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Initiatives to Advance Management Conscious of the Cost of Capital and the Company's Stock Price

The HOKUTO Group is making every effort to execute the new growth strategy according to the previously announced Medium-Term Management Plan through the fiscal year ending March 31, 2029. The Group hereby provides an update on our current understanding, and future initiatives related to, management conscious of the cost of capital and the Company's stock price. The details are as follows.

1. Analysis of current situation

The Group has achieved return on equity (ROE) above the cost of shareholders' equity and created corporate value, with the exception of the fiscal year ended March 31, 2023, when the Group recorded a loss mostly due to a sharp rise in prices of raw material, electricity, packaging, and other costs when prices on the domestic mushroom market were low. The Group has also maintained the price-to-book (P/B) ratio above 1x.

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2023	As of March 31, 2024	As of March 31, 2025
ROE (%)	7.71	4.66	-3.86	6.66	7.96
ROIC (%)	4.86	1.58	-2.25	2.49	5.21
Cost of shareholders' equity (%)	3.42	3.56	3.67	4.17	4.95
Net assets per share (Yen)	1,720.37	1,726.24	1,609.46	1,728.17	1817.38
Year-end stock price (Closing: yen)	2,087	1,906	1,855	1,866	1,866
P/B ratio (times)	1.21	1.10	1.15	1.08	1.03

Management attributes these results to the combined efforts made across the Group to grow earnings 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,” as set out in the previous Medium-Term Management Plan announced in November 2020.

2. Future initiatives

1) Numerical targets

Fiscal year ending March 31, 2029

Consolidated net sales: ¥100 billion

(Mushroom business in Japan: ¥57 billion, mushroom business outside Japan: ¥16 billion, processed products business: ¥12 billion, chemical products business: ¥15 billion)

Operating profit: ¥10 billion

(Mushroom business in Japan: ¥8.3 billion, mushroom business outside Japan: ¥2.6 billion, processed products business: ¥0.7 billion, chemical products business: ¥0.5 billion, Group-wide expenses: ¥(2.1) billion)

2) Policy

The Group aims to improve ROE, return on invested capital (ROIC), and the P/B ratio by working to improve profitability across the Group through top-line growth and cost optimization.

Initiatives to achieve these goals

- Increase domestic market share
 - Plan and execute area and item strategies
- Develop more advanced pricing strategy
 - Enable more sophisticated supply-demand adjustment
 - Enhance marketing activities
- Strengthen overseas business development
 - Expand sales in the growing U.S. market
- Strengthen the processed products business
 - New businesses and M&A
- Improve the efficiency of production operations
 - Achieve more efficient energy management
 - Streamline labor through operational improvement and digital transformation
- Optimize raw materials procurement and cost of supplies
 - For raw materials, strengthen procurement networks, promote reuse, explore alternatives
 - Optimize by reducing the physical size of packaging materials

3) Enhance investor relations (IR) activities

We will further enhance our dialogue with institutional and individual investors through financial results briefings, one-on-one IR meetings, and other opportunities, with a focus on providing updates on our progress in promoting management that is conscious of capital costs and share price.

Future initiatives planned

- Increase the number of one-on-one IR meetings
- Hold small group meetings
- Issue sponsored research reports
- Enhance presence in newspapers and other media
- Consider changes to shareholder benefits