

HOKUTO Corporation

Consolidated Financial Results for the First Quarter Ended June 30, 2024

August, 2024



1. The financial report for the First Quarter Ended June 30, 2024

2. Recent Activities

3. Reference material

1

Our domestic mushroom business increased revenue due to high vegetable market prices and stable mushroom unit sales price.

2

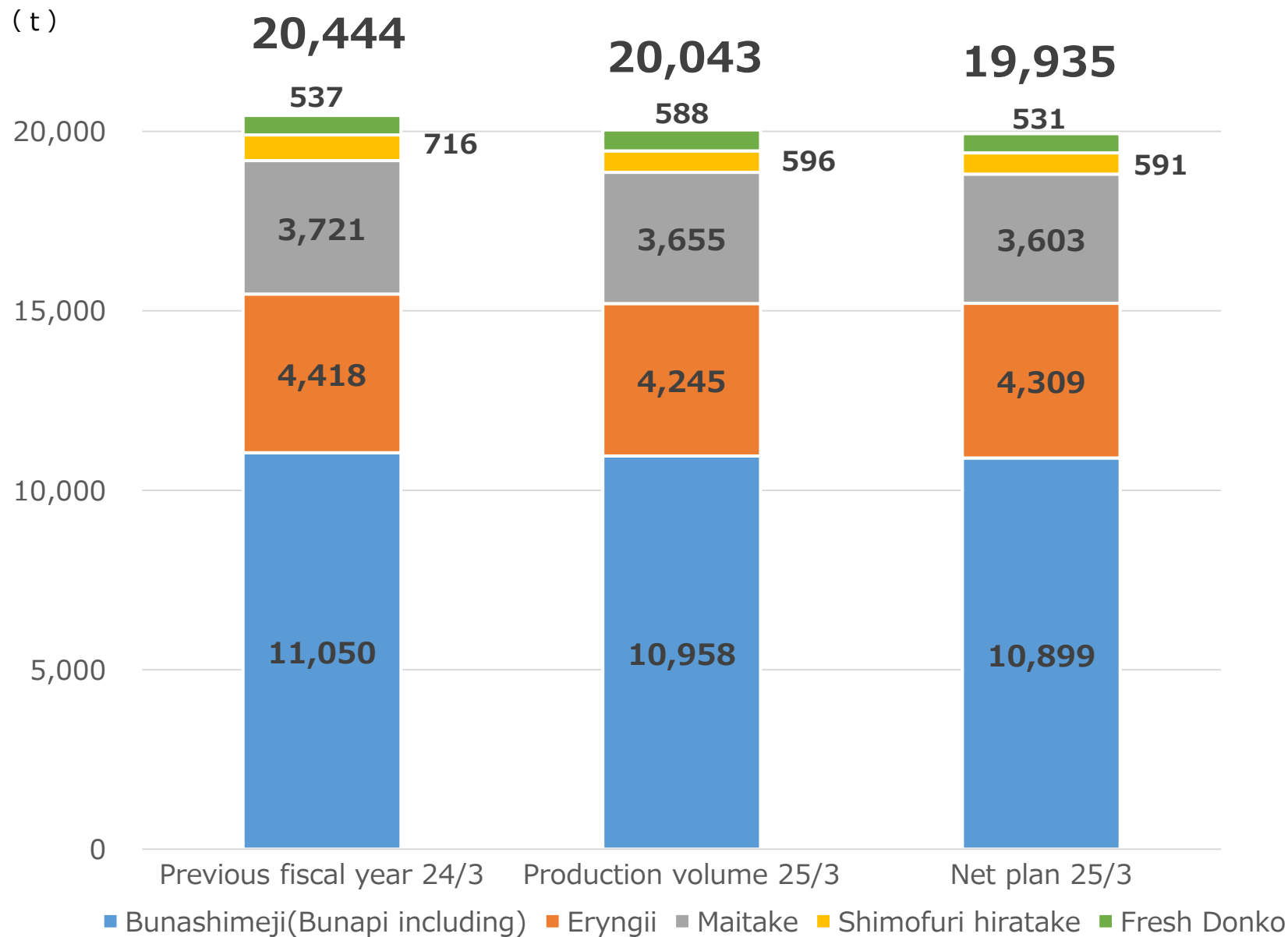
Our 1Q operating profit produced a surplus due to cost reductions in electricity and other expenses.

▶ The domestic mushroom market suffered from bad weather and low temperatures from late March, reducing vegetable supply and maintaining high market prices. Thus, our unit sales prices of mushrooms have been stably maintained, contributing to the increased sales and profits of the Company.

(Millions of yen)

	1Q ended Jun. 30, 2023	1Q ended Jun. 30, 2024	YoYchange	YoY
Net sales	16,849	17,825	976	5.8%
Gross profit	2,618	3,995	1,376	52.6%
Gross profit margin	15.5%	22.4%		
Selling, general and administrative expenses	3,867	3,991	124	3.2%
Operating profit	(1,248)	3	1,252	—
Operating profit margin	(7.4)%	0.0%		
Ordinary profit	(304)	923	1,227	—
Ordinary profit margin	(1.8)%	5.2%		
Profit attributable to owners of parent	(332)	602	935	—
Net profit margin	(2.0)%	3.4%		
Earnings per share (Yen)	(10.50)	19.00		

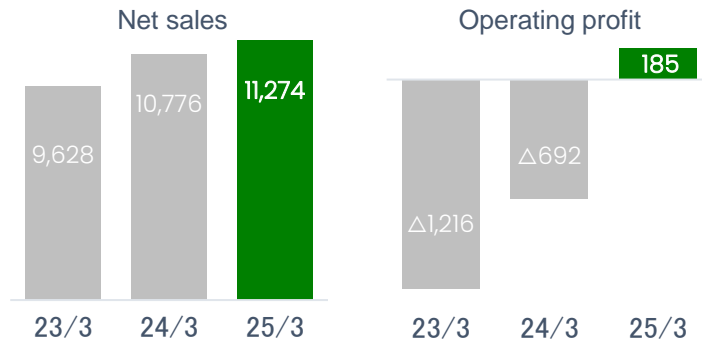
▶▶ The 1st quarter in FY March 2025 Changes in mushroom production



(Unit: million yen)

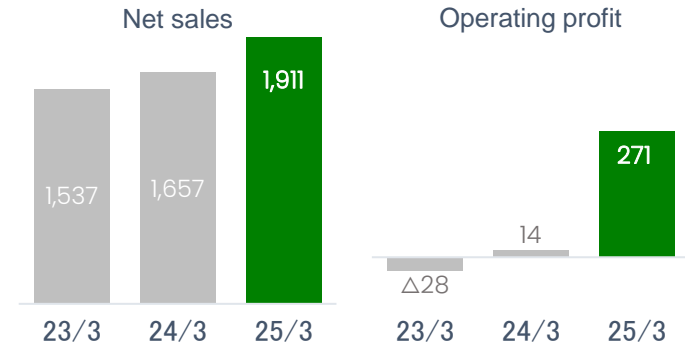
Mushroom business in Japan

✓ **Increased sales and profits** due to high vegetable market prices and stable unit sales prices



