

Update of the Medium-Term Business Plan

December 19, 2023



Impact of Changes in Business Environment

Changes in the business environment are having a significant impact on the implementation of the Mid-term Business Plan.

Macro environment

Unexpected major changes

- **Outbreak of invasion of Ukrainian by Russia**
 - Utility costs such as crude oil, LNG, etc. soared globally
 - Supply of grains and other commodities fell and grain and food costs rose
- **Negative impact of tight monetary policies in various countries**
 - Cost-push inflation became a political issue
 - Interest rate hike policies shifted in Europe and the U.S.
 - Expansion of Japan-U.S. interest rate differential and deterioration of current account balance
 - As a result, the Japanese yen currency was depreciated

Consumer

Recovery of consumer confidence stalled

- **High prices suppressed consumer confidence**
 - Rising prices of everyday items such as food and gasoline
- **On the other hand, labor wages were sluggish**
 - Low growth labor wages relative to price increases
 - Consumption mindset was being braked

Mushroom market

Unstable supply-demand balance

- **Decline in prices due to oversupply**
 - Noticeable impact of increased production in other regions
 - Market stagnant due to falling unit sales price
 - Combined with high costs, producers' profits declined across the board
- **Future Uncertainty**
 - Supply-demand balance was settled this year, unit sales price level recovered
 - However, given the situation in the previous fiscal year, it is unclear whether market conditions will remain stable in the future

Mid-term Business Plan

Significant impact on the promotion of the basic strategy

- A. Domestic Mushroom Market**
 - Market oversupply conditions and consumer preference for price
 - The unit sales price did not increase, and the top line sales revenue did not grow
- B. Technology Development**
 - Effects of existing Mid-term Business Plan measures are not fully realized at this stage
 - Faced with initially unanticipated cost increases, drastic measures are needed
- C. Global Expansion**
 - First step toward global expansion with the acquisition of a Dutch mushroom business company
 - On the other hand, more cautious expansion is required in light of geopolitical risks

Need to revise basic strategies



Policy for Updating the Current Medium-term Business Plan

Respond appropriately to rapid changes in the business environment and promote global expansion over the medium- to long-term while further strengthening the domestic business base.

Business Environment Surrounding Us*

Domestic market

- Demographics (declining and aging population)
- Ongoing inflationary environment
- Trends in other production areas
- Cost increase factors such as fuel and electricity price hikes and yen's depreciation

Overseas (a foreign) market

- Global Mushroom Market growth of about 4% and stable growth is expected through 2025
- Growing Need for Health and Environmentally Friendly Mushrooms (Increased consumer health awareness/animal protein substitution)
- There are no huge mushroom-based players
- Rising geopolitical risks around the world

Updating Policy

Restructuring of the business base to achieve high profitability

- Steady growth based on premium strategy
 - Strengthen premium positioning and differentiate from other production areas
 - Capture quality-oriented needs through effective marketing
 - Full-scale launch of new businesses other than fresh mushrooms
- Promote efficiency across all corporate activities to reduce costs
 - Company-wide BPR to improve business processes and reduce costs
 - Promote labor savings and energy conservation through new investments

Integration of new overseas bases and further business development

- Smooth PMI (Post Merger Integration) of acquired foreign companies
 - Aiming to further expand business performance by taking advantage of our know-how (production and sales)
- Further Overseas Expansion
 - Pursue additional acquisition possibilities in light of strategic business development and geopolitical risks
 - Expand sales network of our products in Europe and the U.S. in addition to Asia

*Changes from the previous medium-term plan are indicated in blue.



Medium- to Long-Term Vision of Yukiguni Maitake

The medium- to long-term vision, management philosophy, and basic business policies will remain unchanged, and the basic strategies of the medium-term business plan will be updated to respond to changes in the business environment.

Medium- to long-term vision: Expand and grow globally as a comprehensive premium mushroom manufacturer

