

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2022 (Based on Japanese GAAP)

May 13, 2022

Company name: HOKUTO CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 1379 URL <https://www.hokto-kinoko.co.jp>
 Representative: President Masayoshi Mizuno
 Executive Director, Administration
 Inquiries: Department Director Tomio Takato TEL 026-259-5955
 Scheduled date of ordinary general meeting of shareholders: June 28, 2022
 Scheduled date to file Securities Report: June 28, 2022
 Scheduled date to commence dividend payments: June 29, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results

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 | % |
| Year ended March 31, 2022 | 70,932 | — | 2,014 | (66.5) | 3,658 | (43.9) | 2,530 | (37.3) |
| Year ended March 31, 2021 | 73,889 | 3.7 | 6,012 | 53.3 | 6,526 | 55.9 | 4,038 | 163.6 |

Note: Comprehensive income Year ended March 31, 2022 ¥2,064 million [(59.3)%]
 Year ended March 31, 2021 ¥5,071 million [298.0%]

| | Earnings per share | Diluted earnings per share | Profit attributable to owners of parent/equity | Ordinary profit/total assets | Operating profit/net sales |
|---------------------------|--------------------|----------------------------|--|------------------------------|----------------------------|
| | Yen | Yen | % | % | % |
| Year ended March 31, 2022 | 80.26 | 69.93 | 4.7 | 3.6 | 2.8 |
| Year ended March 31, 2021 | 128.83 | 111.90 | 7.7 | 6.5 | 8.1 |

Reference: Share of profit (loss) of entities accounted for using equity method

Year ended March 31, 2022 ¥— million

Year ended March 31, 2021 ¥— million

Note: As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the year ended March 31, 2022, each figure for the year ended March 31, 2022 is the figure after the application of the said standard, etc. The percentage of year-on-year change is not shown.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of March 31, 2022 | 104,933 | 54,509 | 51.9 | 1,726.24 |
| As of March 31, 2021 | 100,237 | 54,140 | 54.0 | 1,720.37 |

Reference: Equity As of March 31, 2022 ¥54,509 million

As of March 31, 2021 ¥54,140 million

Note: As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the year ended March 31, 2022, each figure as of March 31, 2022 is the figure after the application of the said standard, etc.

(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 |
|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Year ended March 31, 2022 | 5,851 | (11,608) | 3,012 | 10,399 |
| Year ended March 31, 2021 | 10,471 | (4,332) | (4,801) | 12,833 |

2. Cash dividends

| | Annual dividends per share | | | | | Total cash dividends (Total) | Dividend payout ratio (Consolidated) | Ratio of dividends to net assets (Consolidated) |
|---------------------------------------|----------------------------|-----------------|-----------------|-----------------|-------|------------------------------|--------------------------------------|---|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Year ended March 31, 2021 | – | 10.00 | – | 50.00 | 60.00 | 1,886 | 46.6 | 3.6 |
| Year ended March 31, 2022 | – | 10.00 | – | 50.00 | 60.00 | 1,894 | 74.8 | 3.5 |
| Year ending March 31, 2023 (Forecast) | – | 10.00 | – | 50.00 | 60.00 | | – | |

Total cash dividends does not include dividends paid on the Company's shares held by the Board Incentive Plan Trust (BIP Trust) (¥4 million for the year ended March 31, 2021, ¥4 million for the year ended March 31, 2022) and dividends paid on the Company's shares held by the employee stock ownership plan (ESOP) (¥15 million for the year ended March 31, 2021, ¥9 million for the year ended March 31, 2022).

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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 |
| Six months ending September 30, 2022 | 34,600 | 9.8 | (2,630) | – | (2,550) | – | (2,160) | – | (68.35) |
| Full year | 78,700 | 10.9 | 3,000 | 48.9 | 3,120 | (14.7) | 1,780 | (29.7) | 56.28 |

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2022

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) 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

(3) Number of issued shares (common shares)

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

| | | | |
|----------------------|-------------------|----------------------|-------------------|
| As of March 31, 2022 | 33,359,040 shares | As of March 31, 2021 | 33,359,040 shares |
|----------------------|-------------------|----------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|----------------------|------------------|----------------------|------------------|
| As of March 31, 2022 | 1,782,109 shares | As of March 31, 2021 | 1,888,679 shares |
|----------------------|------------------|----------------------|------------------|