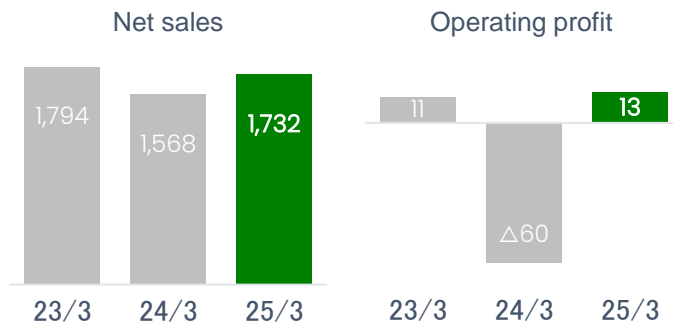
Mushroom business outside Japan

✓ **Increased sales and profits** mainly due to steady expansion of new customers in the US



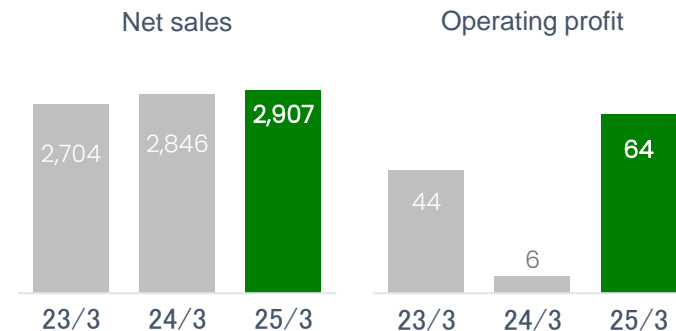
Processed products business

✓ **Increased sales and profits** due to gradual recovery at Arden after the decreased order following price hikes



Chemical products business

✓ Steady sales to mass retailers and food vendors
 ✓ **Increased sales and profits** due to growing recovery in sales to semiconductor and automotive parts manufacturers



	cf. Previous year	cf. Plan
Bunashimeji	109.4%	104.8%
Eryngii	105.3%	102.2%
Maitake	107.3%	105.4%
Shimofuri hiratake	110.8%	103.8%

Vegetable supply decreased due to the bad weather and low temperatures from late March, maintaining high market prices, thus stably maintaining our unit sales price of mushrooms.

	cf. Previous year	cf. Plan
Bunashimeji	99.2%	100.6%
Eryngii	96.0%	98.3%
Maitake	99.1%	101.5%
Shimofuri hiratake	83.2%	100.8%

Although the production was lower than the last year due to adjustment, the Company achieved production volume almost according to the plan.

▶▶ Mushroom business outside Japan (cf. previous year)

		1Q ended Jun. 30, 2023	1Q ended Jun. 30, 2024	YoYchange	YoY
U.S.A (US\$)	Net sales	6,107,998	6,669,817	561,819	9.2%
	Operating profit	(315,857)	755,584	1,071,441	—
	ROE	144.99	161.07		
Taiwan (NT\$)	Net sales	139,702,344	140,025,305	322,961	0.2%
	Operating profit	15,640,371	24,851,115	9,210,744	58.9%
	ROE	4.66	4.95		
Malaysia (RM)	Net sales	3,658,979	3,924,825	265,846	7.3%
	Operating profit	(1,333,447)	(312,370)	1,021,077	—
	ROE	30.93	34.12		

(Millions of yen)

	Initial plan	1Q ended Jun. 30, 2024	Plan difference	cf. Plan
Net sales	17,620	17,825	205	1.2%
Gross profit	3,490	3,995	505	14.5%
Gross profit margin	19.8%	22.4%		
Selling, general and administrative expenses	4,190	3,991	(198)	(4.7)%
Operating profit	(700)	3	703	—
Operating profit margin	(4.0)%	0.0%		
Ordinary profit	(612)	923	1,535	—
Ordinary profit margin	(3.5)%	5.2%		

Our operating profit overperformed the plan due to reduced sales costs and selling, general, and administrative expenses. Our ordinary profit also overperformed the plan due to the weaker yen and the resulting foreign exchange gains.

(Millions of yen)

		Initial plan	1Q ended Jun. 30, 2024	Plan difference	cf. Plan
Mushroom business in Japan	Net sales	11,120	11,274	153	1.4%
	Operating profit	(367)	185	552	—
Mushroom business outside Japan	Net sales	1,969	1,911	(58)	(3.0)%
	Operating profit	258	271	13	5.2%
Processed products business	Net sales	1,663	1,732	69	4.2%
	Operating profit	(21)	13	34	—
Chemical products business	Net sales	2,867	2,907	39	1.4%
	Operating profit	10	64	53	500.0%

		Initial plan	1Q ended Jun. 30, 2024	Plan difference	cf. Plan
U.S.A (US\$)	Net sales	7,200,000	6,669,817	(539,804)	(7.5)%
	Operating profit	830,000	755,584	(78,857)	(9.5)%
	ROE	149.30	161.07		
Taiwan (NT\$)	Net sales	157,000,000	140,025,305	(17,344,695)	(11.0)%
	Operating profit	29,000,000	24,851,115	(4,198,885)	(14.5)%
	ROE	4.70	4.95		
Malaysia (RM)	Net sales	4,350,000	3,924,825	(430,175)	(9.9)%
	Operating profit	(590,000)	(312,370)	279,630	—
	ROE	31.50	34.12		

1. The financial report for the First Quarter Ended June 30, 2024

2. Recent Activities

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◆ Purposes of business partnership with Advantage Advisors and fund raising

In March 2024, Hokuto raised funds by issuing convertible bond-type bonds with stock acquisition rights to a fund provided by Advantage Advisors. At the same time, Hokuto entered into a business partnership agreement with Advantage Advisors to promote company-wide efforts to formulate and achieve a growth strategy.



Business merits

- Hokuto accelerates its growth by utilizing the know-how and network of Advantage Advisors, which has a strong track record of providing hands-on management support and reforming numerous companies.
- We assume their comprehensive support, for example, to help us to formulate a mid-term management plan, accelerate the development of new and overseas businesses, and improve the sophistication and efficiency of sales and production activities, while building a robust organizational structure to achieve such plans.