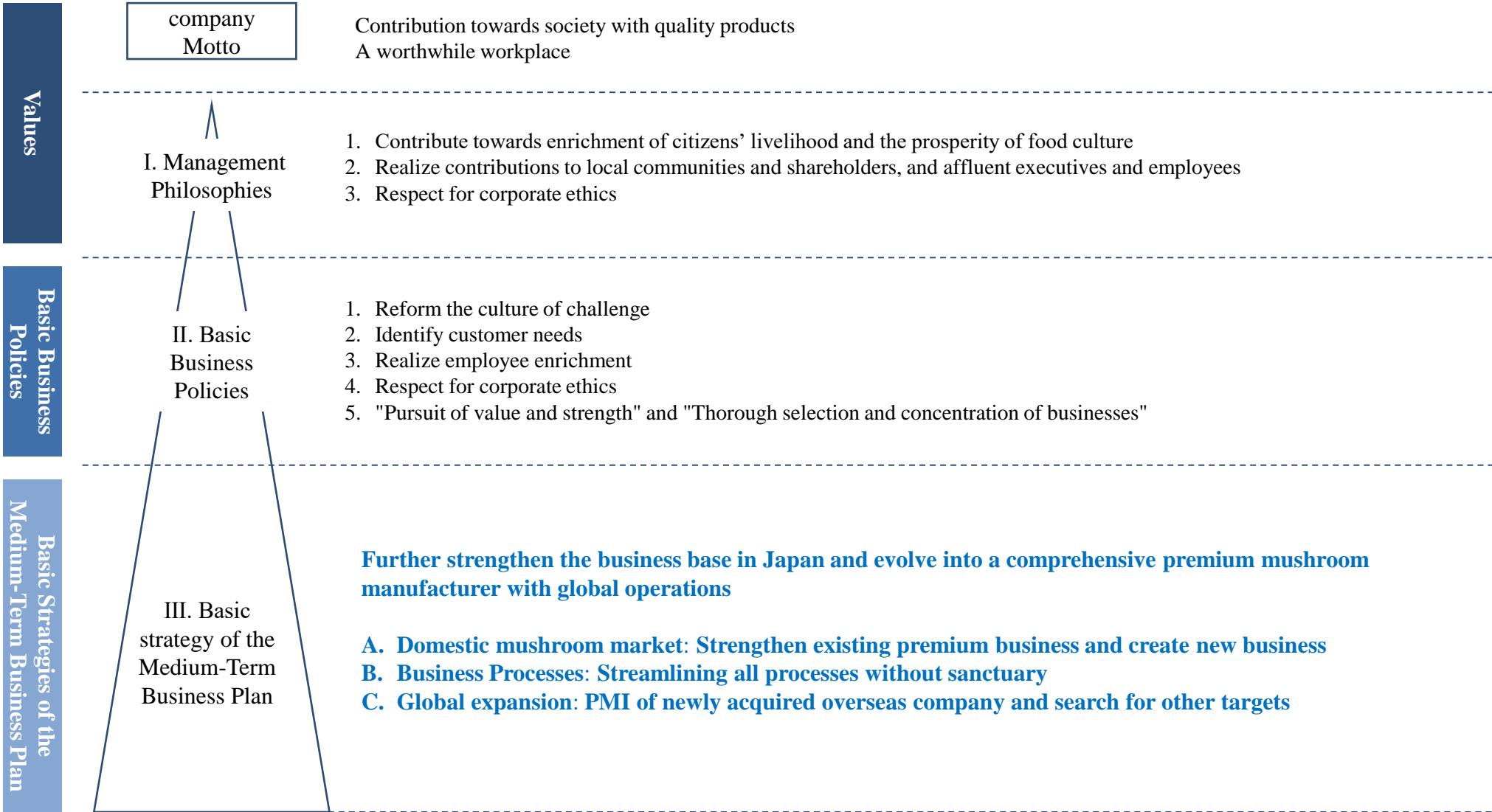