Average number of shares during the period

| | | | |
|---------------------------|-------------------|---------------------------|-------------------|
| Year ended March 31, 2022 | 31,526,608 shares | Year ended March 31, 2021 | 31,343,499 shares |
|---------------------------|-------------------|---------------------------|-------------------|

Reference: Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|---------------------------|-----------------|-----|------------------|--------|-----------------|--------|-----------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Year ended March 31, 2022 | 49,090 | – | 1,117 | (78.0) | 2,425 | (55.1) | 1,595 | (52.2) |
| Year ended March 31, 2021 | 52,942 | 4.8 | 5,074 | 72.8 | 5,405 | 62.5 | 3,340 | 87.3 |

| | Earnings per share | | Diluted earnings per share | |
|---------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Year ended March 31, 2022 | 50.62 | | 44.11 | |
| Year ended March 31, 2021 | 106.58 | | 92.58 | |

Note: As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the year ended March 31, 2022, each figure for the year ended March 31, 2022 is the figure after the application of the said standard, etc. The percentage of year-on-year change is not shown.

(2) Non-consolidated financial position

| | Total assets | | Net assets | | Equity ratio | | Net assets per share | |
|----------------------|-----------------|--|-----------------|--|--------------|--|----------------------|--|
| | Millions of yen | | Millions of yen | | % | | Yen | |
| As of March 31, 2022 | 97,078 | | 53,013 | | 54.6 | | 1,678.88 | |
| As of March 31, 2021 | 93,684 | | 53,740 | | 57.4 | | 1,707.64 | |

Reference: Equity As of March 31, 2022 ¥53,013 million
As of March 31, 2021 ¥53,740 million

Note: As the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the year ended March 31, 2022, each figure as of March 31, 2022 is the figure after the application of the said standard, etc.

2. Forecast of non-consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit | | Earnings per share |
|--------------------------------------|-----------------|------|------------------|-------|-----------------|------|-----------------|--------|--------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Six months ending September 30, 2022 | 24,000 | 14.0 | (2,650) | – | (2,340) | – | (1,720) | – | (54.43) |
| Full year | 56,400 | 14.9 | 2,480 | 122.0 | 2,890 | 19.2 | 1,820 | (14.0) | 57.54 |

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

* 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 ‘(4) Future outlook’ in ‘1. Overview of Operating Results, Etc.’ on page 4 of the attached materials.

1. Overview of Operating Results, Etc.

(1) Overview of operating results for the fiscal year ended March 31, 2022

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2022. As a result, net sales for the fiscal year ended March 31, 2022 decreased from the previous fiscal year, and in the description about the operating results mentioned below, the amount and percentage of year-on-year change of net sales are not included.

In the current fiscal year, as social activities and personal consumption have stagnated due to the states of emergency and implementation of the strict infection control measures to prevent the spread of COVID-19, the Japanese economy has seen a gradual recovery owing to progress with its vaccination rollout. However, corporate profits have deteriorated due to the high price of raw materials and soaring crude oil prices, and additionally, the tightening of monetary policy in the United States and Russia’s invasion of Ukraine have further heightened uncertainty about the future.

In this economic environment, the Group believes that its priority is the safety of all consumers and employees, and it carried out business activities primarily in the mushroom business to deliver deliciousness and health to more and more people through research & development, production, and sales of mushrooms, which are a health food, while taking into account measures to prevent the spread of COVID-19. Furthermore, the Group formulated and carried out from April 2021 a new Medium-Term Management Plan with the Management Vision to “Expand the market and consumption, with delivering health through mushrooms as our mission” and to “Achieve both generation of profit and social responsibility as a company.”

As a result of the above, the operating results of the Group for the fiscal year ended March 31, 2022 were net sales of ¥70,932 million (¥73,889 million in the same period of the previous fiscal year), down by ¥1,144 million due to the application of the Accounting Standard for Revenue Recognition. In addition, operating profit was ¥2,014 million (down 66.5% year-on-year), ordinary profit was ¥3,658 million (down 43.9% year-on-year), and profit attributable to owners of parent was ¥2,530 million (down 37.3% year-on-year).

Production output for the fiscal year ended March 31, 2022 consists of 47,097t of Bunashimeji, including Bunapi (up 2.3% year-on-year), 19,129t of Eryngii (up 0.5% year-on-year), and 14,347t of Maitake (up 2.3% year-on-year).

The overview of each segment for the current fiscal year is as follows.

