Corporate Social Responsibility (CSR) activities in order to address social needs and social issues through our business activities. Using our own growth as energy, we will continue aiming to achieve a sustainable society and to fulfill our social responsibilities to the satisfaction of all of our stakeholders.

This is our strategy for giving form to our Management Vision. Its thinking places emphasis on broad recognition of the “ added value of mushrooms ” and the “ added value of HOKUTO, ” and carries down to our priority measures by business.

【 Basic Strategy (1) 】

Highlighting of mushrooms as a health food and strengthening of initiatives to expand consumption

- We aim to change the image people hold, from “ Mushrooms mean health food ” to “ **Health food means mushrooms,** ” and fix the image.
We aim to establish the associations “ Mushroom rivals are not mushrooms ! ” and “ Health food means mushrooms. ”
- We will undertake research into functionality that contributes to health.
We will contribute to society by researching and highlighting active ingredients and their effects, along with the efficacy of mushroom intake in improving intestinal bacterial flora and boosting immunity.
- By adding value such as convenience to health-related added value, we will further enhance the added value of mushrooms.

【 Basic Strategy (2) 】

Expanding recognition of HOKUTO (strengthening of the HOKUTO brand)

- Evolve the image “ HOKUTO means mushrooms ” into “ **Mushrooms mean HOKUTO.** ”
- In addition to our confidence that “ HOKUTO delivers safety, security, and deliciousness, we will foster the confidence that “ **HOKUTO delivers health to the world.** ”
- We aim to differentiate ourselves from competitors by developing HOKUTO original mushrooms (“ one-of-a-kind ” mushrooms) and developing new varieties that contribute to strengthened active ingredients and improved quality and taste.

《 Measurement of health awareness 5 years later 》

- When the Medium-Term Management Plan ends, we plan to investigate and analyze the degree to which the above Basic Strategy concept has penetrated to “ customers ” and “ employees, ” using three measures.

Note 1 Utilization of fixed point observation information: We will assess “ frequency of foodstuff purchases, ” “ frequency of mushroom purchases, ” “ frequency of eating mushrooms, ” etc., and analyze relationships with health.

Note 2 Employee awareness surveys: We will regularly survey the degree of understanding of “ products, ” “ efficacy, ” etc., and put this to use in “ word-of-mouth ” marketing.

Note 3 For overseas markets, our metric will be purchasing by people who have never purchased our mushrooms before, through new cultivation of the European market and deep cultivation of the North American and Asian markets.

6.1 Priority Measures by Business

The HOKUTO Group's priority measures by business are as follows.

Mushroom business in Japan

- Expansion of markets and consumption
- Provision of health and convenience
- Premium = one-of-a-kind Value for customers



Mushroom business outside Japan

- Creation of value accepted in countries' markets
- Plant construction and M&A — Global expansion of local production for local consumption —



Processed products business

- Strengthening of product development capabilities
- Development of products that contribute to synergies of raw mushroom sales
- Enhancement of sales measures under theme of "health" in the mail-order business



Chemical products business

- Active development of solutions-based sales that satisfy customers
- Strengthening of dealings with overseas companies in China / Asia, etc.
- Enhancement of plastic molding technological capabilities and expansion of our own product sales



【 Priority Measure (1) 】

Expansion of markets and consumption

“ Increasing supply volume to the domestic market ”

Raw mushrooms are susceptible to seasonal factors. Under the theme of “ health, ” we will focus on sales during low-demand periods and increase supply volume by increasing opportunities for customers to place our products on dining tables. At the same time, we will work to cut costs through streamlining and rationalization of production, review of purchasing rules, etc.

“ Cultivation of new customers ”

By pushing the message “ Health food means mushrooms, ” we will increase mushroom users and mushroom fans, including those who have not held an image of mushrooms as healthy and those who have an interest in mushrooms but do not prefer them.

