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Consolidated Financial Results for the Nine Months Ended December 31, 2024 (Based on Japanese GAAP)

February 14, 2025

Company name: HOKUTO CORPORATION Stock exchange listing: Tokyo

Stock code: 1379 URL: https://www.hokto-kinoko.co.jp/lang/en/

Representative: President Masayoshi Mizuno

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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 nine months ended December 31, 2024 (from April 1, 2024 to December 31, 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	%
Nine months ended December 31, 2024	61,605	5.2	4,052	182.1	4,945	118.4	2,968	101.4
Nine months ended December 31, 2023	58,579	8.8	1,436	—	2,263	—	1,473	—

Note: Comprehensive income: Nine months ended December 31, 2024: ¥3,024 million [31.9%]
Nine months ended December 31, 2023: ¥2,293 million [–%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	93.69	81.56
Nine months ended December 31, 2023	46.49	43.91

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2024	110,968	55,639	50.1
As of March 31, 2024	103,505	54,824	53.0

Reference: Equity: As of December 31, 2024: ¥55,639 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	Yen	Yen	Yen	Yen
Year ended March 31, 2024	—	10.00	—	40.00	50.00
Year ending March 31, 2025	—	10.00	—		
Year ending March 31, 2025 (Forecast)				40.00	50.00

Notes: 1. Revisions to the cash dividend forecasts most recently announced: Yes

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

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	82,100	3.4	5,900	85.5	6,500	37.8	3,800	7.8	120.32

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

4. Notes

(1) Significant changes in the scope of consolidation during the nine months ended December 31, 2024: No

(2) Application of special accounting methods for preparing 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 details, please refer to "(3) Notes to consolidated financial statements (Notes on changes in accounting policies)" in "2. Consolidated Financial Statements and Notes," 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, 2024	33,359,040 shares	As of March 31, 2024	33,359,040 shares
Number of treasury shares at the end of the period	As of December 31, 2024	1,986,520 shares	As of March 31, 2024	1,634,972 shares
Average number of shares during the period (cumulative from the beginning of the fiscal year)	Nine months ended December 31, 2024	31,680,061 shares	Nine months ended December 31, 2023	31,700,485 shares

Notes: 1. Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

2. 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.

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1. Overview of Operating Results, Etc.

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

During the nine months ended December 31, 2024, the Japanese economy maintained a moderate recovery trend amid improvement in the employment and personal income environment and growing inbound demand. However, the outlook remained uncertain, mainly due to future policy trends in the U.S., persistently high energy and raw material prices, and exchange rate fluctuations and unstable conditions overseas.

In this economic environment, the Group carried out business activities primarily in the mushroom business to deliver deliciousness and health to 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 nine months ended December 31, 2024 were net sales of ¥61,605 million (up 5.2% year on year), operating profit of ¥4,052 million (up 182.1%), ordinary profit of ¥4,945 million (up 118.4%), and profit attributable to owners of parent of ¥2,968 million (up 101.4%).

Production output for the nine months ended December 31, 2024 consisted of 34,870t of Bunashimeji, including Bunapi (down 1.5% year on year), 12,681t of Eryngii (down 1.2%), and 11,733t of Maitake (down 1.4%).

Performance in each business segment for the nine months ended December 31, 2024, was as follows.

Mushroom business in Japan

Amid a significant rise in raw material prices, electricity costs, packing and packaging costs, personnel expenses, and other costs, the production division worked to reduce costs, performed even more thorough hygiene control, worked to improve quality and for stable cultivation, and provided mushrooms safely and securely. Production output of Bunashimeji was down because of the fire that broke out at the Company's Ueda No. 1 Mushroom Center in October 2024.

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. Hokuto has joined the Society for the Promotion of Short-Chain Fatty Acids and is working together with the Society to promote awareness of short-chain fatty acids (SCFAs). The Company has participated in activities run by the Society to further enhance the value of mushrooms as a health food and to help all consumers lead healthy and happy lives.

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, many vegetables have been in short supply due to high temperatures and drought, as well as heatwaves during the growing season. This has kept vegetable prices at a high level, and prices for mushrooms have also remained firm with stable sales.

As a result, net sales for the mushroom business in Japan as a whole were ¥39,834 million (up 4.7% year on year).

Mushroom business outside Japan

At Hokto Kinoko Company, our U.S. subsidiary, net sales and operating profit for the nine months ended December 31, 2024 were above target. Prices were increased for all customers at end-October, so there was a spike in demand before the price rise followed by a pullback in orders in October and November, but demand was strong in December. For the third quarter alone, both net sales and operating profit fell short of target, but efforts made to increase sales to the new customer base steadily generated new accounts, such that operating profit improved significantly compared with the previous fiscal year and this subsidiary remained in the black on a single-month basis.

At Taiwan Hokuto Corporation, our subsidiary in Taiwan, net sales and operating profit increased year on year, driven by strong demand after three out-of-season typhoons made direct landfall as well as growth in sales volumes, partly due to a major sales campaign by a key customer. Net sales exceeded the target, but operating profit fell slightly short.