[Mushroom business in Japan]

The production division performed even more thorough hygiene control, worked to improve quality and for stable cultivation, and produced mushrooms safely and securely, while continuing to take into account measures to prevent the spread of COVID-19. The R&D division worked to strengthen the quality control system, develop new high value-added products and pursue pharmacological effects and functionality of mushrooms. 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 amid not being able to carry out direct sales promotion activities due to the impact of COVID-19, and carried out sales activities with a commitment to freshness. In terms of sales, the price of mushrooms remained sluggish due to the abundant supply of produce throughout the year and generally low prices in the vegetable market in the fiscal year ended March 31, 2022. In particular, compared to usual, the price of mushrooms remained sluggish in the fall and winter, which is when demand for mushrooms is at its peak, and as a result, net sales in the domestic mushroom business as a whole were ¥46,286 million (¥50,538 million in the same period of the previous fiscal year).

Net sales decreased by ¥936 million due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations.

[Mushroom business outside Japan]

Hokto Kinoko Company, a local subsidiary in the U.S., achieved strong sales, primarily in Food Service, against the backdrop of increased economic activity owing to the vaccination rollout in the first half of the current fiscal year. Moving into the third quarter however, operating profit fell short of the plan, mainly because turmoil with container volumes owing to the impact of COVID-19, and soaring raw material prices and labor costs. At Taiwan Hokuto Corporation, a local subsidiary in Taiwan, sales related to restaurants were strong as COVID-19 infections in the country subsided and restrictions on in-store eating and drinking were gradually eased. It was a year of heavy ups and downs in the vegetable market, and although the retail-focused sales lacked stability, efforts focused on acquiring new retail sales helped keep net sales just slightly below the plan while operating profit was able to outpace projections. At Hokto Malaysia Sdn. Bhd., a local subsidiary in Malaysia, consumption remained sluggish as the Omicron variant spread in Malaysia and other ASEAN countries, and as the Russia-Ukraine issue led to a rise in prices. In this difficult environment, net sales and operating profit fell below the plan despite focusing on sales, primarily bargain sales, and reducing expenses.

As a result, net sales for the mushroom business outside Japan as a whole were ¥6,348 million (¥5,074 million in the same period of the previous fiscal year).

There is no effect on net sales due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations.

[Processed products business]

The processed products business carried out sales of processed mushroom products, such as those that are boiled or frozen, developed boiled, frozen and dried items, and worked to develop new products and develop markets. In the first half of the fiscal year, although as an effect of COVID-19, people continued to prefer eating at home, and business related to restaurants continued to face difficult conditions, the impact of COVID-19 weakened in the third quarter of the fiscal year, leading to a recovery trend in convenience stores and business related to restaurants, and sales exceeded the plan. In the mail-order business, sales of new products were strong due to efforts in planning and sales, and operating profit rose significantly from the plan due to growth on our own e-commerce website. Furthermore, the subsidiary Arden Corporation's performance was shadowed by its strong results in the previous year and although it showed a slight lift toward recovery in the fourth quarter, it ended with year-on-year declines for both net sales and operating profit.

As a result, net sales for the processed products business were ¥7,732 million (¥8,274 million in the same period of the previous fiscal year).

Net sales decreased by ¥6 million due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations.

[Chemical products business]

Amid unstable procurement of imported materials and a trend of price hikes caused by soaring crude oil prices, the First Business Department, whose main business is packaging materials, focused on providing appropriate information to customers and a stable supply of materials. The Second Business Department, which primarily produces and sells agricultural materials and our own products, made efforts to improve the quality and production efficiency of plastic molding, as well as to sell machinery to agricultural producers and to receive new orders for our own products.

As a result, net sales for the chemical products business were ¥10,565 million (¥10,001 million in the same period of the previous fiscal year).

Net sales decreased by ¥202 million due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations.

(2) Overview of financial position for the current fiscal year

(Assets)

Current assets as of March 31, 2022 amounted to ¥27,100 million, up ¥218 million from the previous fiscal year end. Non-current assets amounted to ¥77,832 million, up ¥4,477 million from the previous fiscal year end. This was due mainly to an increase of ¥4,726 million in property, plant and equipment.

As a result, total assets amounted to ¥104,933 million, up ¥4,696 million from the previous fiscal year end.

(Liabilities)

Current liabilities as of March 31, 2022 amounted to ¥21,757 million, down ¥1,566 million from the previous fiscal year end. This was due mainly to an increase of ¥1,019 million in short-term borrowings and a decrease of ¥2,145 million in current portion of long-term borrowings. Non-current liabilities amounted to ¥28,666 million, up ¥5,894 million from the previous fiscal year end. This was due mainly to an increase of ¥6,014 million in long-term borrowings.