【 Priority Measure (2) 】

Provision of health and convenience

“ Enrichment of opportunities to highlight the functionality of mushrooms ”

We recognize the effectiveness of increasing opportunities to appeal not only to the market and buyers but also directly to consumers, as the targets of our appeal for functionality for health. We value food education activities, etc., as such opportunities. However, when considering effective appeals to consumers, we consider how to perform advertising to be a key point. We will collaborate with departments in charge to create the associations “ Health food means mushrooms ” and “ Mushrooms mean HOKUTO. ”

“ Enhancement of cut products (Maitake, Bunashimeji, Eryngii) ”

Consumers’ needs for convenience are unquestionably increasing. We will prepare a proper production system.

【 Priority Measure (3) 】

Premium = one-of-a-kind value for customers

In addition to positioning Shimofuri hiratake and Fresh Donko as premium lines, we want to communicate to consumers the appeal of these as “ one-of-a-kind products ” only from HOKUTO. Both products score highly for taste, which is why we want more consumers to try them.

“ Full production of Shimofuri hiratake & change to pillow packaging ”

Our aim for the change to pillow packaging is to commercialize the packaging while listening to the opinions of consumers and buyers. We will promote the reduction of plastics, highlight ease of use to consumers, and increase opportunities to handle the packaging.

“ Construction of second plant for Fresh Donko ”

We are conducting verification and research to solve production issues and reduce initial costs. We will continue verification and research and expand into Western Japan where shiitake demand exists, and will connect this to expansion of the market and consumption.



Mushroom business in Japan

【 Priority Measure (1) 】



Mushroom business outside Japan

Creation of value accepted in countries' markets

“ Survey on the effects of appeals to consumers in different countries ”

We will investigate the degree to which appealing to the health effects of mushrooms is accepted in different countries' markets. While the values on which to focus will likely vary by market, our aim is to increase the number of consumers who buy mushrooms for reasons of health.

“ Provision of safety, security, and functionality ”

“ Safety and security ” are the biggest selling points of HOKUTO mushrooms. In line with our Management Vision of “ delivering health, ” along with “ safety and security ” we will deliver “ functionality ” to health-conscious consumers in Europe and the U.S. and to the affluent class in Asia.

【 Priority Measure (2) 】

Plant construction and M&A — Global expansion of local production for local consumption —

“ Stable supply of mushrooms with good quality and freshness ”

With a strong commitment to local production for local consumption not only in Japan, we bear an important duty as a mushroom manufacturer to stably supply high-quality mushrooms. We will develop new plants while verifying investment effects through means including surveys of regional characteristics and analyses of markets.

We will actively address M&A projects that are attractive to the Company, judging each project on its own merits.

“ Early sharing of information and company-wide initiatives concerning overseas expansion ”

We will enhance interdepartmental cooperation on overseas projects more than ever, share relevant information at an early stage, and increase the sense of self-ownership of projects, to structure a system that can respond with speed.

【 Priority Measure (1) 】

Strengthening of product development capabilities

“ Organizing the Product Development Unit ”

Looking back on the current Medium-Term Management Plan, it was noted that the processed products business was not dealt with seriously. Insufficient product development capability was cited as the main cause, leading to recognition that organizing the Product Development Division is the key to development of the business. We will organize it and begin product development in the fiscal year ending March 31, 2022 (59th term).

“ Collaboration with Arden Corporation ”

Arden is expanding its OEM business in the grocery field. We will ramp up collaboration with Arden, the core of the processed products business, and will make use of the company going beyond the grocery field to nurture a business that will be the next pillar following the OEM business.

【 Priority Measure (2) 】

Development of products that contribute to synergies of raw mushroom sales

“ Utilization of the produce section, our stronghold ” “ Integration of sales of raw mushrooms and processed products ”

These measures will make the produce section, a stronghold of ours, the main battlefield for processed product sales. We are determined to tackle the challenge of growing the processed products business, with synergies between raw mushrooms and processed products as our aim.

