

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

May 9, 2024

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Under IFRS)

Company name: YUKIGUNI MAITAKE CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 1375
 URL: <https://www.maitake.co.jp/>
 Representative: Masafumi Yuzawa, President and CEO, Representative Director
 Inquiries: Takenori Sakurai, Senior Executive Officer (Chief Financial Officer)
 Telephone: +81-25-778-0162
 Scheduled date of annual general meeting of shareholders: June 26, 2024
 Scheduled date to commence dividends payment: June 6, 2024
 Scheduled date to file annual securities report: June 27, 2024
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Fiscal year Ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Total income		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2024	47,476	12.5	2,811	28.3	2,240	24.8	1,366	15.6
March 31, 2023	42,204	-10.4	2,191	-56.0	1,794	-60.7	1,182	-60.5

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Fiscal year ended						
March 31, 2024	1,358	15.0	1,371	21.8	34.06	34.05
March 31, 2023	1,181	-60.5	1,125	-62.0	29.63	29.62

	Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of operating profit to total income
	%	%	%
Fiscal year ended			
March 31, 2024	12.4	6.3	5.9
March 31, 2023	11.3	5.2	5.2

(Reference)

	Core operating profit		Core EBITDA		Core EBITDA margin
	Millions of yen	%	Millions of yen	%	%
Fiscal year ended					
March 31, 2024	2,580	0.7	4,802	3.0	14.4
March 31, 2023	2,562	-54.2	4,663	-38.4	15.0

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2024	38,004	11,520	11,454	30.1	287.19
March 31, 2023	33,304	10,409	10,409	31.3	261.08

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	5,322	-3,361	-227	2,797
March 31, 2023	3,101	-2,996	-2,767	1,060

2. Cash Dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended March 31, 2023	Yen -	Yen 14.00	Yen -	Yen 6.00	Yen 20.00	Millions of yen 797	% 67.5	% 7.6
Fiscal year ended March 31, 2024	-	1.00	-	10.00	11.00	438	32.3	4.0
Fiscal year ending March 31, 2025 (Forecast)	-	3.00	-	9.00	12.00		30.9	

Note: The year-end dividend per share for the fiscal year ended March 31, 2024 has been changed from ¥1 to ¥10. For details, please refer to the “Cash Dividends of Surplus (Increased)” released today (May 9, 2024).

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Total income		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	49,990	5.3	2,620	-6.8	2,370	5.8	1,570	14.9

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
Full year	1,550	14.1	38.87

(Reference)

	Core Operating Profit		Core EBITDA		Core EBITDA Margin
	Millions of yen	%	Millions of yen	%	%
Full year	2,840	10.1	5,190	8.1	14.1

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Excluded 1 (Company name) Mitsukura Norin Co., Ltd.

Note: Mitsukura Norin Co., Ltd. was dissolved in an absorption-type merger with the Company as the surviving company as of April 1, 2023.

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

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

As of March 31, 2024	39,910,700 shares
As of March 31, 2023	39,910,700 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2024	16,667 shares
As of March 31, 2023	27,311 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2024	39,880,176 shares
Fiscal year ended March 31, 2023	39,870,700 shares

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2024	32,403	9.8	874	-23.8	646	-36.4	190	29.5
March 31, 2023	29,515	-2.8	1,147	-71.1	1,017	-72.7	146	-92.5

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
March 31, 2024	4.77	4.77
March 31, 2023	3.68	3.68

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
March 31, 2024	50,223	25,055	49.9	628.04
March 31, 2023	47,239	25,131	53.2	630.13

Reference: Equity

As of March 31, 2024: ¥25,055 million

As of March 31, 2023: ¥25,131 million

* Financial results reports are exempt from review conducted by certified public accountants or an audit firm.

*Proper use of earnings forecasts, and other special matters

(Caution concerning forward-looking statements)

The forward-looking statements, such as forecasts of financial results, included in this document are based on information available to the management as of the date of the document and certain assumptions that the management considers reasonable. The Company does not promise that forecasts will be achieved. Actual results may differ significantly due to a range of factors.

