

Translation

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Consolidated Financial Results for the Three Months Ended June 30, 2024 (Based on Japanese GAAP)

August 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 commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(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	%
Three months ended June 30, 2024	17,825	5.8	3	–	923	–	602	–
Three months ended June 30, 2023	16,849	7.6	(1,248)	–	(304)	–	(332)	–

Note: Comprehensive income Three months ended June 30, 2024 ¥402 million [–%]
 Three months ended June 30, 2023 ¥(117) million [–%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2024	19.00		16.89	
Three months ended June 30, 2023	(10.50)		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	111,528	53,954	48.4
As of March 31, 2024	103,505	54,824	53.0

Reference: Equity As of June 30, 2024 ¥53,954 million
 As of March 31, 2024 ¥54,824 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2024	–	10.00	–	40.00	50.00
Year ending March 31, 2025	–				
Year ending March 31, 2025 (Forecast)		10.00	–	–	–

Notes: 1. Revisions to the cash dividend forecasts most recently announced: None

2. The breakdown of year-end dividends for the year ended March 31, 2024

Ordinary dividend: ¥35.00 per share

Commemorative dividend ¥5.00 per share

3. The forecast for the year-end dividends for the year ending March 31, 2025 has not yet been determined.

3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

	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, 2024	36,200	3.8	(1,420)	–	(1,290)	–	(1,030)	–	(32.47)
Full year	81,200	2.2	3,310	4.1	3,540	(24.9)	2,440	(30.8)	76.91

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

4. Notes

- (1) Significant changes in the scope of consolidation during the three months ended June 30, 2024: 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

(4) Number of issued shares (common shares)

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

As of June 30, 2024	33,359,040 shares	As of March 31, 2024	33,359,040 shares
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Number of treasury shares at the end of the period

As of June 30, 2024	1,634,972 shares	As of March 31, 2024	1,634,972 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	31,724,068 shares	Three months ended June 30, 2023	31,672,114 shares
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* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

* 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. Overview of Operating Results, Etc.,' on page 3 of the attached materials.

1. Overview of Operating Results, Etc.

(1) Overview of operating results for the three months of the fiscal year ending March 31, 2025

During the first three months ended June 30, 2024, the Japanese economy maintained a moderate recovery trend amid improvement in the employment and personal income environment and increasing inbound consumption. However, the outlook remained uncertain mainly due to the soaring prices of energy resources and raw materials caused by the protracted Russian-Ukraine war, the growing instability in the Middle East, and weakening economic activity in China.

In this economic environment, 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. Furthermore, 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 “Balance profit generation and corporate social responsibility.”

As a result of the above, the operating results of the Group for the three months ended June 30, 2024, were net sales of ¥17,825 million (up 5.8% from the same period of the previous fiscal year), operating profit of ¥3 million (operating loss of ¥1,248 million in the same period of the previous fiscal year), ordinary profit of ¥923 million (ordinary loss of ¥304 million in the same period of the previous fiscal year), and profit attributable to owners of parent of ¥602 million (loss attributable to owners of parent of ¥332 million in the same period of the previous fiscal year).

Production output for the three months ended June 30, 2024 consists of 10,958t of Bunashimeji, including Bunapi (down 0.8% from the same period of the previous fiscal year), 4,245t of Eryngii (down 3.9% from the same period of the previous fiscal year), and 3,655t of Maitake (down 1.8% from the same period of the previous fiscal year).

Performance in each business segment for the three months ended June 30, 2024, was as follows.

[Mushroom business in Japan]

The production division, amid a significant rise in costs of raw materials, electricity costs, packaging costs, labor 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.

The R&D division worked to strengthen the quality control system, develop new high value-added products, improve existing mushrooms, develop new varieties, 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, the volume of vegetables have been generally low since the beginning of the current reporting period due to rough weather and low temperatures across Japan from late March, keeping vegetable prices at a high level. As a result, the prices of mushrooms have also been firm while sales proceeded stably.

As a result, net sales for the mushroom business in Japan as a whole were ¥11,274 million (up 4.6% year on year).

[Mushroom business outside Japan]

At Hokto Kinoko Company, a local subsidiary in the U.S., the extra effort put into growing the customer base compared with a year ago steadily brought results and sales in April and May exceeded those of last year but demand fell slightly in June upon entering the low demand period of summer, and for the entire three months, both net sales and operating profit rose year on year but fell short of the projections.

Taiwan Hokuto Corporation, a local subsidiary in Taiwan, faced a fallback in demand for vegetables overall and a decline in the trading prices for vegetables on account of generally higher-than-typical temperatures. Although trading prices for vegetables rose temporarily in early May due to heavy rain, the impact was limited and did not significantly affect the demand for mushrooms. Consequently, both net sales and operating profit fell short of projections.

