

Translation

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## Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Based on Japanese GAAP)

February 10, 2022

Company name: HOKUTO CORPORATION  
 Stock exchange listing: Tokyo  
 Stock code: 1379 URL <https://www.hokto-kinoko.co.jp>  
 Representative: President Masayoshi Mizuno  
 Executive Director, Administration Tomio Takato  
 Inquiries: Department Director TEL 026-259-5955  
 Scheduled date to file Quarterly Securities Report: February 10, 2022  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

#### (1) Consolidated operating results (cumulative)

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	%
Nine months ended December 31, 2021	52,539	–	1,440	(67.4)	1,965	(55.0)	1,253	(57.1)
Nine months ended December 31, 2020	55,439	3.7	4,411	80.1	4,370	68.9	2,917	–

Note: Comprehensive income  
 Nine months ended December 31, 2021 ¥832 million [(75.5)%]  
 Nine months ended December 31, 2020 ¥3,395 million [–%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2021	39.77		34.65	
Nine months ended December 31, 2020	93.16		80.88	

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 first quarter of the fiscal year ending March 31, 2022, each figure for the nine months ended December 31, 2021, 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
	Millions of yen	Millions of yen	%
As of December 31, 2021	106,268	53,234	50.1
As of March 31, 2021	100,237	54,140	54.0

Reference: Equity  
 As of December 31, 2021 ¥53,234 million  
 As of March 31, 2021 ¥54,140 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 first quarter of the fiscal year ending March 31, 2022, each figure as of December 31, 2021, is the figure after the application of the said standard, etc.

### 2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	–	10.00	–	50.00	60.00
Year ending March 31, 2022	–	10.00	–		
Year ending March 31, 2022 (Forecast)				50.00	60.00

Note: Revisions to the cash dividend forecasts most recently announced: None

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

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
Full year	70,800	–	2,220	(63.1)	3,350	(48.7)	2,100	(48.0)	66.61

Note: Revisions to the earnings forecasts most recently announced: Yes

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 fiscal year ending March 31, 2022. Although this impact has been taken into account, year-on-year changes for net sales are not presented in the consolidated earnings forecasts above as the accounting method used for comparison differs.

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2021  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

Note: For the details, please refer to ‘Changes in accounting policies’ in ‘(3) Notes to quarterly consolidated financial statements’ in ‘2. Quarterly Consolidated Financial Statements and Significant Notes Thereto’ on page 8 of the attached materials.

(4) Number of issued shares (common shares)

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

As of December 31, 2021	33,359,040 shares	As of March 31, 2021	33,359,040 shares
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Number of treasury shares at the end of the period

As of December 31, 2021	1,803,491 shares	As of March 31, 2021	1,888,679 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2021	31,513,637 shares	Nine months ended December 31, 2020	31,319,910 shares
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\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of forecasts of financial results, and other special matters

(Cautions on forward-looking statements, etc.)

Forward-looking statements, including the earnings forecasts stated in this document, are based on information currently available to the Company and certain assumptions deemed reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual results may differ materially from the forecasts due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to ‘(3) Information regarding consolidated earnings forecasts and other forward-looking statements’ in ‘1. Qualitative Information Regarding Financial Results for the Nine Months Ended December 31, 2021,’ on page 3 of the attached materials.

## 1. Qualitative Information Regarding Financial Results for the Nine Months Ended December 31, 2021

### (1) Explanation of operating results

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 first quarter of the fiscal year ending March 31, 2022. As a result, net sales for the nine months ended December 31, 2021 decreased from the same period of the previous fiscal year, and in the description about the operating results mentioned below, the amount and percentage of year-on-year change of net sales are not included.

During the nine months ended December 31, 2021, the Japanese economy saw a gradual recovery in economic and social activities due to the lifting of the state of emergency and the strict infection control measures on September 30, 2021, as well as due to a significant decrease in the number of new cases as a result of progress with vaccination. However, the outlook for the global economy continues to be unpredictable due to the impact of the semiconductor shortage in various industries, soaring prices of resources such as crude oil, and concerns about a global outbreak of a highly infectious new COVID-19 variant (the Omicron strain).