As a result, total liabilities amounted to ¥50,423 million, up ¥4,327 million from the previous fiscal year end.

(Net assets)

Total net assets as of March 31, 2022 amounted to ¥54,509 million, up ¥368 million from the previous fiscal year end. This was due mainly to the recording of ¥2,530 million in profit attributable to owners of parent, an increase of ¥621 million in retained earnings due to the payment of dividends of ¥1,908 million and a total of ¥465 million in accumulated other comprehensive income as well as a decrease of ¥211 million in treasury shares.

As a result, the equity ratio was 51.9% (54.0% at the end of the previous fiscal year).

(3) Overview of cash flows for the current fiscal year

Cash and cash equivalents (hereinafter referred to as “capital”) in the current fiscal year decreased by ¥2,434 million from the end of the previous fiscal year to ¥10,399 million. The status of the various cash flows for the current fiscal year, and the reasons for the said status, are as follows.

(Cash flows from operating activities)

The amount of capital increased due to operating activities was ¥5,851 million. This was primarily a result of profit before income taxes being ¥3,661 million, depreciation being ¥6,905 million, and income taxes paid being ¥2,124 million.

(Cash flows from investing activities)

The amount of capital decreased due to investing activities was ¥11,608 million. This was due mainly to the expenditure of ¥10,396 million for the acquisition of property, plant and equipment.

(Cash flows from financing activities)

The amount of capital increased due to financing activities was ¥3,012 million. This was due mainly to a net increase of ¥3,730 million in long-term borrowings.

Reference: Changes in cash flow-related indicators

| | March 2018 | March 2019 | March 2020 | March 2021 | March 2022 |
|--|------------|------------|------------|------------|------------|
| Equity ratio (%) | 52.4 | 50.2 | 50.2 | 54.0 | 51.9 |
| Market value-based equity ratio (%) | 65.1 | 58.7 | 58.6 | 65.5 | 57.4 |
| Cash flow to interest-bearing debt ratio (years) | 3.3 | 2.9 | 2.4 | 2.1 | 4.6 |
| Interest coverage ratio (times) | 101.5 | 93.6 | 123.7 | 137.9 | 77.9 |

Equity ratio = Shareholder's equity / Total assets

Market value-based equity ratio = Market capitalization / Total assets

Cash flow to interest-bearing debt ratio = Interest bearing debt / Cash flow

Interest coverage ratio = Cash flow / Interest payments

Notes:

1. All are calculated based on consolidated financial figures.
2. Market capitalization is calculated based on the number of shares issued excluding treasury shares.
3. Operating cash flow is used as cash flow.
4. Interest-bearing debt covers all debts recorded on the consolidated balance sheet that are paying interest.

(4)Future outlook

As the impact on society and the economy from the prolonged pandemic and heightened geopolitical risk is immeasurable, the future economic situation in Japan is extremely difficult to ascertain. Amid the rolling out of the COVID-19 vaccination program, we will strive to promote solid business operations while we expect a certain level of recovery in demand knowing that we will all have to live with the coronavirus. Meanwhile, we recognize that it is necessary to continue efforts to reduce costs as the unstable global situation brought about by the heightened international tensions from Russia's military invasion of Ukraine has led to sharp rises in manufacturing and logistics costs, mainly on account of high raw material costs and a weak yen in the foreign exchange market.

In such an environment, the Group will focus on further expansion of our core mushroom business in Japan as well as the mushroom business outside Japan and the processed products business, which are part of the Group's growth strategy. And in the chemical products business, we will strive to improve profits while strengthening our own product divisions. Moreover, this fiscal year is the second year of the medium-term management plan (FY2021 to FY2025) so we will work together as a Company to achieve all that is set out in the plan.

In the mushroom business in Japan, we will produce and sell better mushrooms that are safe and secure, even in a difficult business environment where labor costs, raw material costs, distribution costs, and energy costs are all rising. In terms of sales, although we are in an environment where face-to-face sales and in-store food sampling are not possible due to the pandemic, we will promote "Kinkatsu through mushrooms" (the lifestyle habit of incorporating mushrooms into daily meals) to focus on sales with an emphasis on freshness. In addition, as well as further enhancing our brand value ("When it comes to mushrooms, it's Hokuto"), and carrying out new business development and strategic sales, we will work to expand profits by coordinating with the Research and Development Division and the Processed Foods Department.