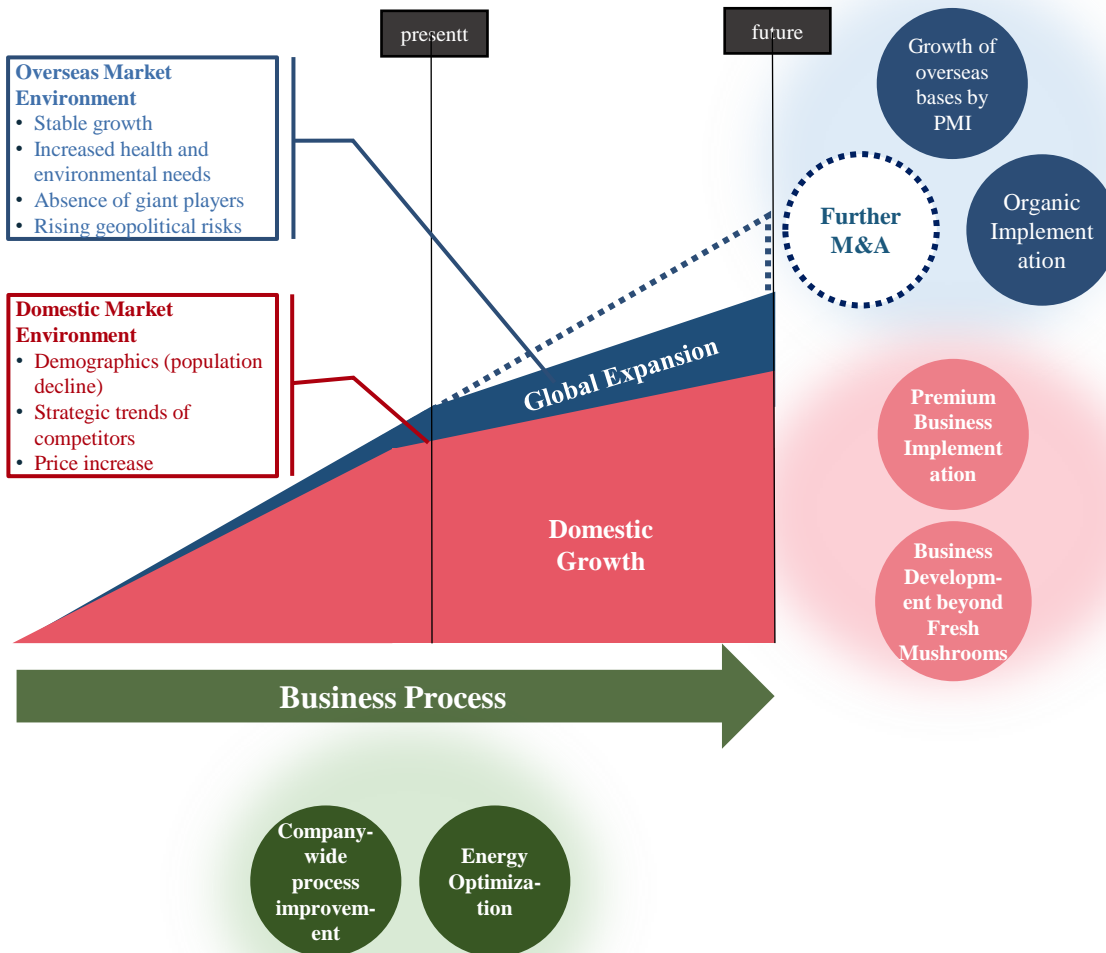




