

HOKUTO Revised Its Earnings Forecast Downward—No Immediate Impact on the Rating, but JCR Will Closely Monitor Future Earnings trends

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the downward revision of the earnings forecast of HOKUTO CORPORATION (security code: 1379) for the fiscal year ending March 31, 2023.

- (1) On February 10, 2023, HOKUTO CORPORATION (the "Company") announced a downward revision of its earnings forecast. It forecasts an operating loss of 2.6 billion yen (previous forecast was a loss of 0.9 billion yen) and a net loss attributable to owners of parent of 1.5 billion yen (previous forecast was a profit of 0.3 billion yen) for the fiscal year ending March 31, 2023. In the initial forecast, operating profit was 3.0 billion yen and net profit attributable to owners of parent was 1.7 billion yen, but the Company announced a downward revision in November due to the deteriorating business environment, and this is the second time the Company has revised its forecast. The main reasons for the downward revision are the low unit price of mushrooms due to the continuously low vegetable market and increased supply, as well as worsening production costs due to soaring raw material prices and electricity costs.
- (2) The Company's equity capital as of the end of the third quarter of the fiscal year ending March 31, 2023 was 51.1 billion yen (equity ratio: 49.7%), which shows a reasonable level of financial durability against the net loss amount, and JCR believes that there is no need to immediately change the rating in response to the revised earnings forecast this time. However, the severe business environment such as sluggish market conditions and high costs may continue for the time being. For the Company, the risk of performance fluctuations due to market conditions has been an issue in the past, and the Company has been stepping up efforts to increase sales of high value-added products in order to improve profitability and sales promotion measures to expand consumption. JCR will closely monitor the future business environment and trends in recovery of business performance.

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<Reference>

Issuer: HOKUTO CORPORATION

Long-term Issuer Rating: A- Outlook: Stable

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