In the mushroom business outside Japan, we will focus on raising awareness of mushrooms to a wide range of customers in the United States, and in Taiwan we will carry out sales activities focusing on brand building and project proposals. Furthermore, in Malaysia we want to improve the Company's financial position, working to reduce costs, develop new customers and review our dealings with existing

customers. In the processed food business, as well as expanding existing products, we want to develop products with the theme of health, making them a key vehicle for selling the idea of a better lifestyle, etc.

In the chemical products business, efforts are being made to ensure profitability with a focus on continuing to set appropriate prices, improving productivity, and reducing costs in response to the price of everything going up as a result of the global situation and the soaring price of crude oil. As a company involved in plastic molding, we are further strengthening efforts related to SDGs to effectively contribute to society.

Based on the above, the consolidated financial results outlook for the next fiscal year is net sales of ¥78,700 million, operating profit of ¥3,000 million, ordinary profit of ¥3,120 million, and profit attributable to owners of parent of ¥1,780 million.

2. Basic Approach to Selection of Accounting Standards

Taking into account the comparability of consolidated financial statements over the period and the comparability between companies, the Group intends, for the time being, to prepare consolidated financial statements based on Japanese accounting standards.

In the future however, we intend to consider the application of International Financial Reporting Standards based on changes to the ratio of foreign shareholders and the tendency toward the application of international accounting standards by other companies in the same industry in Japan.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2021 | As of March 31, 2022 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 13,891 | 12,481 |
| Notes and accounts receivable - trade | 5,845 | — |
| Notes receivable - trade | — | 329 |
| Accounts receivable - trade | — | 5,587 |
| Merchandise and finished goods | 2,251 | 1,975 |
| Work in process | 3,701 | 4,173 |
| Raw materials and supplies | 735 | 945 |
| Other | 508 | 1,635 |
| Allowance for doubtful accounts | (53) | (27) |
| Total current assets | 26,881 | 27,100 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 64,247 | 69,934 |
| Accumulated depreciation | (29,985) | (32,339) |
| Buildings and structures, net | 34,262 | 37,595 |
| Machinery, equipment and vehicles | 59,628 | 66,786 |
| Accumulated depreciation | (45,291) | (50,418) |
| Machinery, equipment and vehicles, net | 14,337 | 16,368 |
| Land | 14,354 | 14,418 |
| Construction in progress | 651 | 27 |
| Other | 2,339 | 2,264 |
| Accumulated depreciation | (1,897) | (1,899) |
| Other, net | 441 | 365 |
| Total property, plant and equipment | 64,047 | 68,774 |
| Intangible assets | | |
| Goodwill | 115 | 46 |
| Other | 134 | 204 |
| Total intangible assets | 250 | 250 |
| Investments and other assets | | |
| Investment securities | 6,544 | 5,664 |
| Deferred tax assets | 291 | 400 |
| Retirement benefit asset | 995 | 1,040 |
| Other | 1,246 | 1,718 |
| Allowance for doubtful accounts | (19) | (14) |
| Total investments and other assets | 9,057 | 8,807 |
| Total non-current assets | 73,355 | 77,832 |
| Total assets | 100,237 | 104,933 |

(Millions of yen)

| | As of March 31, 2021 | As of March 31, 2022 |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 5,870 | 5,763 |
| Short-term borrowings | 3,931 | 4,951 |
| Current portion of long-term borrowings | 6,636 | 4,490 |
| Income taxes payable | 2,005 | 1,002 |
| Provision for bonuses | 1,130 | 1,016 |
| Other | 3,749 | 4,531 |
| Total current liabilities | 23,323 | 21,757 |
| Non-current liabilities | | |
| Long-term borrowings | 11,739 | 17,753 |
| Bonds with share acquisition rights | 9,722 | 9,719 |
| Deferred tax liabilities | 490 | 356 |
| Retirement benefit liability | 371 | 382 |
| Asset retirement obligations | 213 | 240 |
| Provision for share awards for directors (and other officers) | 66 | 71 |
| Other | 169 | 144 |
| Total non-current liabilities | 22,772 | 28,666 |
| Total liabilities | 46,096 | 50,423 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 5,500 | 5,500 |
| Capital surplus | 5,727 | 5,728 |
| Retained earnings | 45,267 | 45,888 |
| Treasury shares | (3,530) | (3,318) |
| Total shareholders' equity | 52,964 | 53,798 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,659 | 1,038 |
| Foreign currency translation adjustment | (328) | (205) |
| Remeasurements of defined benefit plans | (155) | (122) |
| Total accumulated other comprehensive income | 1,176 | 710 |
| Total net assets | 54,140 | 54,509 |
| Total liabilities and net assets | 100,237 | 104,933 |