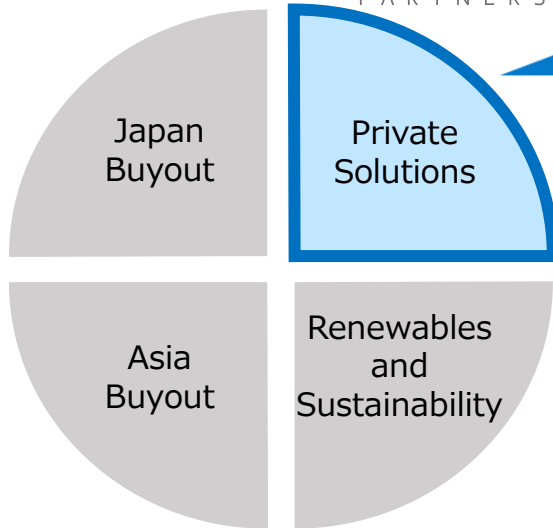
Financial merits

- Hokuto raises 10 billion yen through the issuance of convertible bond-type bonds with stock acquisition rights.
- The funds are expected to be used for research and capital investment to expand sales in overseas markets, R&D and capital investment to establish more efficient cultivation techniques, and M&A to enter new markets or new business areas.

Advantage Partners (AP) Group is a pioneer in private equity investment. Hokuto will make the most of that know-how.

Philosophy	Advantage Partners nurtures its portfolio companies to remain resolutely competitive even after they have left its funds and supports an investment process and a post-investment management process that provide value not only to its funds and the investors that backed them, but also allow other shareholders, employees, business partners, and financial institutions to enjoy economic value even after it has completed its investment.
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Advantage Partners Four Investment Strategies



Advantage Advisors Advantage Advisors

Within Advantage Partners Group, a pioneer in Japanese private equity funds, Advantage Advisors is responsible for a “private solutions” strategy in which it acquires shares of listed companies, etc. and works hand-in-hand with company management to enhance corporate value.

<Strategic partners>
Development Bank of Japan Inc.*
NTT DOCOMO, INC.

<Recent portfolio companies>
ASANTE INC.
Tsubaki Nakashima Co., Ltd.
Sun Frontier Fudosan Co., Ltd.
Renaissance INC.
Koshidaka Holdings Co., Ltd.

*The Development Bank of Japan has been supporting Advantage Advisors Growth Support Investment Limited Partnership since 2019. The Bank has been using these operations for investment projects from the funds that meet the requirements of the special investment operations (policy objectives: (1) revitalization of the regional economy, or (2) strengthening the competitiveness of Japanese companies, and (3) promoting the supply of independent growth capital by the private sector) and the requirements of the business (effective use of management support, management innovation, and improvement of productivity and profitability). This time, support will be provided using these operations for this project as well.

◆ The added value that Advantage Advisors will bring to the promotion of our business strategies

To advance our business strategies, we launched eight projects with different themes in April 2024.

Our business strategy policy

Business growth	Mushroom in Japan	<ul style="list-style-type: none"> Sophisticated pricing strategies Sophisticated supply and demand adjustment Stimulating consumer needs
	Production Division	<ul style="list-style-type: none"> Cost reduction Operational improvement
	Mushroom outside Japan	<ul style="list-style-type: none"> USA: Improving profits and expanding sales Taiwan: Increasing market share Malaysia: Turning around the business
	Processed products	<ul style="list-style-type: none"> Strengthening sales of processed products (including raw materials) Improving profitability of subsidiaries
	Chemical products	<ul style="list-style-type: none"> Expanding customer base Maximizing profits by reducing costs
	New business	<ul style="list-style-type: none"> Strategy planning Business development (including M&A)
Robust organization	DX promotion	<ul style="list-style-type: none"> Company-wide business process innovation Building a business operations foundation
	Organizational reform HR recruitment	<ul style="list-style-type: none"> Improving organizational/personnel systems Utilization of external human resources

Added value to be brought by Advantage Advisors

[Management support that contributes to the continuous improvement of corporate value]

- ✓ Advantage Advisors will utilize its track record and knowledge in leading new business ventures and pricing and overseas strategies for many companies.
- ✓ Advantage Advisors will not only provide strategic advice but also fully implement PDCA management until the achievements are realized, contributing to the steady improvement of business performance.

[Knowledge and know-how based on extensive M&A experiences]

- ✓ Advantage Advisors will utilize the AP Group's strong network with FAs as well as overall M&A knowledge, including PMI, that the group has cultivated through its investment track record of over 100 cases in the past.

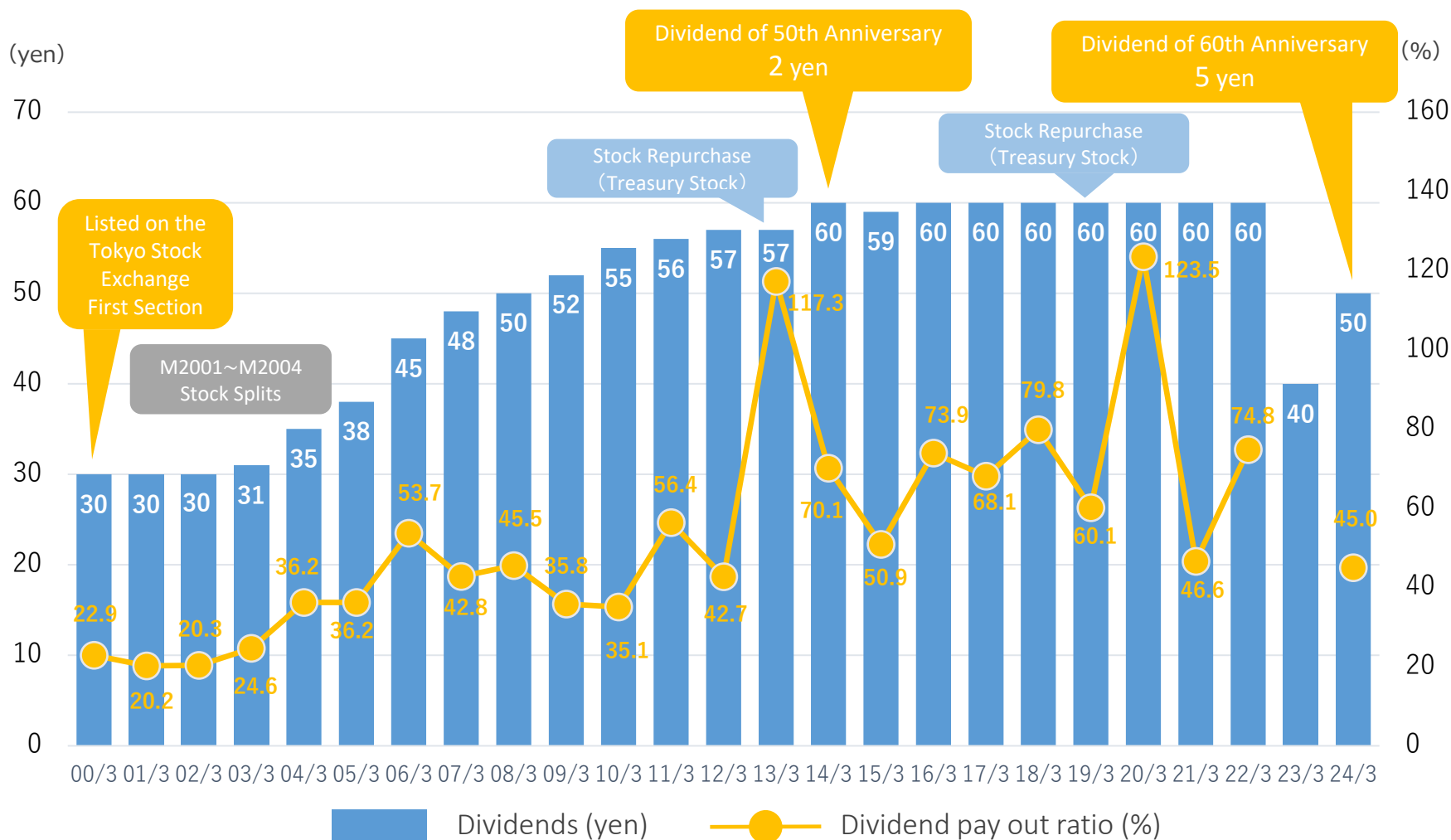
[Strong network to strengthen the organization]

