

Translation

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## Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Based on Japanese GAAP)

February 9, 2024

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 Kohei Nakada  
 Inquiries: Accounting Department TEL 026-259-5955  
 Scheduled date to file Quarterly Securities Report: February 9, 2024  
 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, 2023 (from April 1, 2023 to December 31, 2023)

#### (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, 2023	58,579	8.8	1,436	–	2,263	–	1,473	–
Nine months ended December 31, 2022	53,859	2.5	(3,080)	–	(2,082)	–	(1,703)	–

Note: Comprehensive income  
 Nine months ended December 31, 2023 ¥2,293 million [–%]  
 Nine months ended December 31, 2022 ¥(1,550) million [–%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2023	46.49		43.91	
Nine months ended December 31, 2022	(53.90)		–	

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	103,943	52,103	50.1
As of March 31, 2023	104,897	50,955	48.6

Reference: Equity  
 As of December 31, 2023 ¥52,103 million  
 As of March 31, 2023 ¥50,955 million

### 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, 2023	–	10.00	–	30.00	40.00
Year ending March 31, 2024	–	10.00	–		
Year ending March 31, 2024 (Forecast)				–	–

Notes: 1. Revisions to the cash dividend forecasts most recently announced: None  
 2. The year-end dividends for the year ending March 31, 2024 will be disclosed promptly once it is possible to do so.

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
Full year	80,200	9.9	1,920	–	2,110	–	700	–	22.08

Note: Revisions to the earnings forecasts most recently announced: None

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2023  
(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: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

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

As of December 31, 2023	1,634,877 shares	As of March 31, 2023	1,698,816 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, 2023	31,700,485 shares	Nine months ended December 31, 2022	31,605,725 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, 2023,' on page 3 of the attached materials.

## 1. Qualitative Information Regarding Financial Results for the Nine Months Ended December 31, 2023

### (1) Explanation of operating results

During the nine months ended December 31, 2023, the Japanese economy maintained a moderate recovery trend, but the outlook remained uncertain due to the protracted situation in Ukraine, soaring prices of resources and raw materials, and concerns in Japan about the negative impact of the sharp depreciation of the yen on the economy and high prices.

In this economic environment, under the Management Vision to “Expand the market and consumption, with delivering health through mushrooms as our mission” and to “Balance profit generation and corporate social responsibility,” and placing its priority on the safety of all consumers and employee, the Group 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.

As a result of the above, the operating results of the Group for the nine months ended December 31, 2023, were net sales of ¥58,579 million (up 8.8% from the same period of the previous fiscal year), operating profit of ¥1,436 million (operating loss of ¥3,080 million in the same period of the previous fiscal year), ordinary profit of ¥2,263 million (ordinary loss of ¥2,082 million in the same period of the previous fiscal year), and profit attributable to owners of parent of ¥1,473 million (loss attributable to owners of parent of ¥1,703 million in the same period of the previous fiscal year).

Production output for the nine months ended December 31, 2023, consists of 35,486t of Bunashimeji, including Bunapi (down 4.2% from the same period of the previous fiscal year), 12,836t of Eryngii (down 8.8% from the same period of the previous fiscal year), and 11,906t of Maitake (down 3.6% from the same period of the previous fiscal year).

Performance in each business segment for the nine months ended December 31, 2023, 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 provided mushrooms safely and securely.

The R&D division worked to strengthen the quality control system, develop new high value-added products, improve existing mushrooms, and pursue the 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 and carry out sales activities with a commitment to freshness. In terms of sales, while the high temperatures and drought this fall caused many vegetable items to be in short supply and vegetable market prices to remain high, production adjustments continued in the third quarter to improve mushroom supply and demand, resulting in mushroom prices also exceeding last year’s levels.

As a result, net sales for the mushroom business in Japan as a whole were ¥38,049 million (up 11.5% year on year).