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

Consolidated statements of income

(Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|--|-------------------------------------|-------------------------------------|
| Net sales | 73,889 | 70,932 |
| Cost of sales | 51,988 | 53,540 |
| Gross profit | 21,901 | 17,392 |
| Selling, general and administrative expenses | 15,888 | 15,377 |
| Operating profit | 6,012 | 2,014 |
| Non-operating income | | |
| Interest income | 4 | 5 |
| Dividend income | 147 | 127 |
| Subsidy income | 87 | 651 |
| Rental income from land and buildings | 100 | 92 |
| Foreign exchange gains | 184 | 809 |
| Other | 83 | 68 |
| Total non-operating income | 608 | 1,754 |
| Non-operating expenses | | |
| Interest expenses | 80 | 79 |
| Settlement payments | – | 13 |
| Other | 14 | 16 |
| Total non-operating expenses | 94 | 110 |
| Ordinary profit | 6,526 | 3,658 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 39 | 4 |
| Insurance claim income | 190 | – |
| Other | – | 0 |
| Total extraordinary income | 230 | 4 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 5 | 1 |
| Loss on disaster | 162 | – |
| Impairment losses | 299 | – |
| Other | 25 | 0 |
| Total extraordinary losses | 493 | 1 |
| Profit before income taxes | 6,262 | 3,661 |
| Income taxes - current | 2,098 | 1,098 |
| Income taxes - deferred | 126 | 32 |
| Total income taxes | 2,224 | 1,131 |
| Profit | 4,038 | 2,530 |
| Profit attributable to owners of parent | 4,038 | 2,530 |

Consolidated statements of comprehensive income

(Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|--|-------------------------------------|-------------------------------------|
| Profit | 4,038 | 2,530 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 515 | (621) |
| Foreign currency translation adjustment | 170 | 122 |
| Remeasurements of defined benefit plans, net of tax | 347 | 33 |
| Total other comprehensive income | 1,033 | (465) |
| Comprehensive income | 5,071 | 2,064 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 5,071 | 2,064 |
| Comprehensive income attributable to non-controlling interests | – | – |

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 5,500 | 5,697 | 43,130 | (3,925) | 50,402 |
| Changes during period | | | | | |
| Dividends of surplus | | | (1,901) | | (1,901) |
| Profit attributable to owners of parent | | | 4,038 | | 4,038 |
| Purchase of treasury shares | | | | (1) | (1) |
| Disposal of treasury shares | | 29 | | 396 | 426 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | – | 29 | 2,136 | 395 | 2,562 |
| Balance at end of period | 5,500 | 5,727 | 45,267 | (3,530) | 52,964 |

| | Accumulated other comprehensive income | | | | Total net assets |
|--|---|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at beginning of period | 1,143 | (498) | (502) | 142 | 50,545 |
| Changes during period | | | | | |
| Dividends of surplus | | | | | (1,901) |
| Profit attributable to owners of parent | | | | | 4,038 |
| Purchase of treasury shares | | | | | (1) |
| Disposal of treasury shares | | | | | 426 |
| Net changes in items other than shareholders' equity | 515 | 170 | 347 | 1,033 | 1,033 |
| Total changes during period | 515 | 170 | 347 | 1,033 | 3,595 |
| Balance at end of period | 1,659 | (328) | (155) | 1,176 | 54,140 |

Fiscal year ended March 31, 2022

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 5,500 | 5,727 | 45,267 | (3,530) | 52,964 |
| Changes during period | | | | | |
| Dividends of surplus | | | (1,908) | | (1,908) |
| Profit attributable to owners of parent | | | 2,530 | | 2,530 |
| Purchase of treasury shares | | | | (1) | (1) |
| Disposal of treasury shares | | 0 | | 213 | 213 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | 0 | 621 | 211 | 834 |
| Balance at end of period | 5,500 | 5,728 | 45,888 | (3,318) | 53,798 |

| | Accumulated other comprehensive income | | | | Total net assets |
|--|---|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at beginning of period | 1,659 | (328) | (155) | 1,176 | 54,140 |
| Changes during period | | | | | |
| Dividends of surplus | | | | | (1,908) |
| Profit attributable to owners of parent | | | | | 2,530 |
| Purchase of treasury shares | | | | | (1) |
| Disposal of treasury shares | | | | | 213 |
| Net changes in items other than shareholders' equity | (621) | 122 | 33 | (465) | (465) |
| Total changes during period | (621) | 122 | 33 | (465) | 368 |
| Balance at end of period | 1,038 | (205) | (122) | 710 | 54,509 |