【 Priority Measure (3) 】

Enhancement of sales measures under theme of “ health ” in the mail-order business

“ New expansion into malls in Japan and overseas ”

We will open stores in malls in which we have not yet entered, with the fiscal year ending March 31, 2022 (59th term) as the goal. As new fields for mail-order business development, we will also try opening stores on overseas portal sites and performing proxy sales for customers from the fiscal year ending March 31, 2024 (61st term).

“ Development and sales of new products ”

In collaboration with the Product Development Division that will be organized, the Research & Development Department, Production Division, Arden and other subsidiaries, we will undertake product development under the theme of “ health, ” including products for overseas segments and products for athletes. We want to make this our core channel for selling abstract things.



Processed products business

【 Priority Measure (1) 】



Chemical products business

Active development of solutions-based sales that satisfy customers

“ Solutions-based sales leveraging intellectual property ”

We will leverage our intellectual property as a specialized trading company and make full use of our ability to propose solutions that scratch customers' itches, while addressing latent needs such as increased production of mushroom farmers and cost-cutting to provide top-level added value.

【 Priority Measure (2) 】

Strengthening of dealings with overseas companies in China / Asia, etc.

“ Strengthening of agricultural materials-related overseas strategies ”

In collaboration with HOKUTO Corporation, we will strengthen the overseas strategy of the Agricultural Materials Division for China / Asia.

In addition to providing mushroom cultivation know-how, machinery / equipment technology, etc., we will strengthen stable supply to domestic producers through the import of raw materials.

【 Priority Measure (3) 】

Enhancement of plastic molding technological capabilities and expansion of our own product sales

“ Strengthening of our own product development capabilities and profitability ”

By further enhancing our plastic molding technological capabilities, we will work to acquire ISO9001 certification and optimize QCD (quality, cost, and delivery). Together with customers, we will work to develop our own plant-derived products, strengthen sales, and boost profitability.

7 Main Capital Investment Plans



(Billions of yen)

	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	FY ending March 31, 2025	FY ending March 31, 2026
Plant construction	(Mie prefecture) Maitake Bunashimeji				Fresh Donko
		(Taiwan Third) Maitake	(ASEAN Second) Bunashimeji	(North America Second) Maitake	(Europe) Eryngii
Capital investment	10.0	2.2	1.5	3.5	9.9
Depreciation	7.2	7.7	7.1	6.7	6.7

8.1 Numerical Plan

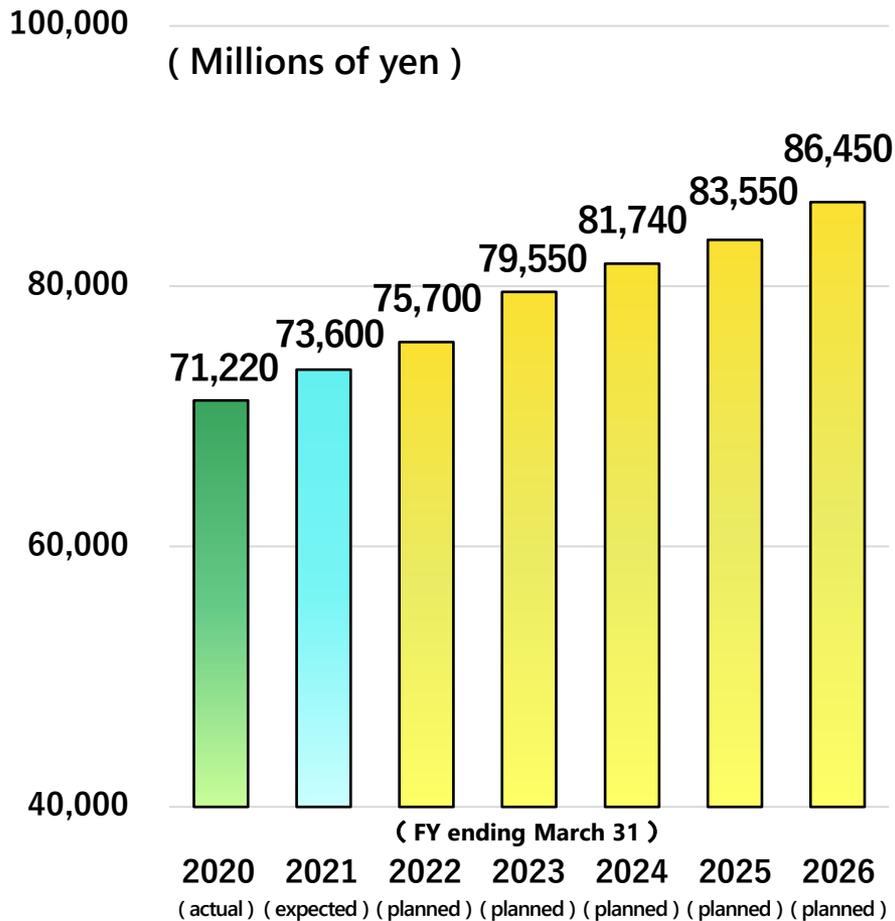
(Millions of yen)