(Other special comments)

- (1) The Company and its consolidated subsidiaries (together, “the Group”) apply the International Financial Reporting Standards (hereinafter “IFRS”).
- (2) Core operating profit = Operating profit – IAS41 “Agriculture” applying effects – Other income and expenses – One-time income and expenses
- (3) Core EBITDA = Core operating profit + Depreciation + Amortization
- (4) Core EBITDA margin = Core EBITDA / Revenue
- (5) The effect of applying IAS 41 "Agriculture" is to apply IAS 41 "Agriculture" to the production process of mushrooms, from preparation to harvest, and to measure the mushrooms as biological assets at fair value less costs to sell. The gains or losses from the changes in fair value are considered as the impact amount.
- (6) Other income and expenses are mainly impairment losses and loss on disposal of fixed assets.
- (7) One-time income and expenses are income and expenses that are not incurred in the normal course of business. There are no one-time income and expenses incurred during the fiscal year ended March 31, 2023. During the current consolidated fiscal year, the Company recognized one-time expenses related to the acquisition of shares in overseas operating companies, which was executed on December 4, 2023.
- (8) Core operating profit, Core EBITDA and Core EBITDA margin are not indicators defined by IFRS, but the Group assumes these indicators are useful for investors to evaluate the Group’s performance. These financial indicators exclude the effect of non-recurring gains / losses and items that do not adequately present the Group’s performance relative to its competitors. Core operating profit, Core EBITDA, Core EBITDA margin should not be considered as indicators to replace the other indicators shown in accordance with IFRS because they do not include some of the items that affect the profit for the period, so they are subject to significant restrictions as means of analysis. Core operating profit, Core EBITDA, Core EBITDA margin disclosed by the Group may be less useful in comparison with the same or similar indicators of other competitors because they are calculated according to a different method from those of such other companies.

(How to obtain supplementary financial results briefing materials and financial results briefing details)

A presentation for institutional investors and analysts is scheduled to be held on Wednesday, May 22, 2024 in a hybrid format of on-site and webcast. Supplementary financial results briefing materials are disclosed on TDnet and are posted on our website on May 9, 2024.

Accompanying Materials – Contents

I. Qualitative Information for the Fiscal Year Ended March 31, 2024.....	2
1. Analysis of Operating Results.....	2
2. Analysis of Financial Position.....	4
3. Analysis of Cash Flows	5
4. Explanations about Forward-Looking Information Including Forecast of Consolidated Financial Results...5	
II. Basic Policy Regarding Selection of Accounting Standards.....	7
III. Consolidated Financial Statements and Significant Notes.....	8
1. Consolidated Statements of Financial Position.....	8
2. Consolidated Statements of Income and Comprehensive Income	10
3. Consolidated Statement of Changes in Equity.....	12
4. Consolidated Statements of Cash Flows.....	13
5. Notes to Summarized Consolidated Financial Statements.....	14
(Going Concern Assumptions)	14
(Segment Information)	14
(Earnings per Share)	15
(Significant Subsequent Events)	15

I. Qualitative Information for the Fiscal Year Ended March 31, 2024

1. Analysis of Operating Results

During the current consolidated fiscal year, the Japanese domestic economy experienced a normalization of economic activity due to a change in the legal status of COVID-19. On the other hand, various cost increases, which are based on the tense international situation, soaring energy prices, higher procurement prices due to the weak yen, and increased labor costs due to the shortage of human resources, have calmed down slightly, but the situation in corporate activities continues to not allow for optimism.

In this economic environment, as announced in the "Capital Alliance with Overseas Operating Companies" dated December 5, 2023, our group, through our subsidiary Yukiguni Maitake Netherlands Holdings B.V. (established in October 2023), has acquired the shares of a Netherlands-based operating company and its affiliated company vigorously engaged in the production and sale of button mushrooms and exotic mushrooms in the Netherlands and neighboring countries, and brought them under the Group. The main business of the said operating company is the production and sales of button mushrooms. The company is one of the top players of exotic mushrooms in the Netherlands and neighboring countries, and also conducts sales activities by utilizing a broad direct sales network similar to that of our company. Because of these characteristics, the company has a high affinity with our group and is expected to contribute to the growth of the Group as a whole.

In addition, the Group has decided that it is necessary to update its Medium-Term Business Plan in light of the fact that changes in the business environment have had a significant impact on the promotion of the basic strategies of the Medium-Term Business Plan formulated in November 2021. Accordingly, on December 19, 2023, we formulated and announced our Medium-Term Business Plan (for the fiscal years ending March 31, 2024 through March 31, 2028).

< Basic Policies of the Medium-Term Business Plan >

The medium- to long-term vision: "We grow and expand globally as a comprehensive manufacturer of premium mushrooms." remains unchanged, and in order to appropriately respond to changes in the business environment, we have revised our strategies to "rebuild a revenue base that realizes high profitability" and "integrate new overseas bases and further business development" as the renewed policies of the Medium-Term Business Plan. As a result, we will develop our business under the following three basic policies in the current Medium-Term Business Plan and work to achieve our goals.