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

As a result of the above, the operating results of the Group for the nine months ended December 31, 2021 were net sales of ¥52,539 million (¥55,439 million in the same period of the previous fiscal year), decreased by ¥835 million due to the application of the Accounting Standard for Revenue Recognition. Operating profit was ¥1,440 million (down 67.4% from the same period of the previous fiscal year), ordinary profit was ¥1,965 million (down 55.0% from the same period of the previous fiscal year), and profit attributable to owners of parent was ¥1,253 million (down 57.1% from the same period of the previous fiscal year).

Production output for the nine months ended December 31, 2021 consists of 35,084t of Bunashimeji, including Bunapi (up 1.4% from the same period of the previous fiscal year), 14,364t of Eryngii (up 0.7% from the same period of the previous fiscal year), and 10,345t of Maitake (down 1.1% from the same period of the previous fiscal year).

Performance in each business segment for the nine months ended December 31, 2021 was as follows.

#### [Mushroom business in Japan]

The production division performed even more thorough hygiene control, worked to improve quality and for stable cultivation, and produced 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 and pursue pharmacological effects and functionality of mushrooms.

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 amid not being able to carry out direct sales promotion activities due to the impact of COVID-19, and carried out sales activities with a commitment to freshness. In terms of sales, the price of mushrooms declined as the market value of produce was low in general due to the abundant supply of produce because of continuous days with good weather in the first half of the nine months ended

December 31, 2021. In addition, as the warm weather continued into the fall, which is the season when demand for mushrooms is high, vegetable prices remained sluggish and mushroom prices remained low.

As a result, net sales for the mushroom business in Japan as a whole were ¥33,904 million (¥37,876 million in the same period of the previous fiscal year).

Net sales decreased by ¥679 million due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations.

#### [Mushroom business outside Japan]

At Hokto Kinoko Company, a local subsidiary in the U.S., net sales and operating profit both showed momentum far greatly exceeding the plan in the first half of the fiscal year, as sales volume and unit price both exceeded the plan against the backdrop of economic activities activating due to the spread of vaccinations, and sales were strong, primarily in Food Service, due to the recovery of the American economy in the third quarter of the fiscal year. However, operating profit fell below the plan, primarily due to factors such as rising raw material costs and personnel expenses, as well as disruptions in the amount of containers because of the impact of COVID-19. At Taiwan Hokuto Corporation, a local subsidiary in Taiwan, sales related to restaurants were strong as COVID-19 infections in the country subsided and restrictions on in-store eating and drinking were gradually eased, but sales of raw mushrooms struggled due to the severe decline in vegetable prices. At Hokto Malaysia Sdn. Bhd., a local subsidiary in Malaysia, the impact of COVID-19 remained in Malaysia as well as various ASEAN countries, and consumption remained sluggish due to the increasing trend of restrained buying as a result of the economic outlook being unclear. Furthermore, sales were impacted by the frequent occurrence of cancellations and ships not coming to port due to disruptions in the amount of containers from Malaysia to various ASEAN countries. In this difficult environment, net sales fell below the plan despite focusing on sales, primarily bargain sales, and reducing expenses.

As a result, net sales for the mushroom business outside Japan as a whole were ¥4,577 million (¥3,491 million in the same period of the previous fiscal year). There is no effect on net sales due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations.

#### [Processed products business]

The processed products business carried out sales of processed mushroom products, such as those that are boiled or frozen, developed boiled, frozen and dried items, and worked to develop new products and develop markets. In the first half of the fiscal year, although as an effect of COVID-19, people continued to prefer eating at home, and business related to restaurants continued to face difficult conditions, the impact of COVID-19 weakened in the third quarter of the fiscal year, leading to a recovery trend in convenience stores and business related to restaurants, and sales were almost in line with the plan. In the mail-order business, sales of retort food were favorable. Furthermore, at the subsidiary Arden Corporation, sales decreased year on year due to a rebound from the previous year.

As a result, net sales for the processed products business were ¥5,896 million (¥6,383 million in the same period of the previous fiscal year). Net sales decreased by ¥4 million due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations.

#### [Chemical products business]

Amid unstable procurement of imported materials and a trend of price hikes caused by soaring crude oil prices, the First Business Department, whose main business is packaging materials, focused on providing appropriate information to customers and a stable supply of materials. At the Second Business Department, which primarily produces and sells agricultural materials and our own products, made efforts to improve the quality and production efficiency of plastic molding, as well as to sell machinery to agricultural producers and to receive new orders for our own products.