 Consolidated	FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	FY ending March 31, 2025	FY ending March 31, 2026
Net sales	75,700	79,550	81,740	83,550	86,450
Operating profit	5,040	6,060	6,760	7,620	8,430
Operating profit / net sales	6.7%	7.6%	8.3%	9.1%	9.8%
Ordinary profit	5,150	6,170	6,870	7,730	8,540
Ordinary profit / net sales	6.8%	7.8%	8.4%	9.3%	9.9%
Profit	3,330	3,990	4,440	5,000	5,520
Profit / net sales	4.4%	5.0%	5.4%	6.0%	6.4%
EBITDA	12,270	13,760	13,820	14,350	15,170
ROIC	3.4%	4.0%	4.4%	4.8%	4.8%

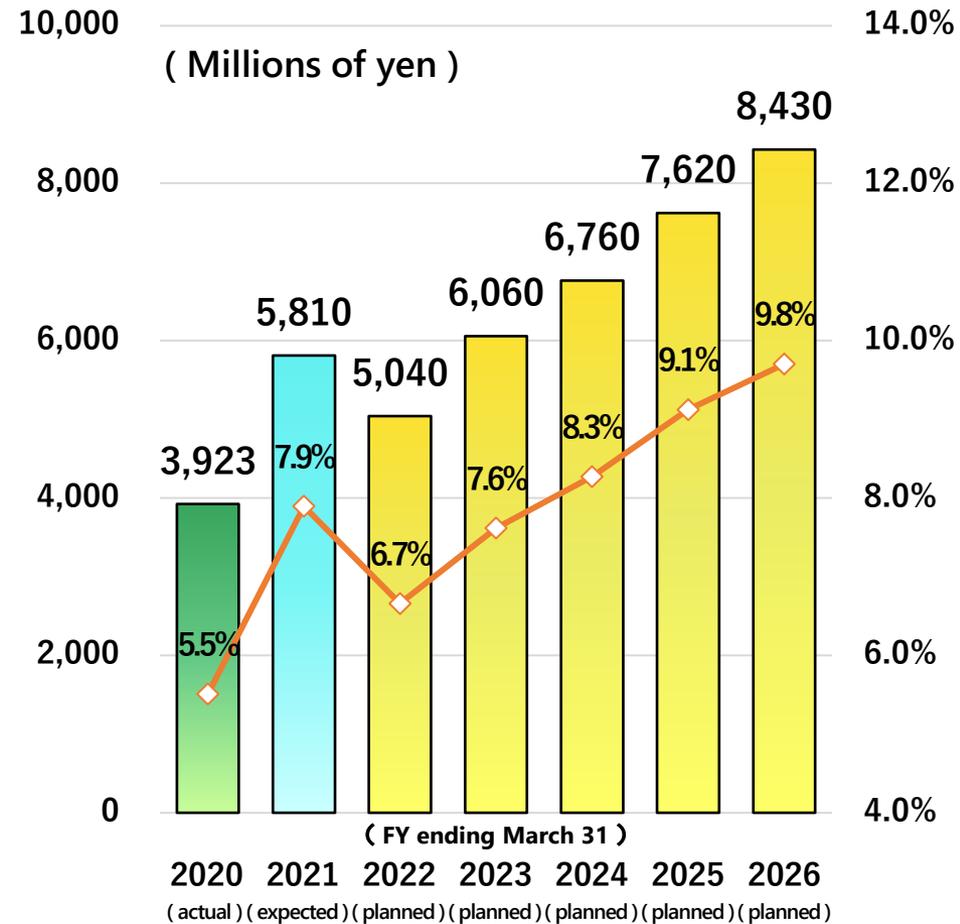
8.2 Numerical Plan



Net sales target « Consolidated »



Operating profit target « Consolidated »



8.3 Numerical Plan

(Millions of yen)



Breakdown by segment

		FY ending March 31, 2022	FY ending March 31, 2023	FY ending March 31, 2024	FY ending March 31, 2025	FY ending March 31, 2026
Mushroom business in Japan	Net sales	51,180	54,040	55,020	55,140	56,350
	Operating profit	5,790	6,980	7,560	8,000	8,410
Mushroom business outside Japan	Net sales	5,400	5,690	6,180	7,150	8,260
	Operating profit	760	460	430	530	770
Processed products business	Net sales	8,340	8,570	8,860	9,110	9,280
	Operating profit	400	440	490	590	640
Chemical products business	Net sales	10,780	11,250	11,680	12,150	12,560
	Operating profit	(90)	(20)	80	280	390
Total	Net sales	75,700	79,550	81,740	83,550	86,450
	Operating profit	5,040	6,060	6,760	7,620	8,430

To create an enriching and vibrant work environment and be a motivating company, the HOKUTO Group will work to acquire and utilize the following certifications, etc.

I . Kurumin / Platinum Kurumin

The Minister of Health, Labour and Welfare certifies this program for **companies that provide support for childrearing**.

The Company currently holds Kurumin certification. In the future, we will take actions to increase our rate of taking childcare leave and will introduce programs for handling diverse work styles, in order to earn Platinum Kurumin certification.



II . Eruboshi