Diagram of the Medium-Term Business Plan (FYE March 2024 – FYE March 2028)

Based on the current Medium-Term Business Plan, respond appropriately to changes in the business environment and continue to seek growth opportunities on a global basis



Strengthen and promote the business base in Japan and integration of new bases and further business development in global markets

- A**

Domestic Mushroom Market: Strengthen Existing Premium Businesses and Creation of new businesses

 - Further strengthen our domestic business by enhancing our existing premium positioning, differentiate ourselves from other production areas, and steadily capture 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 of newly acquired overseas companies and search for other targets

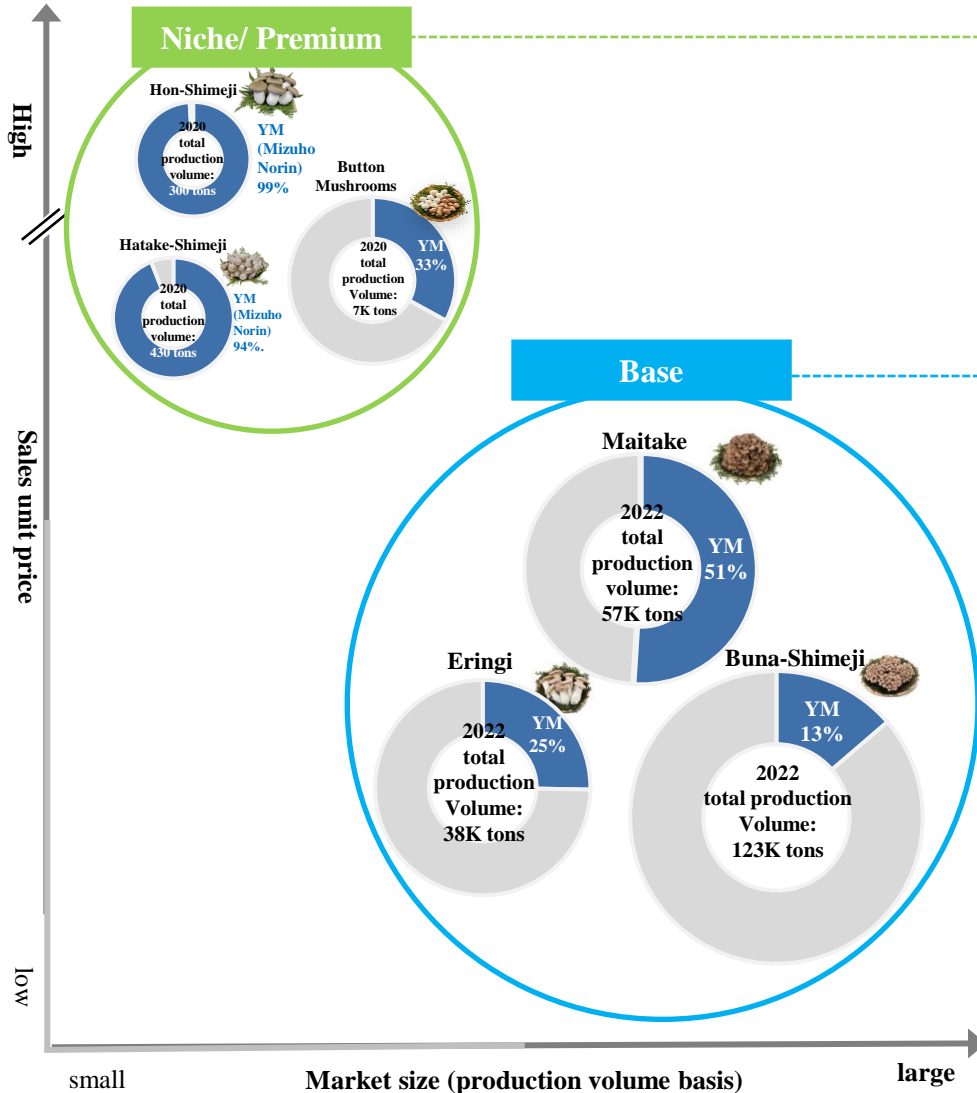
 - Utilize our expertise to further expand the performance of acquired overseas companies
 - Pursue additional acquisition possibilities in light of progress in strengthening domestic operations and geopolitical risks
 - As for the organic strategy, we will consider sales of our products in Europe and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



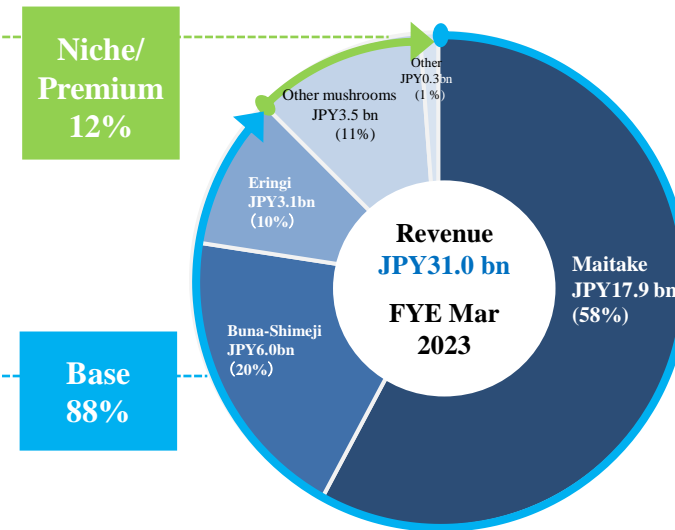
Basic Policy A. Domestic Mushroom Market (Our Premium Position)

Our business portfolio consists of 80% base business including Maitake mushrooms, and the remaining 20% is niche/ premium business with high unit sales price, which enables us to realize premium margins compared to other companies.

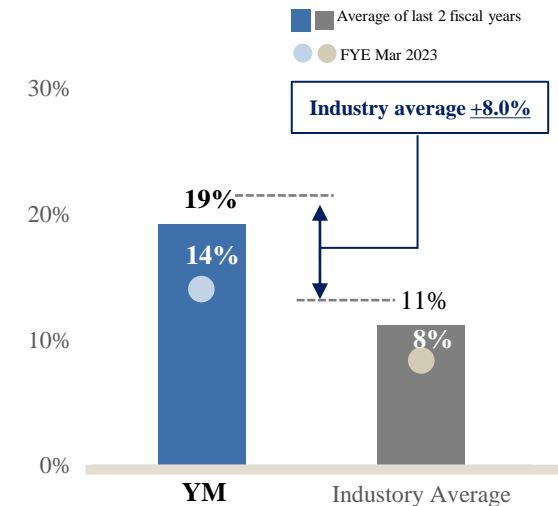
Mushroom market size (production basis) and share