As a result, net sales for the chemical products business were ¥8,160 million (¥7,687 million in the same period of the previous fiscal year). Net sales decreased by ¥150 million due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations.

## **(2) Explanation of financial position**

Positions of assets, liabilities and net assets, and the factors thereof as of December 31, 2021 are as follows.

### **(Assets)**

Current assets as of December 31, 2021 amounted to ¥28,713 million, up ¥1,831 million from the previous fiscal year end. This was due mainly to an increase of ¥2,173 million in notes and accounts receivable - trade. Non-current assets amounted to ¥77,554 million, up ¥4,199 million from the previous fiscal year end. This was due mainly to an increase of ¥4,944 million in property, plant and equipment, gross.

As a result, total assets amounted to ¥106,268 million, up ¥6,030 million from the previous fiscal year end.

### **(Liabilities)**

Current liabilities as of December 31, 2021 amounted to ¥29,394 million, up ¥6,071 million from the previous fiscal year end. This was due mainly to an increase of ¥10,014 million in short-term borrowings and a decrease of ¥3,196 million in current portion of long-term borrowings included in other under current liabilities. Non-current liabilities amounted to ¥23,638 million, up ¥866 million from the previous fiscal year end. This was due mainly to an increase of ¥831 million in long-term borrowings.

As a result, total liabilities amounted to ¥53,033 million, up ¥6,937 million from the previous fiscal year end.

### **(Net assets)**

Total net assets as of December 31, 2021 amounted to ¥53,234 million, down ¥906 million from the previous fiscal year end. This was due mainly to the recording of ¥1,253 million in profit attributable to owners of parent, a decrease of ¥655 million in retained earnings due to the payment of dividend of ¥1,908 million and a decrease of ¥420 million in total accumulated other comprehensive income.

As a result, the equity ratio was 50.1% (54.0% at the end of the previous fiscal year).

## **(3) Information regarding consolidated earnings forecasts and other forward-looking statements**

Regarding the earnings forecasts, the Company has revised the earnings forecasts announced in the “Summary of Consolidated Financial Results for the Year Ended March 31, 2021 (Based on Japanese GAAP)” dated May 14, 2021, taking into account the progress of operating results during the nine months ended December 31, 2021. For details, please refer to the “Notice Concerning Revisions to Full-Year Financial Results Forecasts for the Fiscal Year Ending March 31, 2022” released today (February 10, 2022).

## 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	13,891	11,992
Notes and accounts receivable - trade	5,845	8,019
Merchandise and finished goods	2,251	2,347
Work in process	3,701	4,216
Raw materials and supplies	735	959
Other	508	1,231
Allowance for doubtful accounts	(53)	(54)
Total current assets	26,881	28,713
Non-current assets		
Property, plant and equipment		
Buildings and structures	64,247	69,471
Accumulated depreciation	(29,985)	(31,651)
Buildings and structures, net	34,262	37,820
Machinery, equipment and vehicles	59,628	64,566
Accumulated depreciation	(45,291)	(48,906)
Machinery, equipment and vehicles, net	14,337	15,660
Land	14,354	14,378
Other	2,990	2,983
Accumulated depreciation	(1,897)	(1,850)
Other, net	1,093	1,132
Total property, plant and equipment	64,047	68,992
Intangible assets		
Goodwill	115	64
Other	134	141
Total intangible assets	250	205
Investments and other assets		
Investment securities	6,544	5,655
Retirement benefit asset	995	1,044
Other	1,537	1,673
Allowance for doubtful accounts	(19)	(17)
Total investments and other assets	9,057	8,356
Total non-current assets	73,355	77,554
Total assets	100,237	106,268