- ✓ Advantage Advisors will utilize the DX know-how and technology of NTT DOCOMO, AA's business alliance partner.
- ✓ Advantage Advisors has a track record and know-how of recruiting talents at each of its investment destinations, as well as a strong network of quality agents.
- ✓ Advantage Advisors will utilize its knowledge of building organizations where employees can perform to their full potential.

**1. The financial report for the First Quarter
Ended June 30, 2024**

2. Recent Activities

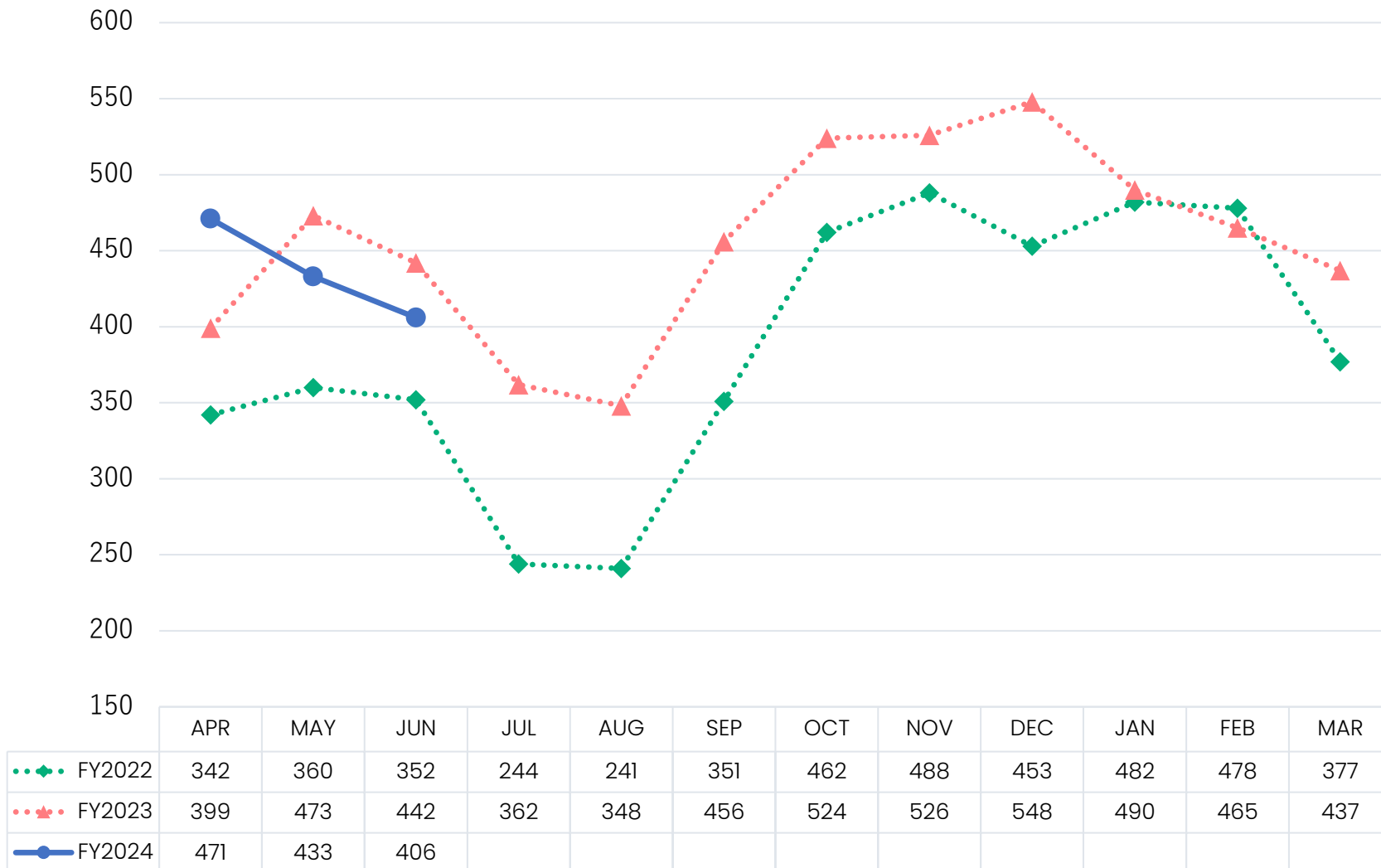
3. Reference material



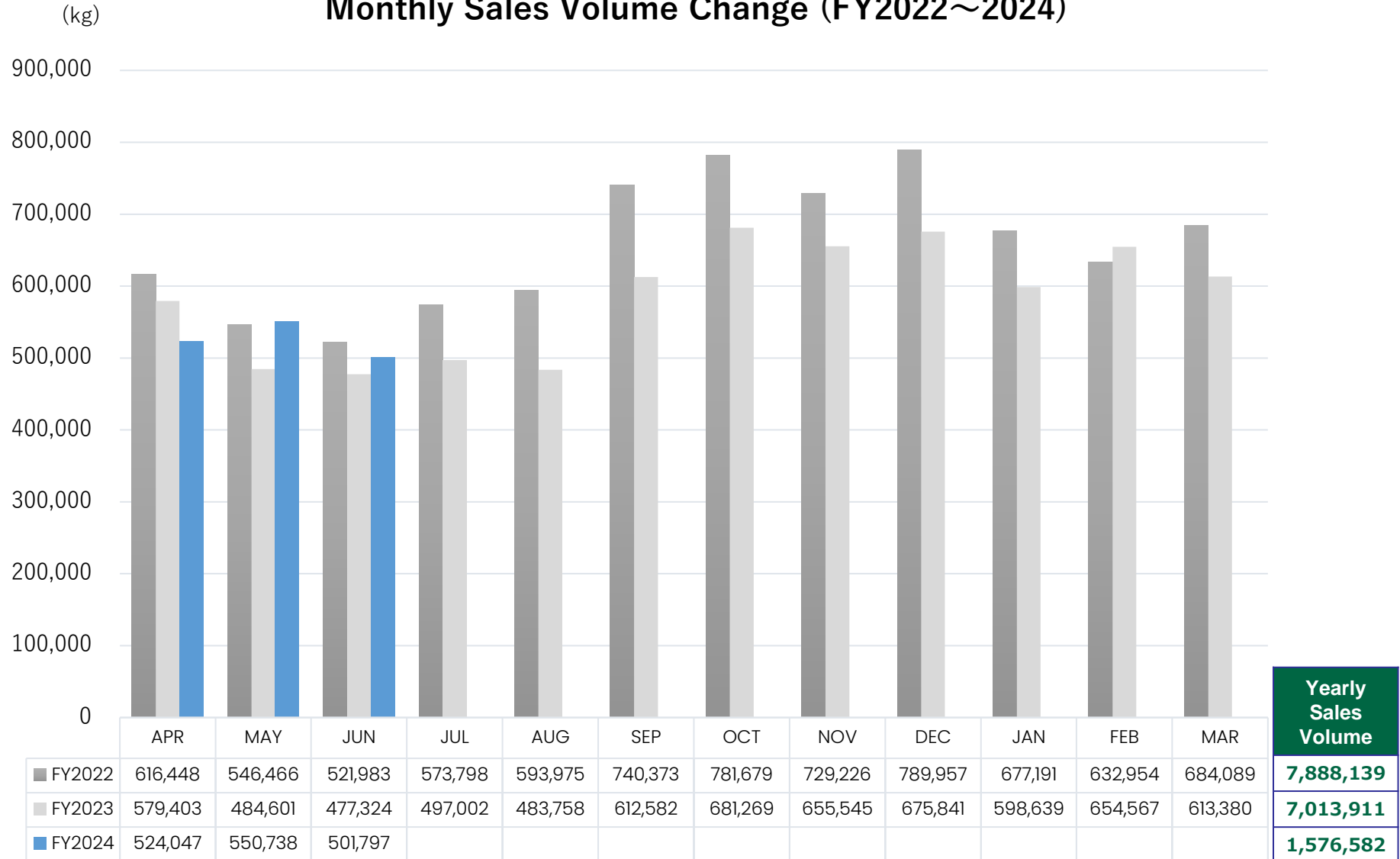
The planned interim dividend for FY2025: 10 yen.
 The year-end dividend for FY2025: not yet determined.

Monthly Price Change (FY2022~2024)

(Yen/kg)

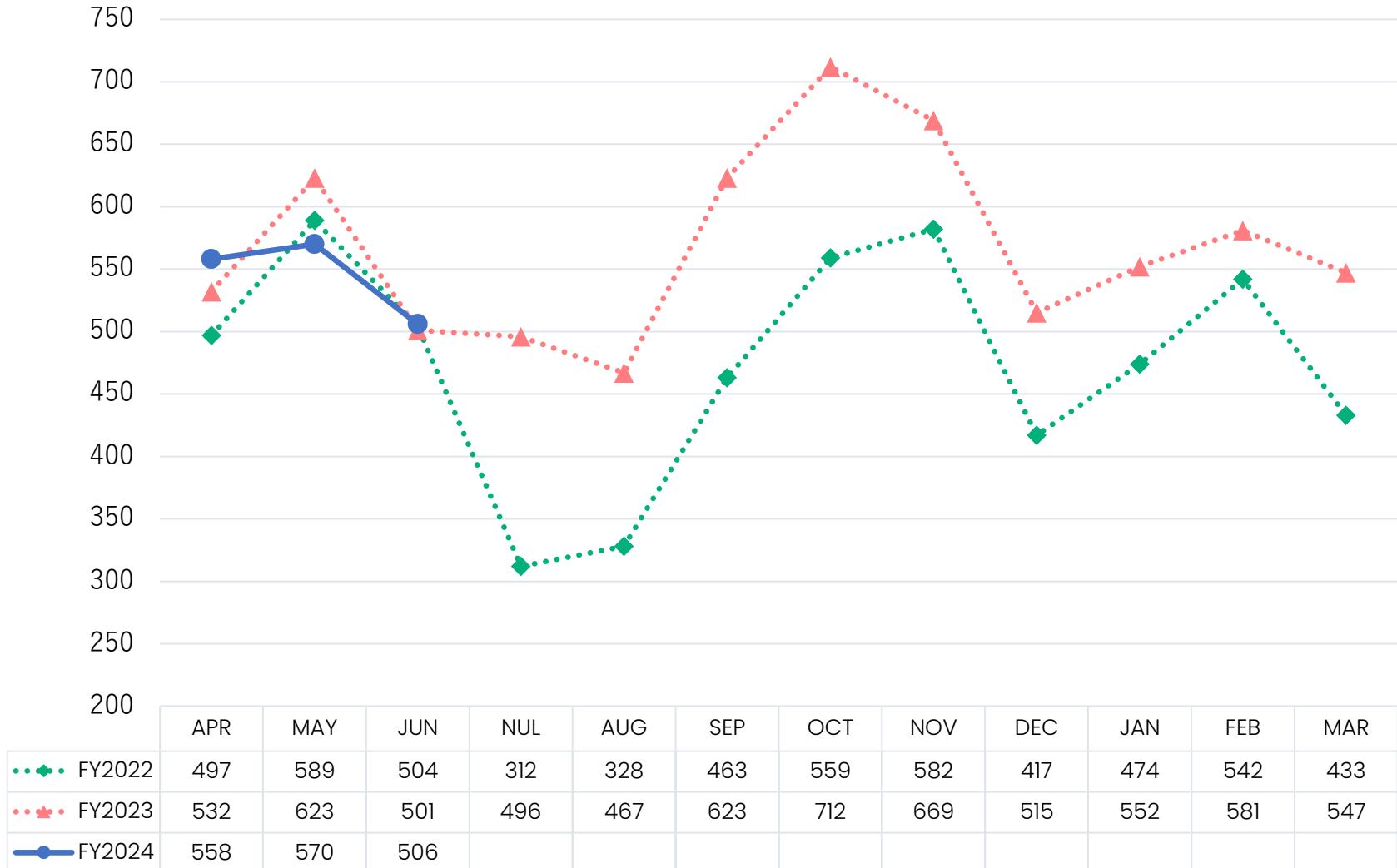


Monthly Sales Volume Change (FY2022~2024)