Composition of revenue



Comparison of EBITDA margins between the Company and the mushroom industry

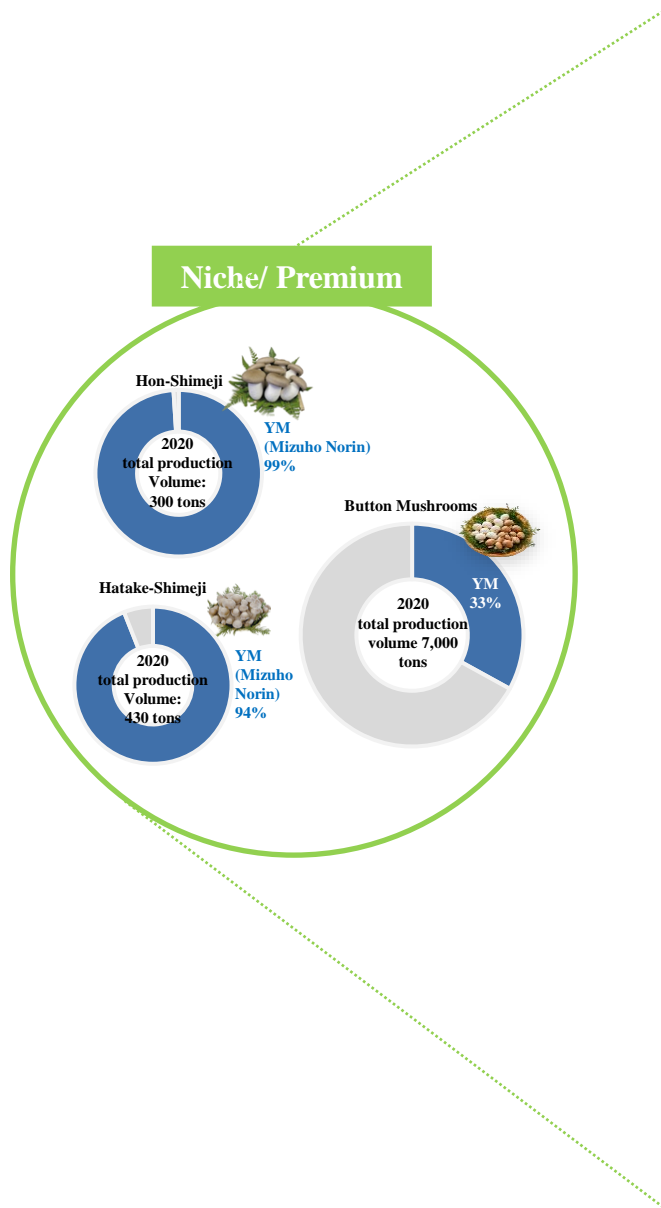


Note: Market share of each mushroom is calculated using domestic production volume (Our company's production / Total domestic production)
Sources: Forestry Agency "Statistical Survey on Production of Minor Forest Products", Ministry of Agriculture, Forestry and Fisheries "Local Vegetable Production Survey"



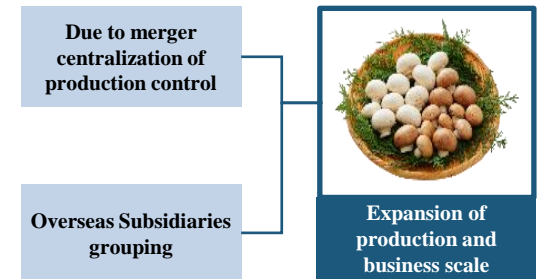
Basic Policy A. Domestic Mushroom Market (Expansion of Niche/ Premium Business)

Build a new growth driver by expanding scarce items and fully expanding new business areas.



Expansion of Button mushroom business

- Button mushrooms are an attractive market with room for growth, as they are produced in smaller quantities and have a higher unit sales price than maitake mushrooms
- Expand the scale of our business by strengthening our domestic production base and collaborating with our overseas subsidiaries



Full-scale expansion of new business areas

- Expand alternative meat products that not only reduce environmental impact, but also provide a solution to health issues and good taste
- In addition, we will launch a new proprietary product that combines mushrooms and alternative meat as raw materials
- Utilize existing sales channels with a high percentage of consumers via the sales floor, and expect to acquire and establish space, as well as achieve steady expansion

Alternative meat material (under development)