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	5,870	6,351
Short-term borrowings	3,931	13,946
Income taxes payable	2,005	265
Provision for bonuses	1,130	592
Other	10,385	8,238
<b>Total current liabilities</b>	<b>23,323</b>	<b>29,394</b>
<b>Non-current liabilities</b>		
Long-term borrowings	11,739	12,570
Bonds with share acquisition rights	9,722	9,719
Retirement benefit liability	371	382
Asset retirement obligations	213	231
Other	725	735
<b>Total non-current liabilities</b>	<b>22,772</b>	<b>23,638</b>
<b>Total liabilities</b>	<b>46,096</b>	<b>53,033</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	5,500	5,500
Capital surplus	5,727	5,728
Retained earnings	45,267	44,611
Treasury shares	(3,530)	(3,360)
<b>Total shareholders' equity</b>	<b>52,964</b>	<b>52,479</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,659	1,031
Foreign currency translation adjustment	(328)	(156)
Remeasurements of defined benefit plans	(155)	(119)
<b>Total accumulated other comprehensive income</b>	<b>1,176</b>	<b>755</b>
<b>Total net assets</b>	<b>54,140</b>	<b>53,234</b>
<b>Total liabilities and net assets</b>	<b>100,237</b>	<b>106,268</b>

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

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	55,439	52,539
Cost of sales	39,036	39,629
Gross profit	16,403	12,910
Selling, general and administrative expenses	11,991	11,470
Operating profit	4,411	1,440
Non-operating income		
Dividend income	126	125
Rental income from land and buildings	78	74
Foreign exchange gains	–	298
Subsidy income	58	42
Other	54	50
Total non-operating income	317	591
Non-operating expenses		
Interest expenses	61	59
Foreign exchange losses	286	–
Other	11	6
Total non-operating expenses	358	65
Ordinary profit	4,370	1,965
Extraordinary income		
Gain on sale of non-current assets	39	1
Insurance claim income	184	–
Other	–	0
Total extraordinary income	224	1
Extraordinary losses		
Loss on retirement of non-current assets	4	1
Loss on disaster	162	–
Other	24	0
Total extraordinary losses	190	1
Profit before income taxes	4,404	1,965
Income taxes - current	1,207	426
Income taxes - deferred	278	285
Total income taxes	1,486	712
Profit	2,917	1,253
Profit attributable to owners of parent	2,917	1,253

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	2,917	1,253
Other comprehensive income		
Valuation difference on available-for-sale securities	250	(628)
Foreign currency translation adjustment	165	171
Remeasurements of defined benefit plans, net of tax	60	35
Total other comprehensive income	477	(420)
Comprehensive income	3,395	832
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,395	832
Comprehensive income attributable to non-controlling interests	—	—

### **(3)Notes to quarterly consolidated financial statements**

#### **Notes on assumptions for going concern**

Not applicable.

#### **Notes on significant changes in the amount of shareholders' equity**

Not applicable.

#### **Changes in accounting policies**

##### *Application of Accounting Standard for Revenue Recognition, Etc.*

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

Accordingly, certain payments to customers, such as rebates, that were recorded as selling, general and administrative expenses in the prior years have been reclassified to deduction of net sales. For subcontract processing with supply of materials for value (the “transaction”), raw materials, etc. supplied for value were previously derecognized. However, because the Group has an obligation to repurchase the supplied raw materials, etc. in the transaction, the supplied raw materials, etc. will not be derecognized. Furthermore, for transactions in which the Group acts as an agent for providing products to customers, the full amount of the consideration received from customers was previously recognized as revenue, but the Group has changed this method so that revenue is recognized at the net amount calculated by deducting the amount paid to the supplier from the amount received from the customer.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance.

As a result of this change, for the nine months ended December 31, 2021, net sales decreased by ¥835 million, cost of sales decreased by ¥150 million, selling, general and administrative expenses decreased by ¥684 million, while there is no effect on operating profit, ordinary profit and profit before income taxes. In addition, work in process and other under current liabilities increased by ¥29 million and ¥29 million, respectively, but there is no effect on the beginning balance of retained earnings for the first quarter of the current fiscal year.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

##### *Application of Accounting Standard for Fair Value Measurement, Etc.*

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy stipulated in the Accounting Standard for Fair Value Measurement, etc. prospectively, in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting

Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no effect on the quarterly consolidated financial statements.

### **Additional information**

#### *Tentative Accounting Estimates Related to COVID-19*

There are no significant changes with respect to assumptions used in accounting estimates related to COVID-19, including the spread of COVID-19 and the timing for its ending, that were presented in “*Tentative Accounting Estimates Related to COVID-19*” in “Additional information” in the Annual Securities Report for the fiscal year ended March 31, 2021.