At Hokto Malaysia Sdn. Bhd., our subsidiary in Malaysia, sales in Malaysia and Singapore were weak because of a slump in domestic consumption as consumers took advantage of favorable foreign exchange rates to travel overseas more than usual in November and December. Under these circumstances, the subsidiary stepped up efforts to minimize impacts through, for example, special sales, increasing exposure in Christmas and New Year sales catalogs, and collaborations with seasoning manufacturers. Consequently, both net sales and operating profit improved year on year. Net sales exceeded the target, but operating profit fell short.

As a result, net sales for the mushroom business outside Japan as a whole were ¥6,146 million (up 11.3% year on year).

Processed products business

The processed products business carried out sales of boiled or frozen mushroom products and worked to develop new products and markets. Sales of products for restaurants, delicatessens and prepared meals were strong and sales of frozen mushroom products also progressed steadily, driven by growth in sales volumes for products that are part of area strategies of convenience stores and planning for product collaborations. Sales of processed products for commercial fruit and vegetable markets were driven by sales of dried products for commercial markets, particularly in December. In the mail-order businesses, health food-related products struggled, but sales were strong for retort pouched foods and dried shiitake mushrooms. Furthermore, at the subsidiary Arden Corporation, orders were strong, surpassing projections, and both net sales and operating profit exceeded targets.

As a result, net sales for the processed products business were ¥6,350 million (up 9.9% year on year).

Chemical products business

The First Sales Department, whose main business is sales of packaging materials, worked to revise sales prices in response to requests from suppliers to raise prices. With the increase in awareness of environmental issues, the First Sales Department worked on proposal-based marketing for environmental packaging materials, including recycled and plant-based products. For industrial materials, sales to semiconductor and automotive-parts related manufacturers are gradually recovering, but progress is still mixed overall.

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 in-house products, particularly food containers, and sales of cultivation materials to mushroom producers were solid, but sales of agricultural machinery struggled.

As a result, net sales for the chemical products business were ¥9,274 million (up 0.5% 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 December 31, 2024 are as follows.

Assets

Current assets as of December 31, 2024 amounted to ¥40,856 million, up ¥9,631 million from the previous fiscal year end. This was due mainly to an increase of ¥3,990 million in securities, ¥3,522 million in cash and deposits, and ¥2,037 million in notes and accounts receivables. Non-current assets amounted to ¥70,111 million, down ¥2,167 million from the previous fiscal year end. This was due mainly to a decrease of ¥2,757 million in property, plant and equipment reflecting ongoing depreciation and other factors.

As a result, total assets amounted to ¥110,968 million, up ¥7,463 million from the previous fiscal year end.

Liabilities

Current liabilities as of December 31, 2024 amounted to ¥28,259 million, down ¥2,044 million from the previous fiscal year end. This was due mainly to a decrease of ¥1,701 million in the current portion of long-term borrowings included in other under current liabilities. Non-current liabilities amounted to ¥27,069 million, up ¥8,693 million from the previous fiscal year end. This was due mainly to the issue of ¥10,016 million in bonds with share acquisition rights and a decrease of ¥1,650 million in long-term borrowings.

As a result, total liabilities amounted to ¥55,329 million, up ¥6,648 million from the previous fiscal year end.

Net assets

Total net assets as of December 31, 2024 amounted to ¥55,639 million, up ¥814 million from the previous fiscal year end.

As a result, the equity ratio was 50.1% (53.0% at the end of the previous fiscal year).

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

For the earnings forecasts for the fiscal year ending March 31, 2025, while it is difficult to predict mushroom demand and prices, we disclose earnings forecasts based on currently available information and projections. For more details, please see today's release "Notice Regarding Revisions to the Full-Year Financial Results Forecasts and Dividend Forecast for the Fiscal Year Ending March 31, 2025."

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. Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	14,924	18,447
Notes and accounts receivable - trade	7,953	9,991
Securities	—	3,990
Merchandise and finished goods	2,254	2,319
Work in process	4,306	4,422
Raw materials and supplies	1,150	1,208
Other	675	491
Allowance for doubtful accounts	(39)	(13)
Total current assets	31,225	40,856
Non-current assets		
Property, plant and equipment		
Buildings and structures	72,663	72,712
Accumulated depreciation	(37,423)	(38,989)
Buildings and structures, net	35,240	33,723
Machinery, equipment and vehicles	69,569	70,440
Accumulated depreciation	(59,727)	(61,904)
Machinery, equipment and vehicles, net	9,841	8,536
Land	14,674	14,723
Other	2,992	3,042
Accumulated depreciation	(2,056)	(2,091)
Other, net	935	951
Total property, plant and equipment	60,691	57,933
Intangible assets	171	140
Investments and other assets		
Investment securities	7,986	8,459
Retirement benefit asset	1,581	1,627
Other	2,000	2,114
Allowance for doubtful accounts	(151)	(164)
Total investments and other assets	11,416	12,036
Total non-current assets	72,279	70,111
Total assets	103,505	110,968