A. Domestic Mushroom Market: Strengthen existing premium businesses and create new businesses

- Further strengthen our domestic business by enhancing our existing premium positioning, differentiating ourselves from other production areas, and steadily capturing the quality-oriented needs of consumers.
- Strengthen sales of premium items that are not available in other production areas, and launch new businesses other than the fresh mushroom business in earnest.

B. Business Processes: Streamline all processes without sanctuary

- Improve business processes and reduce costs through company-wide BPR.
- Promote labor savings and energy conservation through new investments.

C. Global Expansion: PMI (Post Merger Integration) of newly acquired foreign companies and search for other targets

- Utilize our expertise to further expand the performance of acquired overseas companies.
- Pursue additional acquisition possibilities in light of progress in strengthening domestic operations and geopolitical risks.
- As for the organic strategy, consider sales of our products in Europe and the U.S. in addition to Asia.

<Quantitative targets (Consolidated basis)>

Items	FYE Mar 2028 (target)	Upside Plan when conditions are met. ¹
Revenue	Over JPY 42.0 bn	Around JPY 60.0 bn
Overseas Revenue Ratio	Around 6-7%	Around 30%
Core EBITDA margin ²	Around 18%	Around 18%

Return on Invested Capital (ROIC)	Around 10%	-
-----------------------------------	------------	---

1 Upside plan is a plan that mainly aims to develop and expand overseas business if preconditions are met, taking into account the progress of business strengthening in Japan and geopolitical risks.

2 Core EBITDA margin: Core EBITDA/Revenue

Core EBITDA: IFRS operating profit excluding the effect of applying IAS 41 "Agriculture", other income and expenses, and one-time income and expenses, plus depreciation and amortization

For details of each measure, please refer to the "Medium-Term Business Plan (FYE Mar 2024-FYE Mar 2028) Explanatory Material" released on December 19, 2023.

Under the new Medium-Term Business Plan, the Group will accurately respond to rapid changes in the business environment, further strengthen its business foundation in Japan, and continue to promote global business development in order to contribute to consumer health and realize a healthy society through the provision of safe and reliable products.

In the current consolidated fiscal year, both revenue and profits increased from the previous consolidated fiscal year as a result of company-wide efforts to raise unit sales prices, reduce costs, and improve work efficiency.

Result of the above, total income for the current consolidated fiscal year was ¥47,476 million (+12.5% year-on-year), of which revenue was ¥33,443 million (+7.8% year-on-year), operating profit was ¥2,811 million (+28.3% year-on-year) and profit attributable to owners of the parent was ¥1,358 million (+15.0% year-on-year).

In the current consolidated fiscal year, gains arising from changes in fair value related to the application of IFRS Agricultural Accounting (IAS 41) were included in total income of ¥14,033 million (+25.4% year-on-year) and in the cost of sales of ¥13,569 million (+18.3% year-on-year), respectively.

[Business results for the Fiscal year ended March 31, 2024]

	(Millions of yen)		
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	% Change year-on-year
Revenue	31,016	33,443	7.8
Gains arising from changes in fair value	11,188	14,033	25.4
Total income	42,204	47,476	12.5
Operating profit	2,191	2,811	28.3
Profit before tax	1,794	2,240	24.8
Profit attributable to owners of parent	1,181	1,358	15.0

The status of revenue by business segment during the current consolidated fiscal year is as follows.

The revenue of the newly acquired overseas operating companies are included in the "Other Mushrooms" of mushroom business segment for reporting purposes.

[Mushroom business]

1) Maitake

In order to make the attractiveness of "Kiwami" maitake widely known to consumers, which is made possible by the Company's special production method, long-term maturation, and cultivation of large mushroom roots, the Company has focused on raising awareness of the product as a premium mushroom by airing TV commercials mainly in the Kanto and Kansai areas and proposing in-store planning proposal in conjunction with the TV commercials. In addition, we have been working on sales measures that take advantage of our abundant product lineup, which is one of our strengths. As a result, sales

volume decreased compared to the same period of the previous year, but the unit sales price remained strong. Thus, revenue of the Maitake business was ¥18,461 million (+3.0% year-on-year).

2) Eringi

The Company maintains supply volume through stable production quality and offers a variety of product proposals, including various volume tray products and convenient high-volume sliced products. As a result, both sales volume and unit sales prices remained strong compared to the same period of the previous year. Thus, revenue of the Eringi business was ¥3,589 million (+14.8% year-on-year).