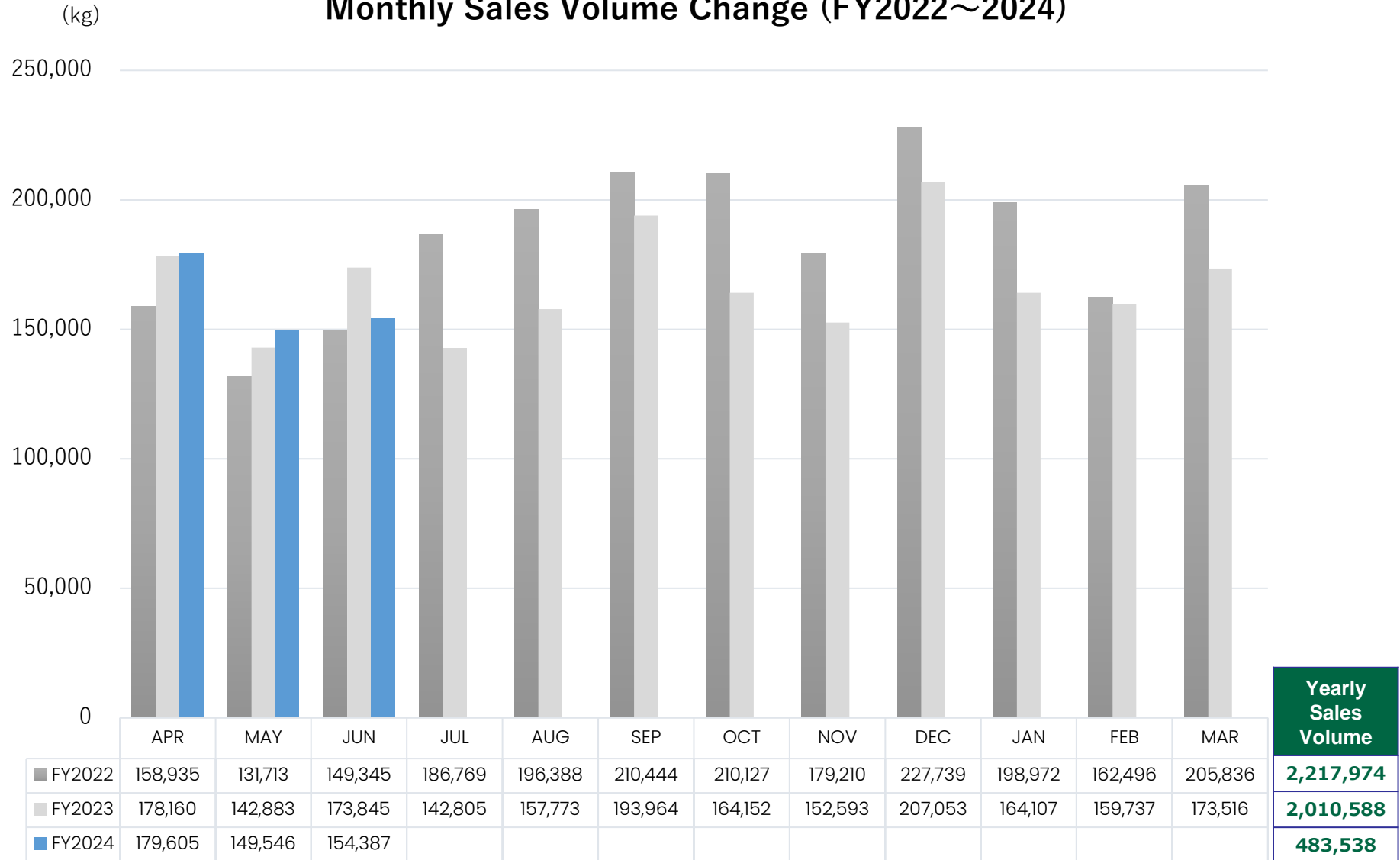


Monthly Price Change (FY2022~2024)

(Yen/kg)