Hokto Malaysia Sdn. Bhd., a local subsidiary in Malaysia, lifted their prices in a market of large retailers and high consumer buying power amid the importing of Chinese-grown mushrooms at a record-low price. In addition, it deployed a strategic plan of differentiation such as rolling out sales promotion plants to large-retailer customers. Consequently, both net sales and operating profit improved year on year but fell short of the plan.

As a result, net sales for the mushroom business outside Japan as a whole were ¥1,911 million (up 15.3% 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. Also, sales of products for restaurants, delicatessens and prepared meals were strong, while commercial-use fresh mushroom sales as part of area strategies of convenience stores and sales of frozen mushroom products also proceeded steadily. 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 the mail-order businesses, sales of retort pouched foods were strong.

Furthermore, at the subsidiary Arden Corporation, although it was not possible to recover sales to customers after rising prices on products, sales to other companies covered for the shortfall, and both net sales and operating profit exceeded projections, albeit slightly.

As a result, net sales for the processed products business were ¥1,732 million (up 10.4% year on year).

[Chemical products business]

In the 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. At the same time, by working on capturing rationalization-related investment reflecting the problem that society faces in securing personnel, sales to mass retailers and food vendors were comparatively robust. Moreover, sales of industrial materials, such as those for semiconductor and automotive parts-related manufacturers were slow to recover, but a trend of recovery strengthened mainly for export-related products.

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. Sales of production materials to mushroom producers remained strong, and we also captured spot capital investment demand.

As a result, net sales for the chemical products business were ¥2,907 million (up 2.1% year on year).

(2) Overview of financial position for the period under review

Positions of assets, liabilities and net assets, and the factors thereof as of June 30, 2024 are as follows.

(Assets)

Current assets as of June 30, 2024 amounted to ¥39,860 million, up ¥8,634 million from the previous fiscal year end. This was due mainly to an increase of ¥5,421 million in cash and deposits and ¥3,999 million of securities. Non-current assets amounted to ¥71,668 million, down ¥611 million from the previous fiscal year end.

As a result, total assets amounted to ¥111,528 million, up ¥8,023 million from the previous fiscal year end.

(Liabilities)

Current liabilities as of June 30, 2024 amounted to ¥29,848 million, down ¥456 million from the previous fiscal year end. Non-current liabilities amounted to ¥27,725 million, up ¥9,349 million from the previous fiscal year end. This was due mainly to an increase of ¥10,018 million in bonds with share acquisition rights.

As a result, total liabilities amounted to ¥57,574 million, up ¥8,893 million from the previous fiscal year end.

(Net assets)

Total net assets as of June 30, 2024, amounted to ¥53,954 million, down ¥869 million from the previous fiscal year end.

As a result, the equity ratio was 48.4% (53.0% 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 Year Ended March 31, 2024 (Based on Japanese GAAP),” dated May 10, 2024.

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, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	14,924	20,346
Notes and accounts receivable - trade	7,953	6,890
Securities	–	3,999
Merchandise and finished goods	2,254	2,751
Work in process	4,306	4,376
Raw materials and supplies	1,150	1,078
Other	675	429
Allowance for doubtful accounts	(39)	(12)
Total current assets	31,225	39,860
Non-current assets		
Property, plant and equipment		
Buildings and structures	72,663	73,315
Accumulated depreciation	(37,423)	(38,259)
Buildings and structures, net	35,240	35,055
Machinery, equipment and vehicles	69,569	70,361
Accumulated depreciation	(59,727)	(60,971)
Machinery, equipment and vehicles, net	9,841	9,390
Land	14,674	14,738
Other	2,992	3,119
Accumulated depreciation	(2,056)	(2,097)
Other, net	935	1,021
Total property, plant and equipment	60,691	60,206
Intangible assets	171	159
Investments and other assets		
Investment securities	7,986	7,856
Retirement benefit asset	1,581	1,596
Other	2,000	2,009
Allowance for doubtful accounts	(151)	(159)
Total investments and other assets	11,416	11,302
Total non-current assets	72,279	71,668
Total assets	103,505	111,528

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,134	1,984
Electronically recorded obligations - operating	3,842	4,065
Short-term borrowings	12,084	13,099
Income taxes payable	926	193
Provision for bonuses	1,248	768
Other	10,068	9,736
Total current liabilities	30,304	29,848
Non-current liabilities		
Bonds with share acquisition rights	–	10,018
Long-term borrowings	15,118	14,267
Retirement benefit liability	350	356
Asset retirement obligations	1,058	1,072
Other	1,848	2,010
Total non-current liabilities	18,376	27,725
Total liabilities	48,680	57,574
Net assets		
Shareholders' equity		
Share capital	5,500	5,500
Capital surplus	5,728	5,728
Retained earnings	44,194	43,524
Treasury shares	(3,024)	(3,024)
Total shareholders' equity	52,397	51,727
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,675	2,579
Foreign currency translation adjustment	(500)	(604)
Remeasurements of defined benefit plans	251	251
Total accumulated other comprehensive income	2,427	2,226
Total net assets	54,824	53,954
Total liabilities and net assets	103,505	111,528