3) Buna-shimeji

While keeping a close eye on fruit and vegetable market conditions and market trends, the Company flexibly switched the sales mix of products with different volume items according to the supply-demand balance and implemented a stable supply. As a result, both sales volume and unit sales prices remained strong compared to the same period of the previous year. Thus, revenue from the Buna-shimeji business was ¥6,842 million (+12.2% year-on-year).

4) Other mushrooms

As for mushrooms, efforts were made to ensure a stable supply and improve quality, but sales volume remained low compared to the same period of the previous year. Sales volume of Hon-shimeji also remained low. In addition, revenues from sales of button mushrooms and exotic mushrooms handled by overseas operating companies are included in this segment. As a result of the above, revenue from other mushroom businesses was ¥4,239 million (+21.0% year-on-year).

[Other]

Revenue from “Other” business is mainly derived from sales of health foods and from sales of culture medium activator handled by Mizuho Norin Co., Ltd. In the current consolidated fiscal year, sales volume of health foods and production and sales volume of culture medium activator both declined. As a result, revenue from other businesses was ¥309 million (-15.6% year-on-year).

Revenue by business segment is as follows.

	(Millions of yen)		
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	% Change year-on-year
Mushroom business	30,649	33,133	8.1
Maitake	17,919	18,461	3.0
Eringi	3,127	3,589	14.8
Buna-shimeji	6,097	6,842	12.2
Other mushrooms	3,504	4,239	21.0
Other	367	309	(15.6)
Total Revenue	31,016	33,443	7.8

2. Analysis of Financial Position

[Assets]

Total assets at the end of the current consolidated fiscal year (as of March 31, 2024) were ¥38,004 million (+¥4,699 million from the end of the previous consolidated fiscal year). Current assets were ¥10,615 million (+¥3,434 million from the end of the previous consolidated fiscal year). This was mainly due to increases of ¥1,737 million in cash and cash equivalents, ¥1,304 million in trade and other receivables. Non-current assets were ¥27,389 million (+¥1,264 million from the end of the previous consolidated fiscal year). This was mainly due to increases of ¥676 million in goodwill and intangible assets, ¥457 million in property, plant and equipment.

[Liabilities]

Total liabilities at the end of the current consolidated fiscal year were ¥26,484 million (+¥3,588 million from the end of the previous consolidated fiscal year). Current liabilities were ¥9,278 million (+¥2,685 million). This was mainly due to increases of ¥1,693 million in trade and other payables, ¥455 million in liabilities for employee benefits. Non-current liabilities were ¥17,205 million (+¥903 million). This was mainly due to an increase of ¥786 million in borrowings resulting from the difference between financing from financial institutions, prepayment of borrowings and other contractual repayments for the purpose of refinancing existing borrowings.

[Equity]

Total equity at the end of the current consolidated fiscal year were ¥11,520 million (+¥1,111 million from the end of the previous consolidated fiscal year). This was mainly due to an increase of ¥1,071 million in retained earnings resulting from the recording of ¥1,358 million in profit attributable to owners of the parent and the payment of ¥279 million in dividends from surplus.

3. Analysis of Cash Flows

The balance of cash and cash equivalents at the end of the current consolidated fiscal year increased by ¥1,737 million from the end of the previous consolidated fiscal year to ¥2,797 million. The status of each cash flow and their factors are as follows:

[Net cash flows from operating activities]

The amount of funds provided as a result of operating activities was ¥5,322 million (the amount provided was ¥3,101 million in the same period of the previous year). This was mainly due to profit before income taxes of ¥2,240 million, depreciation and amortization of ¥2,232 million, and an increase in trade and other payables of ¥1,224 million, while there was an increase in trade and other receivables of ¥1,019 million and income taxes payment of ¥691 million.

[Net cash flows from investing activities]

Funds used as a result of investment activities were ¥3,361 million (the amount used was ¥2,996 million in the same period of the previous year). This was mainly due to the expenditure of ¥2,476 million for the acquisition of expanded and renewed property, plant and equipment and ¥868 million for the acquisition of shares in subsidiaries.

[Net cash flows from financing activities]

Funds used as a result of financing activities were ¥227 million (the amount used was ¥2,767 million in the same period of the previous year).

This was mainly due to proceeds from long-term borrowings of ¥18,323 million, including borrowing of ¥17,000 million to fund the repayment of borrowings maturing in September, 2024, while there was a repayment of long-term borrowings of ¥18,064 million, including ¥16,447 million in prepayments and other scheduled repayments.