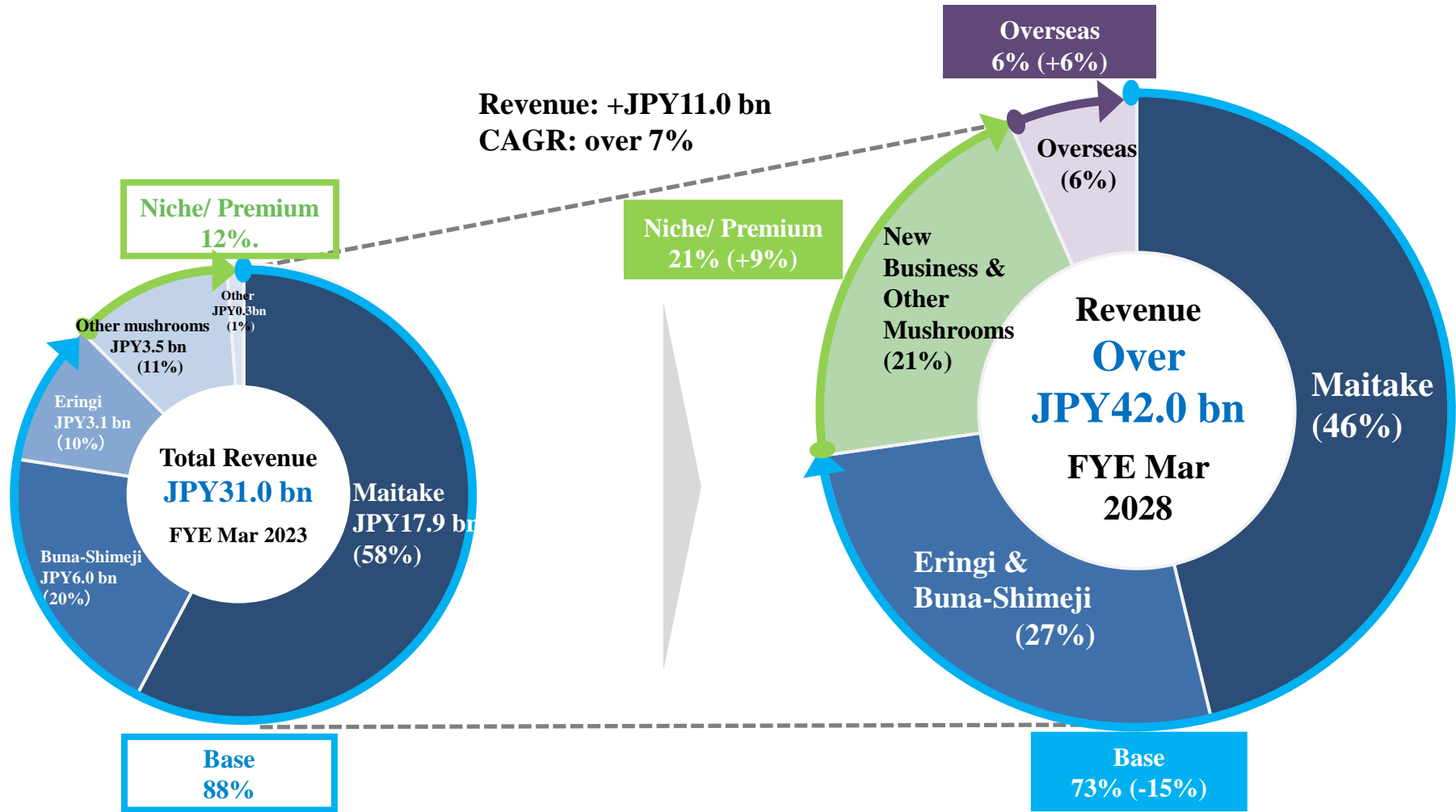
Image of distribution product composition by new business





Basic Policy A. Domestic Mushroom Market (Future Portfolio)