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	16,849	17,825
Cost of sales	14,230	13,830
Gross profit	2,618	3,995
Selling, general and administrative expenses	3,867	3,991
Operating profit (loss)	(1,248)	3
Non-operating income		
Dividend income	87	107
Rental income from land and buildings	40	39
Foreign exchange gains	777	765
Other	69	46
Total non-operating income	976	959
Non-operating expenses		
Interest expenses	29	29
Other	3	10
Total non-operating expenses	32	39
Ordinary profit (loss)	(304)	923
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	-	0
Total extraordinary income	0	1
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit (loss) before income taxes	(304)	924
Income taxes - current	245	98
Income taxes - deferred	(217)	223
Total income taxes	28	322
Profit (loss)	(332)	602
Profit (loss) attributable to owners of parent	(332)	602

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit (loss)	(332)	602
Other comprehensive income		
Valuation difference on available-for-sale securities	263	(95)
Foreign currency translation adjustment	(53)	(104)
Remeasurements of defined benefit plans, net of tax	5	(0)
Total other comprehensive income	215	(200)
Comprehensive income	(117)	402
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(117)	402
Comprehensive income attributable to non-controlling interests	—	—

(3)Notes to quarterly consolidated financial statements

Notes on changes in accounting policies

Application of Accounting Standard for Current Income Taxes, etc.

The Company has applied the “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”) and other relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2025. Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, the “Revised Application Guidance of 2022”). This change of accounting policy has no impact on the quarterly consolidated financial statements.

In addition, for revisions related to the review of the treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Company has applied the Revised Application Guidance of 2022 from the beginning of the first quarter of the fiscal year ending March 31, 2025. The change in the accounting policy has been applied retrospectively. Therefore, the new accounting policy was reflected in the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year. This change in accounting policy has no impact on the quarterly consolidated financial statements for the same period of the previous fiscal year and for the consolidated financial statements for the previous fiscal year.

Notes on segment information, etc.

Segment information

I Three months ended June 30, 2023 (April 1, 2023 - June 30, 2023)

1. Information on net sales, profits or losses for each reportable segment

(Millions of yen)

	Reportable segments				Total	Adjustments (Note 1.)	Amount recorded on quarterly consolidated statements of income (Note 2.)
	Mushroom business in Japan	Mushroom business outside Japan	Processed products business	Chemical products business			
Net sales							
(1) Net sales from external customers	10,776	1,657	1,568	2,846	16,849	–	16,849
(2) Internal net sales or transfers between segments	8	–	–	219	228	(228)	–
Total	10,784	1,657	1,568	3,066	17,077	(228)	16,849
Segment profit or loss	(692)	14	(60)	6	(732)	(516)	(1,248)

Notes:

- Adjustments for segment profit or loss of ¥(516) million are Group-wide expenses of ¥(523) million not allocated to an individual reporting segment and elimination of internal transactions of ¥7 million. Group-wide expenses are mainly selling, general and administrative expenses that do not belong to any reportable segment.
- Segment profit or loss is adjusted with operating loss on the quarterly consolidated statements of income.

II Three months ended June 30, 2024 (April 1, 2024 - June 30, 2024)

1. Information on net sales, profits or losses for each reportable segment

(Millions of yen)

	Reportable segments				Total	Adjustments (Note 1.)	Amount recorded on quarterly consolidated statements of income (Note 2.)
	Mushroom business in Japan	Mushroom business outside Japan	Processed products business	Chemical products business			
Net sales							
(1) Net sales from external customers	11,274	1,911	1,732	2,907	17,825	–	17,825
(2) Internal net sales or transfers between segments	13	–	–	395	409	(409)	–
Total	11,287	1,911	1,732	3,302	18,234	(409)	17,825
Segment profit	185	271	13	64	534	(530)	3

Notes:

- Adjustments for segment profit of ¥(530) million are Group-wide expenses of ¥(526) million not allocated to an individual reporting segment and elimination of internal transactions of ¥(3) million. Group-wide expenses are mainly selling, general and administrative expenses that do not belong to any reportable segment.
- Segment profit is adjusted with operating profit on the quarterly consolidated statements of income.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Notes on assumptions for going concern

Not applicable.

Notes to quarterly consolidated statements of cash flows

Quarterly consolidated statements of cash flows for the three months ended June 30, 2024 are not prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2024 are as follows.

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	1,628	1,420
Amortization of goodwill	9	–