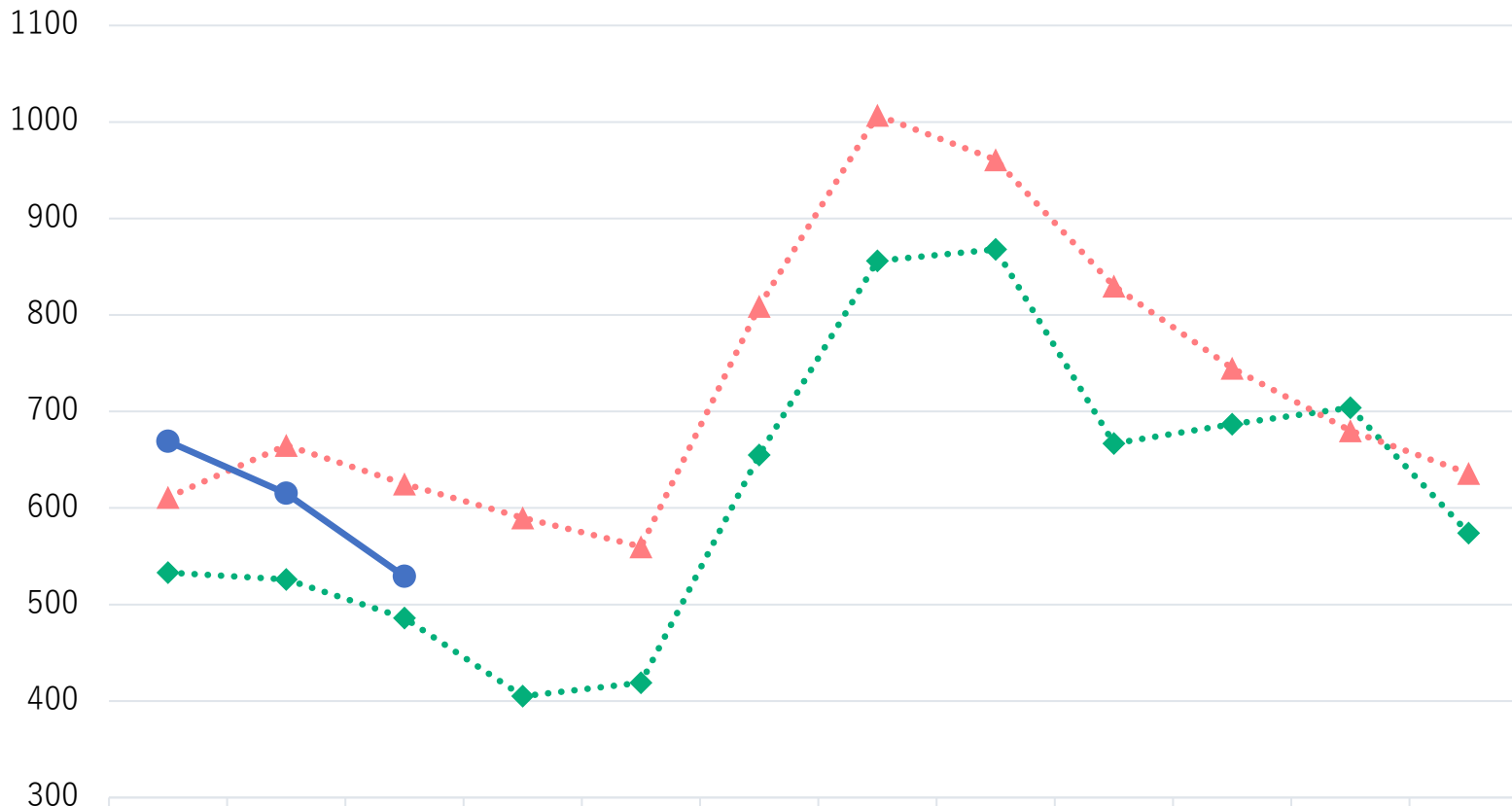


Monthly Sales Volume Change (FY2022~2024)



Monthly Price Change (FY2022~2024)

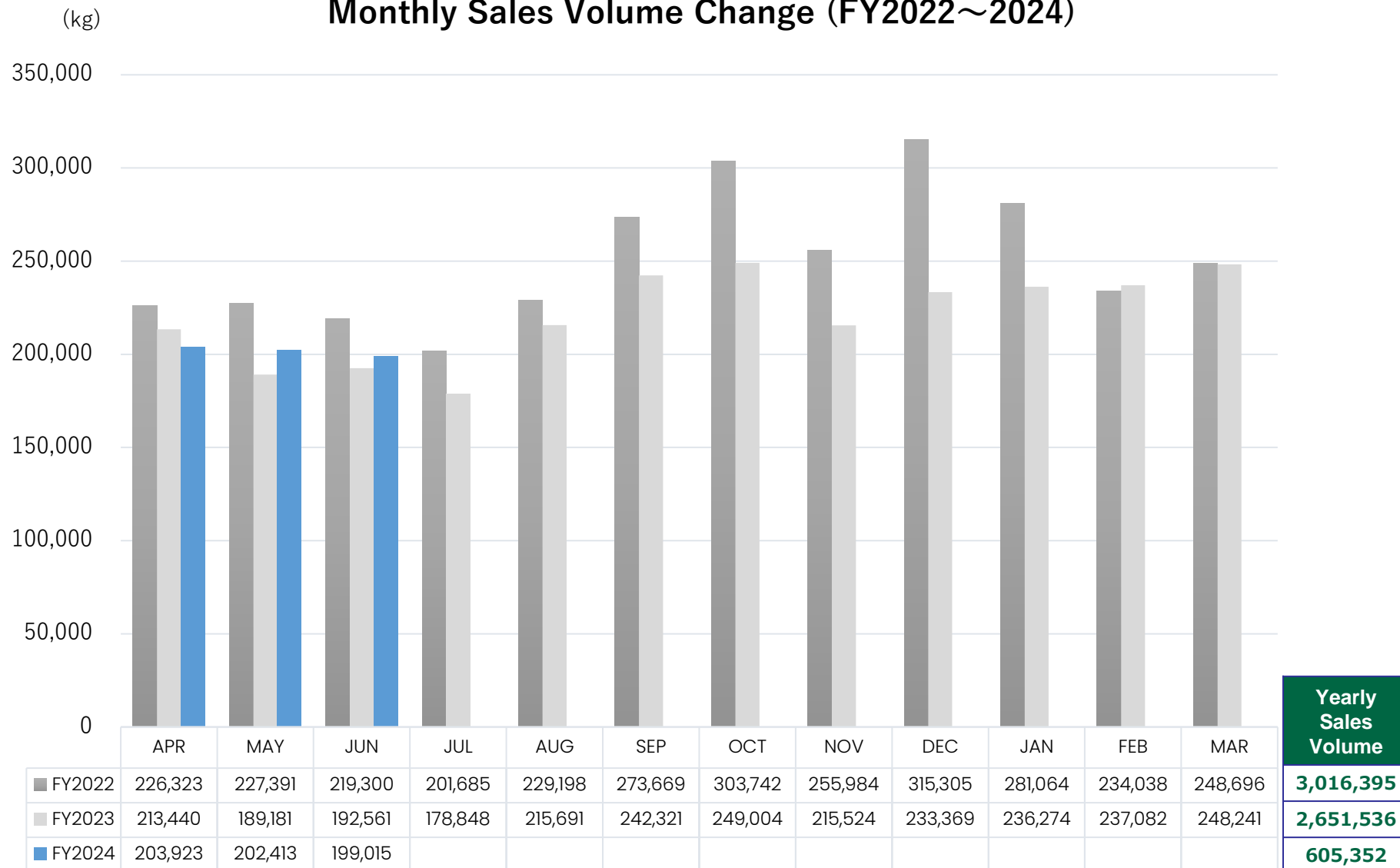
(Yen/kg)



	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
●◆◆ FY2022	533	526	486	405	419	655	856	868	667	687	704	574
◆◆◆ FY2023	611	665	625	590	560	809	1007	961	830	745	680	636
●●● FY2024	669	615	529									

Avr. Price
629
734
605

Monthly Sales Volume Change (FY2022~2024)





HOKUTO Corporation



Location : Nagano, Nagano Pref.
 President : Masayoshi Mizuno
 Securities code : 1379
 Listed market : Tokyo Stock Exchange Prime Market
 Number of outstanding shares : 33,359,040 stock

Market capitalization : 63,382 mil. yen
 (As of the end of June 2024)
 Shareholders' equity : 52,397 mil.yen
 Number of employees : 4,096
 Main business : Mushroom
 Production/Distribution/ R&D
 (As of the end of March 2024)



Hokuto Industry Corporation
 •Industrial Supply
 Production/Distribution




HOKTO KINOKO COMPANY
 •Mushroom Production/Distribution in
 North America




Arden Incorporated
 •Retort pouch food production




TAIWAN HOKUTO CORPORATION
 •Mushroom Production/Distribution in
 Taiwan

Sun Medica Co., Ltd.