(4) Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before income taxes | 6,262 | 3,661 |
| Depreciation | 6,907 | 6,905 |
| Amortization of goodwill | 69 | 72 |
| Increase (decrease) in provision for bonuses | 34 | (116) |
| Decrease (increase) in retirement benefit asset | 71 | (2) |
| Increase (decrease) in retirement benefit liability | 18 | 15 |
| Interest and dividend income | (151) | (132) |
| Interest expenses | 80 | 79 |
| Insurance claim income | (190) | – |
| Impairment losses | 299 | – |
| Loss on disaster | 127 | – |
| Foreign exchange losses (gains) | (216) | (849) |
| Decrease (increase) in trade receivables | (20) | (7) |
| Decrease (increase) in inventories | (512) | (338) |
| Increase (decrease) in trade payables | 52 | (1) |
| Decrease (increase) in other current assets | (62) | (1,160) |
| Increase (decrease) in other current liabilities | (320) | 159 |
| Decrease (increase) in other non-current assets | – | (350) |
| Other, net | 13 | (16) |
| Subtotal | 12,462 | 7,918 |
| Interest and dividends received | 151 | 132 |
| Interest paid | (75) | (75) |
| Proceeds from insurance income | 190 | – |
| Subsidies received | 616 | – |
| Payments associated with disaster loss | (1,534) | – |
| Income taxes paid | (1,338) | (2,124) |
| Net cash provided by (used in) operating activities | 10,471 | 5,851 |
| Cash flows from investing activities | | |
| Payments into time deposits | (398) | (1,422) |
| Proceeds from withdrawal of time deposits | 126 | 438 |
| Purchase of property, plant and equipment | (3,995) | (10,396) |
| Proceeds from sale of property, plant and equipment | 101 | 5 |
| Purchase of investment securities | (220) | (100) |
| Proceeds from sale of investment securities | 198 | 86 |
| Other payments | (150) | (225) |
| Other proceeds | 5 | 6 |
| Net cash provided by (used in) investing activities | (4,332) | (11,608) |
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 7,510 | 13,000 |
| Repayments of short-term borrowings | (8,020) | (12,010) |
| Proceeds from long-term borrowings | 2,000 | 11,000 |
| Repayments of long-term borrowings | (4,555) | (7,269) |
| Purchase of treasury shares | (1) | (1) |
| Proceeds from sale of treasury shares | 166 | 201 |
| Dividends paid | (1,901) | (1,908) |
| Net cash provided by (used in) financing activities | (4,801) | 3,012 |
| Effect of exchange rate change on cash and cash equivalents | 95 | 310 |
| Net increase (decrease) in cash and cash equivalents | 1,432 | (2,434) |
| Cash and cash equivalents at beginning of period | 11,400 | 12,833 |
| Cash and cash equivalents at end of period | 12,833 | 10,399 |

(5)Notes on consolidated financial statements

Notes on assumptions for going concern

Not applicable.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the fiscal year ended March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

Accordingly, certain payments to customers, such as rebates, that were recorded as selling, general and administrative expenses in the prior years have been reclassified to deduction of net sales. For subcontract processing with supply of materials for value (the “transaction”), raw materials, etc. supplied for value were previously derecognized. However, because the Group has an obligation to repurchase the supplied raw materials, etc. in the transaction, the supplied raw materials, etc. will not be derecognized. Furthermore, for transactions in which the Group acts as an agent for providing products to customers, the full amount of the consideration received from customers was previously recognized as revenue, but the Group has changed this method so that revenue is recognized at the net amount calculated by deducting the amount paid to the supplier from the amount received from the customer.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the current fiscal year was added to or deducted from the opening balance of retained earnings of the current fiscal year, and thus the new accounting policy was applied from such opening balance.

As a result of this change, for the fiscal year ended March 31, 2022, net sales decreased by ¥1,144 million, cost of sales decreased by ¥202 million, selling, general and administrative expenses decreased by ¥942 million, while there is no effect on operating profit, ordinary profit and profit before income taxes. In addition, work in process and other under current liabilities increased by ¥59 million and ¥59 million, respectively, but there is no effect on the beginning balance of retained earnings for the current fiscal year.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

Application of Accounting Standard for Fair Value Measurement, Etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has applied the new accounting policy stipulated in the Accounting Standard for Fair Value Measurement, etc. prospectively, in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no effect on the consolidated financial statements.