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,134	2,296
Electronically recorded obligations - operating	3,842	4,412
Short-term borrowings	12,084	11,106
Income taxes payable	926	972
Provision for bonuses	1,248	643
Provision for loss by fire	—	140
Other	10,068	8,687
Total current liabilities	30,304	28,259
Non-current liabilities		
Bonds with share acquisition rights	—	10,016
Long-term borrowings	15,118	13,468
Retirement benefit liability	350	368
Asset retirement obligations	1,058	1,069
Other	1,848	2,146
Total non-current liabilities	18,376	27,069
Total liabilities	48,680	55,329
Net assets		
Shareholders' equity		
Share capital	5,500	5,500
Capital surplus	5,728	5,728
Retained earnings	44,194	45,571
Treasury shares	(3,024)	(3,643)
Total shareholders' equity	52,397	53,156
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,675	2,857
Foreign currency translation adjustment	(500)	(624)
Remeasurements of defined benefit plans	251	250
Total accumulated other comprehensive income	2,427	2,483
Total net assets	54,824	55,639
Total liabilities and net assets	103,505	110,968

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

Consolidated statements of income

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	58,579	61,605
Cost of sales	45,023	44,751
Gross profit	13,556	16,854
Selling, general and administrative expenses	12,119	12,801
Operating profit	1,436	4,052
Non-operating income		
Dividend income	179	197
Rental income from land and buildings	93	89
Foreign exchange gains	545	582
Subsidy income	34	31
Other	114	128
Total non-operating income	966	1,030
Non-operating expenses		
Interest expenses	96	93
Other	42	44
Total non-operating expenses	139	137
Ordinary profit	2,263	4,945
Extraordinary income		
Gain on sale of non-current assets	5	1
Gain on sale of investment securities	—	0
Total extraordinary income	5	2
Extraordinary losses		
Loss on sale of non-current assets	—	2
Loss on retirement of non-current assets	0	0
Loss by fire	—	638
Total extraordinary losses	0	640
Profit before income taxes	2,269	4,306
Income taxes - current	569	1,107
Income taxes - deferred	226	231
Total income taxes	795	1,338
Profit	1,473	2,968
Profit attributable to owners of parent	1,473	2,968

Consolidated statements of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Profit	1,473	2,968
Other comprehensive income		
Valuation difference on available-for-sale securities	770	182
Foreign currency translation adjustment	32	(124)
Remeasurements of defined benefit plans, net of tax	17	(1)
Total other comprehensive income	819	56
Comprehensive income	2,293	3,024
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,293	3,024
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to 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.

Additional information

Loss by fire

On October 29, 2024, a fire broke out at the Company's Ueda No. 1 Mushroom Center (Ueda City, Nagano Prefecture), so during the nine months ended December 31, 2024, the Company recorded ¥638 million as an extraordinary loss by fire, including losses in non-current assets (production facilities, plant buildings) and inventories and repair costs.

This amount has been calculated based on currently available information, but could change in the future.

Segment information, etc.

Segment information

I. Nine months ended December 31, 2023 (April 1, 2023–December 31, 2023)

1. Information on net sales and profits for each reportable segment

(Millions of yen)

	Reportable segments				Total	Adjustments (Note 1)	Amount recorded on 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	38,049	5,522	5,779	9,227	58,579	—	58,579
(2) Intersegment sales and transfers	26	—	—	764	790	(790)	—
Total	38,075	5,522	5,779	9,991	59,369	(790)	58,579
Segment profit	2,047	459	270	178	2,956	(1,520)	1,436

Notes: 1. Adjustments for segment profit of ¥(1,520) million are Group-wide expenses of ¥(1,530) million not allocated to an individual reporting segment and elimination of internal transactions of ¥10 million. Group-wide expenses are mainly selling, general and administrative expenses that do not belong to any reportable segment.

2. Segment profit is adjusted with operating profit on the quarterly consolidated statements of income.

II. Nine months ended December 31, 2024 (April 1, 2024–December 31, 2024)

1. Information on net sales and profits for each reportable segment

(Millions of yen)

	Reportable segments				Total	Adjustments (Note 1)	Amount recorded on 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	39,834	6,146	6,350	9,274	61,605	—	61,605
(2) Intersegment sales and transfers	50	—	—	978	1,028	(1,028)	—
Total	39,884	6,146	6,350	10,252	62,633	(1,028)	61,605
Segment profit	4,174	893	363	279	5,711	(1,658)	4,052

Notes: 1. Adjustments for segment profit of ¥(1,658) million are Group-wide expenses of ¥(1,662) 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.

2. 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 consolidated statements of cash flows

Consolidated statements of cash flows for the nine months ended December 31, 2024 are not prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the nine months ended December 31, 2024 are as follows.

(Millions of yen)

	Nine months ended December 31, 2023 (April 1, 2023–December 31, 2023)	Nine months ended December 31, 2024 (April 1, 2024–December 31, 2024)
Depreciation	4,670	4,210
Amortization of goodwill	9	—