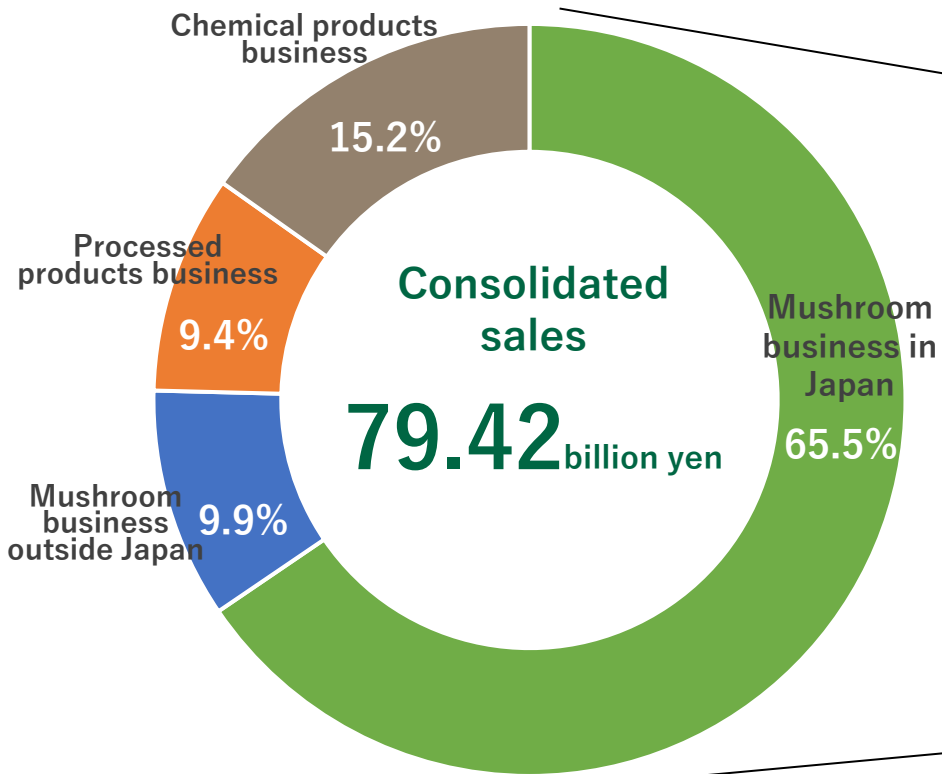
Mushroom Wisdom, Inc,

PT HOKTO INDONESIA MATERIALS

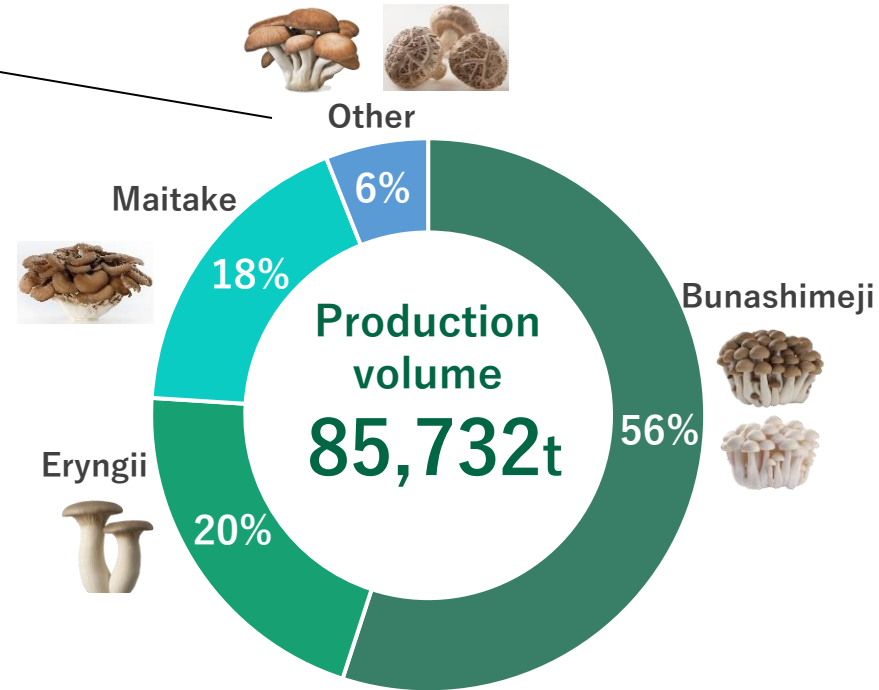



HOKTO MALAYSIA SDN.BHD.
 •Mushroom Production/Distribution
 in South east Asia

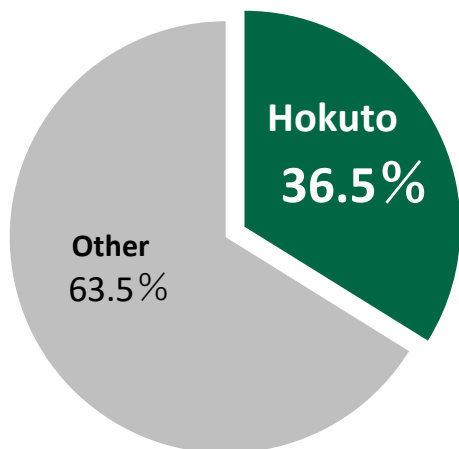
By segment



Mushroom production volume

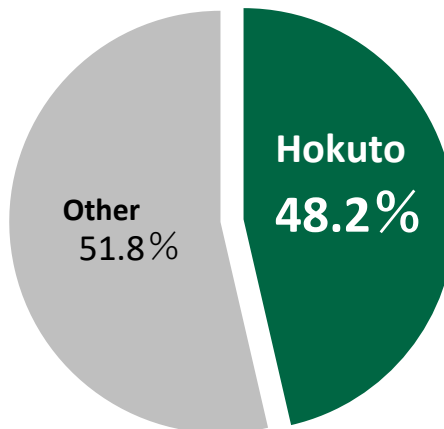


Bunashimeji



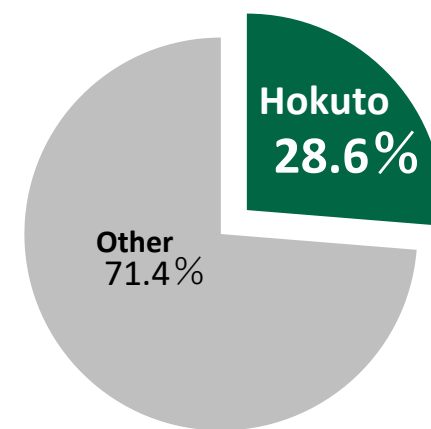
Japan total production volume
122,840 t

Eryngii



Japan total production volume
37,798 t

Maitake



Japan total production volume
56,763 t

Inquiries about IR

Administration Headquarters

Public and Investor Relations

Mail : ir-k@hokto-kinoko.co.jp

HOKUTO Corporation