[Mushroom business outside Japan]

Both sales and operating profit of Hokto Kinoko Company, a local subsidiary in the U.S., remained strong due to the effect of price increases. Taiwan Hokuto Corporation, a local subsidiary in Taiwan, faced intensifying price competition among retailers, and its net sales and operating profit fell short of the plan due to severe conditions in which applications for price hikes were rejected by customers. Hokto Malaysia Sdn. Bhd., a local subsidiary in Malaysia, increased sales by holding events such as food sampling and harvest sales mainly in Malaysia, as restrictions on in-store sales promotions and events were removed due to the end of the pandemic. However, although the impact of Chinese mushrooms has lessened, the impact of other inexpensive mushrooms has also caused both our mushroom sales and operating profit to fall short of projections.

As a result, net sales for the mushroom business outside Japan as a whole were ¥5,522 million (up 16.6% 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 markets. Sales of products for delicatessen and manufacturers were favorable, and sales of processed products for the commercial fruit and vegetable market were also strong. However, sales to mainstay convenience stores remained sluggish due to price hikes of raw materials and a decline in their use in menus. Sales were strong in the mail-order business, mainly through our e-commerce website. Furthermore, at the subsidiary Arden Corporation, net sales fell short of projections, but operating profit exceeded projections due to reduced manufacturing costs.

As a result, net sales for the processed products business were ¥5,779 million (down 6.5% year on year).

[Chemical products business]

The First Sales Department, whose main business is packaging materials, worked on proposal-based marketing for value-added products, with a focus on functional packaging materials that limit quality deterioration and environmental packaging materials made from recycled materials. While sales related to souvenirs remained strong, sales of industrial materials for semiconductor and automotive parts-related manufacturers struggled, although there were some signs of recovery. The Second Sales Department, which focuses on production and sales of in-house products and sales of agricultural materials, continued to improve the quality of in-house products and expand sales. In addition to focusing on the stable supply of some production materials and culture media, for which the supply-demand balance is tight, to mushroom producers, we also captured spot capital investment demand.

As a result, net sales for the chemical products business were ¥9,227 million (up 4.6% year on year).

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

Positions of assets, liabilities and net assets, and the factors thereof as of December 31, 2023 are as follows.

### **(Assets)**

Current assets as of December 31, 2023 amounted to ¥31,840 million, up ¥1,049 million from the previous fiscal year end. Non-current assets amounted to ¥72,102 million, down ¥2,003 million from the previous fiscal year end. This was due mainly to a decrease of ¥3,091 million in property, plant and equipment.

As a result, total assets amounted to ¥103,943 million, down ¥953 million from the previous fiscal year end.

### **(Liabilities)**

Current liabilities as of December 31, 2023 amounted to ¥33,312 million, down ¥4,624 million from the previous fiscal year end. This was due mainly to an increase of ¥8,000 million in short-term borrowings and decreases of ¥9,719 million in the current portion of bonds with share acquisition rights and ¥3,797 million in the current portion of long-term borrowings included in other under current liabilities. Non-current liabilities amounted to ¥18,527 million, up ¥2,522 million from the previous fiscal year end. This was due mainly to an increase of ¥1,897 million in long-term borrowings.

As a result, total liabilities amounted to ¥51,839 million, down ¥2,101 million from the previous fiscal year end.

### **(Net assets)**

Total net assets as of December 31, 2023, amounted to ¥52,103 million, up ¥1,147 million from the previous fiscal year end. This was due mainly to increases of ¥201 million in retained earnings associated with the recording of ¥1,473 million in profit attributable to owners of parent and the payment of dividend of ¥1,272 million, and ¥770 million in valuation difference on available-for-sale securities.

As a result, the equity ratio was 50.1% (48.6% at the end of the previous fiscal year).

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

There is no change in the earnings forecasts in the “Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023 (Based on Japanese GAAP),” dated November 10, 2023.

The earnings forecasts are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ materially from the forecasts due to various factors.