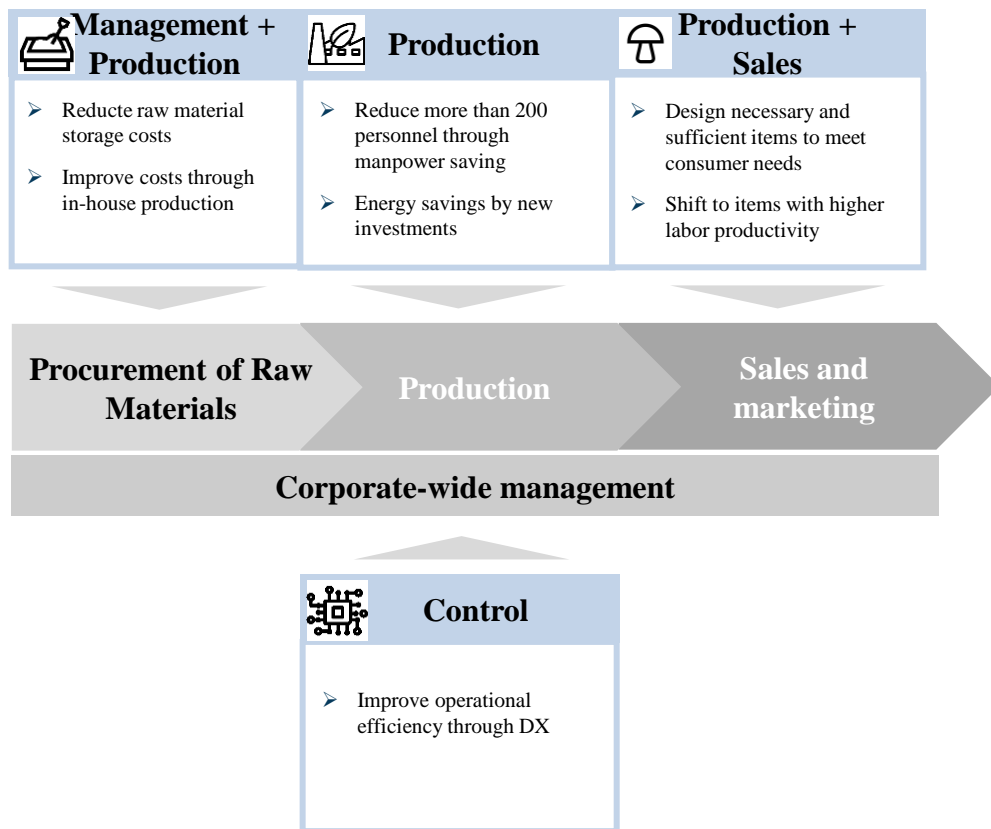
Aim to expand business to over JPY11 billion by expanding two segments, Niche/ Premium and overseas, while maintaining the base business as the mainstay.



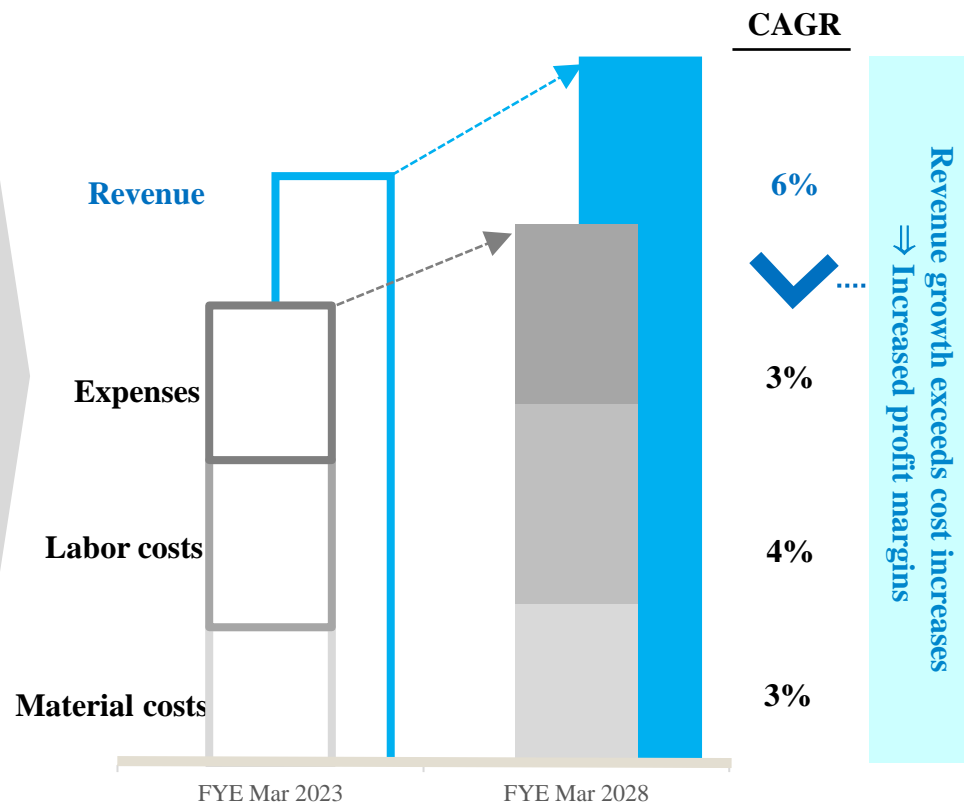


Basic Policy B: Streamline All Processes without Sanctuary

Improve business processes through company-wide BPR to build a business structure in which higher revenue exceeds higher costs.