4. Explanations about Forward-Looking Information Including Forecast of Consolidated Financial Results

1) Outlook for the Group as a whole

The environment surrounding our group, in Japan, faces challenges due to social structural factors, such as the shrinking of the overall food market due to the declining birthrate, aging population, and other factors, as well as difficulties in securing labor force due to the decrease in the domestic working population. In addition, cost increase factors, such as the continuing high cost of raw materials and energy-related costs due to soaring crude oil prices and the weak yen due to the unstable international situation, are expected to continue, and we need to continue to monitor the situation closely.

In this environment, for the fiscal year ending March 31, 2025, the Group expects that procurement and other high prices costs will continue, and that profit pressure due to cost increases will continue to a certain degree, we believe that we will not be able to achieve the goals of the Medium-Term Business Plan without further efforts on our part.

Even in this difficult environment, our group will strive to build a strong business foundation through

continuous technological innovation, in accordance with our Medium-Term Business Plan, promote the value of mushrooms such as maitake mushrooms and their health functionality, and contribute to the maintenance and improvement of health that supports people's happiness and affluent lives by providing safe, reliable, and high-quality products.

Based on the above, for FYE March 31, 2025, we forecast total income of ¥49,990 million (+5.3% year-on-year), operating profit of ¥2,620 million (-6.8% year-on-year), profit before tax of ¥2,370 million (+5.8% year-on-year), and profit attributable to owners of the parent of ¥1,550 million (+14.1% year-on-year).

2) Total income

Revenue and gains arising from changes in fair value* and their combined total are projected for each of the major mushroom products, based on current performance, market trends, and the Group's outlook on the effects of its measures.

* The “gains arising from changes in fair value” represents the gain recognized in income on the increase in value (fair value due to biological assets) of the raw mushroom products created in the course of production. Such fair value gains or losses are included in “Gains from changes in fair value”. Gains arising from changes in fair value are included in income and cost of sales. The fair value gains recorded as income are the profits included in the current period’s production, and the fair value gains recorded as cost of sales are the profits included in the current period’s sales, which are affected by changes in production volume, sales volume, sales prices, etc. Since the application of International Accounting Standards will result in the recording of the sum of normal sales and accrual profit in the total income, the corresponding cost of sales will also be the sum of normal cost of sales and accrual profit.

[Maitake]

In the maitake mushroom business, we expect the overall maitake mushroom market to remain flat taking into consideration the growing awareness of consumers to protect their household budgets due to successive price hikes of daily commodities and the uncertainty of the stable supply-demand balance, while increased production by other competing companies has settled down and the unit sales price level is on the way to recovery.

Under these circumstances, the Company will strive to expand its over-the-counter market share by strengthening product proposals and execution of sales promotion plans that steadily meet consumer needs, by leveraging its abundant product lineup, which is one of our strengths, and by expanding newly designed products that add further convenience. In addition, we will continue to develop promotions utilizing TV commercials and digital media, etc., to communicate to a wide range of consumers the appeal and deliciousness of the “Kiwami” brand of large root mushrooms, which are made using our proprietary manufacturing process, and thereby acquire a new user base. Based on the above, revenue of the maitake business is expected to be ¥19,790 million (+7.2% year-on-year).

[Eringi]

With regard to eringi, we will continue to promote a variety of product proposals and sales measures, taking advantage of our broad item lineup, including convenient sliced products in addition to standard products in various weight categories. In addition, the company will strengthen cooperation between production and sales, review product standards to meet consumer needs, consolidate products, and make other proactive efforts for improvement. Based on the above and market trends, we project revenue of ¥3,490 million (-2.8% year-on-year) for the eringi business.

[Buna-shimeji]

With regard to buna-shimeji mushrooms, we will continue to assemble and propose sales measures focusing on single stock products. Based on the above and market trends, we project revenue of ¥6,770 million (-1.1% year-on-year) for the buna-shimeji business.

[Other mushrooms]

Other mushrooms segment consists of the mushroom business, the Hon-shimeji and Hatake-simeji manufactured and sold by Mizuho Norin Co., Ltd., and the sales revenue of the overseas business companies whose shares were acquired in December, 2023. In the fiscal year ending March 31, 2025, we expect the overseas business companies to make a significant contribution to our net sales. In addition, we plan to launch a new product as a new business. Based on the above, the Company expects revenue from other mushrooms to be ¥6,420 million (+51.4% year-on-year).