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

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	16,031	13,718
Notes and accounts receivable - trade	6,250	9,051
Merchandise and finished goods	2,636	2,696
Work in process	4,308	4,337
Raw materials and supplies	1,056	1,283
Other	538	795
Allowance for doubtful accounts	(31)	(41)
Total current assets	30,790	31,840
Non-current assets		
Property, plant and equipment		
Buildings and structures	71,334	71,903
Accumulated depreciation	(34,848)	(36,655)
Buildings and structures, net	36,486	35,247
Machinery, equipment and vehicles	67,555	69,048
Accumulated depreciation	(55,339)	(58,557)
Machinery, equipment and vehicles, net	12,215	10,491
Land	14,506	14,276
Other	2,760	2,882
Accumulated depreciation	(1,995)	(2,016)
Other, net	765	866
Total property, plant and equipment	63,973	60,881
Intangible assets		
Goodwill	9	—
Other	202	183
Total intangible assets	211	183
Investments and other assets		
Investment securities	6,681	7,827
Retirement benefit asset	1,127	1,169
Other	2,254	2,186
Allowance for doubtful accounts	(142)	(146)
Total investments and other assets	9,920	11,037
Total non-current assets	74,106	72,102
Total assets	104,897	103,943

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	6,187	6,660
Short-term borrowings	7,088	15,088
Income taxes payable	262	297
Provision for bonuses	964	623
Other	23,433	10,643
<b>Total current liabilities</b>	<b>37,936</b>	<b>33,312</b>
<b>Non-current liabilities</b>		
Long-term borrowings	14,072	15,970
Retirement benefit liability	358	374
Asset retirement obligations	1,030	1,049
Other	543	1,132
<b>Total non-current liabilities</b>	<b>16,004</b>	<b>18,527</b>
<b>Total liabilities</b>	<b>53,941</b>	<b>51,839</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	5,500	5,500
Capital surplus	5,728	5,728
Retained earnings	41,943	42,145
Treasury shares	(3,151)	(3,024)
<b>Total shareholders' equity</b>	<b>50,020</b>	<b>50,348</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,352	2,123
Foreign currency translation adjustment	(357)	(325)
Remeasurements of defined benefit plans	(59)	(42)
<b>Total accumulated other comprehensive income</b>	<b>935</b>	<b>1,754</b>
<b>Total net assets</b>	<b>50,955</b>	<b>52,103</b>
<b>Total liabilities and net assets</b>	<b>104,897</b>	<b>103,943</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, 2022	Nine months ended December 31, 2023
Net sales	53,859	58,579
Cost of sales	44,969	45,023
Gross profit	8,889	13,556
Selling, general and administrative expenses	11,969	12,119
Operating profit (loss)	(3,080)	1,436
Non-operating income		
Dividend income	151	179
Rental income from land and buildings	65	93
Foreign exchange gains	711	545
Subsidy income	38	34
Other	122	114
Total non-operating income	1,088	966
Non-operating expenses		
Interest expenses	71	96
Other	20	42
Total non-operating expenses	91	139
Ordinary profit (loss)	(2,082)	2,263
Extraordinary income		
Gain on sale of non-current assets	2	5
Total extraordinary income	2	5
Extraordinary losses		
Loss on retirement of non-current assets	2	0
Other	0	–
Total extraordinary losses	2	0
Profit (loss) before income taxes	(2,082)	2,269
Income taxes - current	303	569
Income taxes - deferred	(683)	226
Total income taxes	(379)	795
Profit (loss)	(1,703)	1,473
Profit (loss) attributable to owners of parent	(1,703)	1,473



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

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit (loss)	(1,703)	1,473
Other comprehensive income		
Valuation difference on available-for-sale securities	298	770
Foreign currency translation adjustment	(167)	32
Remeasurements of defined benefit plans, net of tax	21	17
Total other comprehensive income	153	819
Comprehensive income	(1,550)	2,293
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,550)	2,293
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.