Changes in Revenues and Cost of Sales*



* Excluding inorganic



Basic Policy C: Global Expansion (Further Target Exploration)

While promoting global market development in Europe, the U.S., and ASEAN countries, mutually share management resources with comparative advantages among regions to strengthen the competitiveness of the entire group




Japan → Europe, U.S., ASEAN



- Our Premium Mushrooms
- Our proprietary model (production and sales)
- Know-how and technology for stable production of mushrooms with high degree of difficulty

Europe and the U.S. regions → Japan

- Competitive western mushrooms (Button mushrooms etc.)
- Raw materials
- Others (know-how and technology)

Japan

Basic Policy	Organic Strategy		
	North America	Europe	ASEAN
			
<p>■ Basic strategies</p> <ul style="list-style-type: none"> ➢ In addition to ASEAN, broad consideration of Europe and the U.S. as targets ➢ Accelerating the speed of sales channel development with a unique channel model cultivated in Japan while also considering alliances ➢ In addition to our own channels, we also consider the use of other companies' channels overseas 			

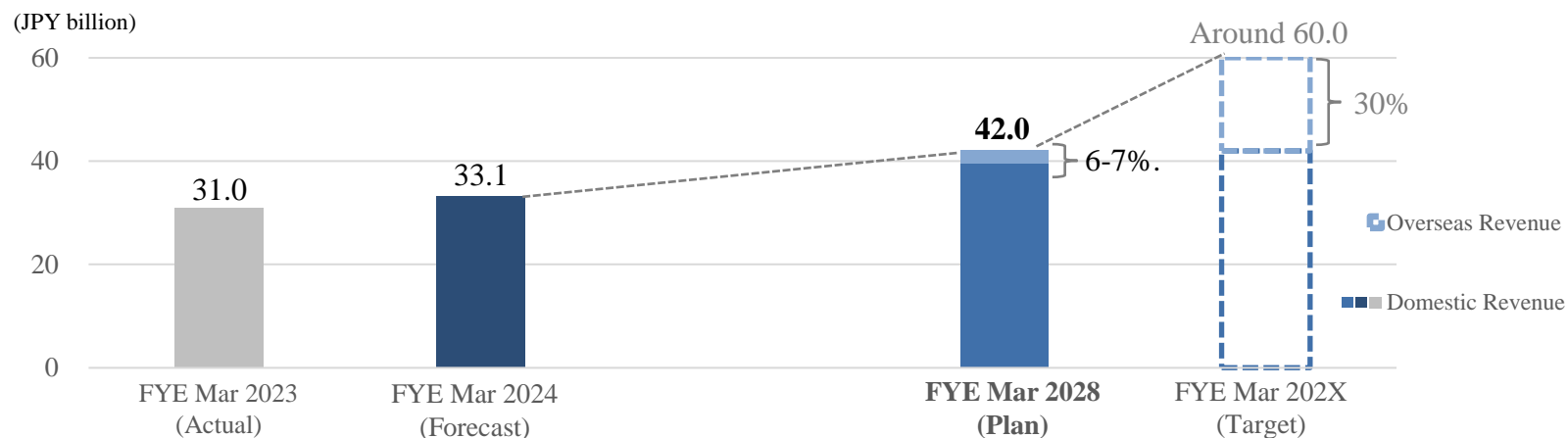
Basic Policy	Inorganic Strategy	
	Europe	North America
		
<p>■ Basic strategies</p> <ul style="list-style-type: none"> ➢ Integrate acquired Dutch companies to promote further business expansion ➢ Share superior technologies and products across borders to improve the competitiveness of the entire group ➢ Explore additional acquisition possibilities as strategies develop 		



Quantitative Targets of the Medium-Term Business Plan

While rebuilding the business base in Japan and pursuing steady growth through the integration of new overseas bases as the basic strategy, we will also pursue the possibility of further overseas business expansion if the conditions are met.

	FYE Mar 2023 (Actual)	FYE Mar 2024 (Forecast)	FYE Mar 2028 (Plan)	Upside
1. Revenue	JPY31.0 bn	JPY33.1 bn	Over JPY42.0 bn	Around JPY60.0 bn
2. Overseas Revenue Ratio ¹	-	-	Around 6-7%	Around 30%
3. Core EBITDA margin ²	15.0%	12.2%	Around 18%	Around 18%
4. ROIC	5.0%	-	Around 10%	



Core EBITDA Margin	15.0%	12.2%	Around 18%	Around 18%
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¹ Overseas Revenue Ratio = Overseas sales revenue / Revenue

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



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雪国まいたけ

Yukiguni Maitake Co., Ltd.

Securities Code: 1375