Based on the above, we expect revenue to be ¥36,770 million (+9.9% year-on-year) and gains arising from changes in fair value recognized in accordance with IFRS Agricultural Accounting (IAS 41) to be ¥13,230 million (-5.7% year-on-year), respectively, and total income, which is the sum of these figures, is expected to be ¥49,990 million (+5.3% year-on-year).

3) Cost of Sales and Gross Profit

Cost of sales is forecasted in consideration of production, sales, and personnel plans, trends in raw material prices, and capital investment plans.

For the FYE March, 2025, energy-related costs are expected to remain high, and labor costs are expected to increase due to the tight work force in Japan. As a result, “material cost, labor cost, etc.” (cost of goods sold by the Group, excluding gains arising from changes in fair value recognized in accordance with IFRS Agricultural Accounting (IAS 41)) is expected to be ¥24,420 million (+9.6% year-on-year), and gain arising from changes in fair value related to the application of IFRS Agricultural Accounting (IAS 41) is expected to be ¥13,430 million (-1.0% year-on-year), respectively. As one of the policies of the Medium-Term Business Plan, “Business Processes: Streamline all processes without sanctuary,” the company will improve business processes through company-wide BPR to realize cost reduction and promote labor saving and energy saving through new investments.

Based on the above, we forecast cost of sales of ¥37,860 million (+5.6% year-on-year) and gross profit of ¥12,140 million (+4.5% year-on-year).

4) SG&A, Other Income, Other Expenses and Operating Profit

For the fiscal year ending March 31, 2025, we expect an increase in advertising and sales promotion expenses due to aggressive sales promotion measures to promote a premium image, and an increase in labor costs due to salary increases and other factors. Based on the above, SG&A expenses are projected to be ¥9,460 million (+7.0% year-on-year). In addition, other income and other expenses are expected to be recorded, resulting in a projected operating profit of ¥2,620 million (-6.8% year-on-year).

5) Financial income, Financial expenses, Profit, Profit attributable to owners of parent

For financial income and expenses, the related gains and losses are calculated based on the planned values related to the balance of financial assets and borrowings.

Based on the above, financial expenses are expected to be ¥250 million (-56.4% year-on-year), affected by a decrease in fees due to the prepayment of borrowings, and profit before tax is expected to be ¥2,370 million (+5.8% year-on-year), profit is expected to be ¥1,570 million (+14.9% year-on-year), and profit attributable to owners of the parent is expected to be ¥1,550 million (+14.1% year-on-year), respectively. The financial results forecast is based on the information available at this time, and the actual financial results may differ due to various factors.

II. Basic Policy Regarding Selection of Accounting Standards

Our corporate group applies International Financial Reporting Standards (IFRS) since the fiscal year ended March 31, 2019 in order to enable the international comparison of financial information and improve convenience in the capital markets.

III. Consolidated Financial Statements and Significant Notes

1. Consolidated Statements of Financial Position

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and cash equivalents	1,060	2,797
Trade and other receivables	1,907	3,211
Inventories	1,422	1,476
Biological assets	2,662	2,939
Income taxes receivable	21	-
Other current assets	105	189
Total current assets	7,180	10,615
Non-current assets		
Property, plant and equipment	18,966	19,424
Investment property	95	95
Goodwill and intangible assets	5,285	5,961
Right-of-use assets	238	261
Retirement benefit asset	313	303
Other financial assets	191	213
Deferred tax assets	990	1,059
Other non-current assets	42	69
Total non-current assets	26,124	27,389
Total assets	33,304	38,004

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Trade and other payables	1,877	3,570
Income taxes payable	693	940
Employee benefit accruals	1,683	2,138
Current portion of long-term borrowings	1,509	1,422
Lease liabilities	152	137
Provisions	140	177
Other financial liabilities	21	115
Other current liabilities	515	776
Total current liabilities	6,592	9,278
Non-current liabilities		
Borrowings	16,070	16,857
Lease liabilities	156	196
Provisions	20	21
Other financial liabilities	54	130
Other non-current liabilities	0	0
Total non-current liabilities	16,302	17,205
Total liabilities	22,895	26,484
Equity		
Share capital	100	100
Capital surplus	(6,012)	(6,067)
Retained earnings	16,341	17,413
Treasury shares	(33)	(17)
Other components of equity	14	25
Total equity attributable to owners of parent	10,409	11,454
Non-controlling interests	(0)	66
Total equity	10,409	11,520
Total liabilities and equity	33,304	38,004

2. Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Income		
Revenue	31,016	33,443
Gains arising from changes in fair value	11,188	14,033
Total income	42,204	47,476
Cost of sales (*1)	31,688	35,860
Gross profit	10,516	11,615
Selling, general and administrative expenses	8,258	8,839
Other income	75	210
Other expenses	141	175
Operating profit	2,191	2,811
Finance income	4	2
Finance expenses	400	573
Profit before tax	1,794	2,240
Income tax expense	612	873
Profit	1,182	1,366
Profit attributable to		
Owners of parent	1,181	1,358
Non-controlling interests	0	8
Earnings per share		
Basic earnings per share (Yen)	29.63	34.06
Diluted earnings per share (Yen)	29.62	34.05

Management believes that the information of “material costs, labor costs, etc.” facilitates comparison between the Group and competitors by users of financial statements. Therefore, we disclose the information voluntarily as a note in the summarized consolidated statements of income. “Material costs, labor costs, etc.” are the production costs of finished goods and purchasing costs of other goods sold by the Group, excluding the gains arising from changes in fair value recognized under IAS 41 “Agriculture”.

(*1) Components of cost of sales		
Material costs, labor costs, etc.	20,214	22,291
Gains arising from changes in fair value	11,473	13,569
Total	31,688	35,860

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	1,182	1,366
Other comprehensive income (After tax effect deduction)		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(58)	(10)
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	2	5
Total of items that will not be reclassified to profit or loss	(56)	(4)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-	9
Total of items that may be reclassified to profit or loss	-	9
Total other comprehensive income (After tax effect deduction)	(56)	4
Comprehensive income	1,125	1,371
Comprehensive income attributable to		
Owners of parent	1,124	1,362
Non-controlling interests	0	8

3. Consolidated Statement of Changes in Equity

(Millions of yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total
Balance at beginning of period	100	(6,006)	16,411	(48)	15	10,471	(1)	10,470
Profit	-	-	1,181	-	-	1,181	0	1,182
Other comprehensive income	-	-	-	-	(56)	(56)	-	(56)
Comprehensive income	-	-	1,181	-	(56)	1,124	0	1,125
Share-based remuneration Transactions	-	(6)	-	15	-	9	-	9
Dividends of surplus	-	-	(1,196)	-	-	(1,196)	-	(1,196)
Transfer from other components of equity to retained earnings	-	-	(55)	-	55	-	-	-
Other	-	-	-	-	-	-	-	-
Total	-	(6)	(1,251)	15	55	(1,187)	-	(1,187)
Balance at end of period	100	(6,012)	16,341	(33)	14	10,409	(0)	10,409
Profit	-	-	1,358	-	-	1,358	8	1,366
Other comprehensive income	-	-	-	-	4	4	-	4
Comprehensive income	-	-	1,358	-	4	1,362	8	1,371
Share-based remuneration Transactions	-	(2)	-	15	-	12	-	12
Dividends of surplus	-	-	(279)	-	-	(279)	-	(279)
Transfer from other components of equity to retained earnings	-	-	(7)	-	7	-	-	-
Other	-	(51)	-	-	-	(51)	57	6
Total	-	(54)	(286)	15	7	(317)	57	(260)
Balance at end of period	100	(6,067)	17,413	(17)	25	11,454	66	11,520

4. Consolidated Statements of Cash flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before tax	1,794	2,240
Depreciation and amortization	2,112	2,232
Impairment losses	6	55
Interest expenses	383	401
Commission for syndicate loan	17	149
Loss (gain) on sale of fixed assets	(6)	(3)
Loss on retirement of fixed assets	105	75
Decrease (increase) in trade and other receivables	49	(1,019)
Decrease (increase) in inventories	(173)	9
Decrease (increase) in biological assets	30	(205)
Increase (decrease) in trade and other payables	81	1,224
Decrease (increase) in retirement benefit asset	(2)	(5)
Increase (decrease) in employee benefit liabilities	63	453
Other	244	532
Subtotal	4,707	6,141
Interest paid	(91)	(136)
Payments of commission for syndicate loan	(17)	(11)
Income taxes paid	(1,497)	(691)
Income taxes refund	-	21
Net cash provided by (used in) operating activities	3,101	5,322
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,919)	(2,476)
Proceeds from sale of property, plant and equipment	7	3
Purchase of intangible assets	(14)	(0)
Purchase of shares of subsidiaries	-	(868)
Other	(70)	(19)
Net cash provided by (used in) investing activities	(2,996)	(3,361)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,500	4,300
Repayments of short-term borrowings	(1,500)	(4,300)
Proceeds from long-term borrowings	-	18,323
Repayments of long-term borrowings	(1,348)	(18,064)
Repayments of lease liabilities	(223)	(204)
Dividends paid	(1,195)	(281)
Other	(0)	(0)
Net cash provided by (used in) financing activities	(2,767)	(227)
Effect of exchange rate changes on cash and cash equivalents	0	3
Net increase (decrease) in cash and cash equivalents	(2,662)	1,737
Cash and cash equivalents at beginning of period	3,723	1,060
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(0)	-
Cash and cash equivalents at end of period	1,060	2,797