Under this program, the Minister of Health, Labour and Welfare certifies **companies that promote active workplace participation of women**.

We will foster morale within the Company to enable women to work with motivation and play active roles. We will also engage in training and the creation of programs toward this end, and will take action to become a company rich in diversity.

III . Tomonin

This symbol certified by the Ministry of Health, Labour and Welfare can be used in workplace development activities, such as prevention of severance for long-term caregiving, with the aim of becoming a **company where people can balance jobs with long-term caregiving**.

As a company that delivers health, we will work to create programs that let employees stay in their jobs while engaged in long-term caregiving, and increase morale within the company.

IV . Health and Productivity Management Organization Recognition Program “ while 500 ”

This program by the Ministry of Economy, Trade and Industry recognizes **companies with outstanding health management**.

Placing employees' health at the core of the Company, we will undertake initiatives to protect employees' health. We will also examine measures to prevent employee turnover caused by personal injury or illness.

The HOKUTO Group views the achievement of the Sustainable Development Goals (SDGs) as inseparable from our goal of “creating a bright, happy future.”

Drawing on the collective strength of our Group, we will tackle these goals through the activities of the Medium-Term Management Plan. We plan to indicate specific activities again in the future.






Plans, business forecasts, and other information presented in these materials have been prepared on the basis of information available at the time and on assumptions deemed to be rational. Actual performance may differ significantly from forecasts due to the economic environment and other factors.

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