5. Notes to Summarized Consolidated Financial Statements

(Going Concern Assumptions)

Not applicable.

(Segment Information)

(1) Reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available and regular evaluation by the Board of Directors, chief operating decision maker, is being performed in order to make decisions about resources to be allocated and to assess its performance.

The mushroom business is listed as a reporting segment as the Group has a comprehensive strategy for products and services and is expanding its business activities. "Other" includes businesses that are not included in the reportable segment.

The Group aggregates Maitake business, Eringi business, Buna-shimeji business, etc. as a reportable segment, "mushroom business," in terms of similarity of economic characteristics such as revenue trends, and the following features are all similar in this segment: (a) the nature of products and services, (b) the nature of the production processes, (c) the type of customers of the products and the services, (d) the method used to deliver the products or provide the services, and (e) the nature of regulatory environment.

Description of the reportable segment is as follows:

	Description of business
Mushroom business	Production and sales of Maitake, Eringi, Buna-shimeji and other mushrooms

(2) Reportable segments information

The accounting methods of reportable business segments are the same as the Group's accounting policies. Figures reported as segment profit are based on operating profit reported in the summarized consolidated statements of income. Revenues from intersegment transactions are based on the current market prices.

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Mushroom business	Others	Total	Adjustment items (*1)	Per consolidated financial statements
Revenue					
Revenue from external customers	30,649	367	31,016	-	31,016
Intersegment revenue	-	-	-	-	-
Total revenue	30,649	367	31,016	-	31,016
Segment profit (loss)	2,140	60	2,201	(9)	2,191
Finance income					4
Finance expenses					400
Profit before tax					1,794
Others					
Gains arising from changes in fair value included in total income	11,188	-	11,188	-	11,188
Gains arising from changes in fair value included in cost of sales	11,473	-	11,473	-	11,473
Depreciation and amortization	2,095	14	2,110	2	2,112
Impairment losses	6	-	6	-	6

(*1) Adjustment items for segment profit (loss) include corporate expenses that are not allocated to each business segment.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Mushroom business	Others	Total	Adjustment items (*1)	Per consolidated financial statements
Revenue					
Revenue from external customers	33,133	309	33,443	-	33,443
Intersegment revenue	-	0	0	(0)	-
Total revenue	33,133	310	33,443	(0)	33,443
Segment profit (loss)	2,801	51	2,853	(41)	2,811
Finance income					2
Finance expenses					573
Profit before tax					2,240
Others					
Gains arising from changes in fair value included in total income	14,033	-	14,033	-	14,033
Gains arising from changes in fair value included in cost of sales	13,569	-	13,569	-	13,569
Depreciation and amortization	2,217	14	2,231	0	2,232
Impairment losses	30	-	30	25	55

(*1) Adjustment items for segment profit (loss) include corporate expenses that are not allocated to each business segment.

(Earnings per Share)

Calculation of basic earnings per share and diluted earnings per share are described below.

	(Unit)	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Basic earnings per share			
Profit attributable to owners of parent	(Millions of yen)	1,181	1,358
Profit not attributable to common shareholders of parent	(Millions of yen)	-	-
Profit used for calculation of basic earnings per share	(Millions of yen)	1,181	1,358
Average number of common shares during the period	(Thousand shares)	39,870	39,880
Basic earnings per share	(Yen)	29.63	34.06
Diluted earnings per share			
Profit used for calculation of basic earnings per share	(Millions of yen)	1,181	1,358
Adjustment	(Millions of yen)	-	-
Profit used for calculation of diluted earnings per share	(Millions of yen)	1,181	1,358
Average number of common shares during the period	(Thousand shares)	39,870	39,880
Increase of shares due to restricted stock compensation plan	(Thousand shares)	6	5
Average number of common shares during the period after dilution	(Thousand shares)	39,877	39,885
Diluted earnings per share	(Yen)	29.62	34.05

(Significant Subsequent Events)

Not applicable.