Segment information, etc.

Segment information

1. Summary of reportable segments

The Group's reportable segments are made available with separate financial information from among the Group's organized units, and the Board of Directors periodically examines them in order to determine the allocation of management resources and evaluate performance.

The Group has four reportable segments: the Mushroom Business in Japan (centered on the submitting company), the Mushroom Business Outside Japan, the Processed Products Business, and the Chemical Products Business. The mushroom business in Japan produces and sells mushroom products, mainly Bunashimeji, Eryngii, and Maitake, in Japan, and the mushroom business outside Japan produces and sells mushroom products, mainly Bunashimeji, Eryngii, and Maitake, overseas.

The processed products business produces and sells various retort pouch foods, such as processed foods, curries and soups made with mushrooms, and also sells supplements. The chemical products business produces and sells packaging materials and agricultural materials.

2. Calculating net sales, profits or losses, assets, liabilities and other items for each reportable segment

The method of accounting for the reported business segments is generally the same as described in the "Important matters that are the basis for preparing consolidated financial statements."

Profit for the reportable segments is based on operating profit.

Internal revenues and money transfers between segments are based on current market prices.

Since the Accounting Standard for Revenue Recognition has been applied from the beginning of the current fiscal year and the accounting method for revenue recognition has changed, as described in the "Changes in accounting policies," the method for calculating profits for business segments has been similarly changed.

As a result of this change, net sales for the current fiscal year for the mushroom business in Japan, the processed products business, and the chemical products business, decreased by ¥936 million, ¥6 million, and ¥202 million, respectively. There is no impact on segment profits.

3. Information on net sales, profits or losses, assets, liabilities and other items for each reportable segment

Previous fiscal year (April 1, 2020 - March 31, 2021)

(Millions of yen)

| | Reportable segments | | | | Total | Adjustments (Note 1.) | Amount recorded on consolidated financial statement (Note 2.) |
|---|----------------------------------|---------------------------------------|-----------------------------------|----------------------------------|--------|--------------------------|--|
| | Mushroom business in Japan | Mushroom business outside Japan | Processed products business | Chemical products business | | | |
| Net sales | | | | | | | |
| (1) Net sales from external customers | 50,538 | 5,074 | 8,274 | 10,001 | 73,889 | – | 73,889 |
| (2) Internal net sales or transfers between segments | 7 | – | – | 736 | 743 | (743) | – |
| Total | 50,546 | 5,074 | 8,274 | 10,738 | 74,633 | (743) | 73,889 |
| Segment profit or loss | 6,939 | 589 | 539 | (102) | 7,964 | (1,952) | 6,012 |
| Segment assets | 73,658 | 10,612 | 5,748 | 8,310 | 98,329 | 1,907 | 100,237 |
| Segment liabilities | 39,778 | 881 | 1,879 | 3,556 | 46,096 | – | 46,096 |
| Other items | | | | | | | |
| Depreciation | 5,883 | 482 | 119 | 358 | 6,842 | 65 | 6,907 |
| Amortization of goodwill | – | – | 69 | – | 69 | – | 69 |
| Increase in property, plant and equipment and intangible assets | 2,713 | 63 | 299 | 372 | 3,449 | 1 | 3,451 |

Notes:

1. Adjustments are as follows:

- (1) Adjustments for segment profit or loss of ¥(1,952) million are Group-wide expenses of ¥(1,968) million not allocated to an individual reporting segment and elimination of internal transactions of ¥16 million. Group-wide expenses are mainly selling, general and administrative expenses that do not belong to any reportable segment.
- (2) The segment asset adjustment amount of ¥1,907 million corresponds to Group-wide assets, etc. not allocated to an individual reportable segment. The main assets of the Group are assets related to the management division.
- (3) The adjustment amount of ¥66 million for other items is the increase in Group-wide assets not allocated to an individual reportable segment and its depreciation. The main increase in Group-wide assets is assets related to Company management division that do not belong any segment.

2. Segment profit is adjusted with operating profit on the consolidated financial statement.

Current fiscal year (April 1, 2021 - March 31, 2022)

(Millions of yen)

| | Reportable segments | | | | Total | Adjustments (Note 1.) | Amount recorded on consolidated financial statement (Note 2.) |
|---|----------------------------------|---------------------------------------|-----------------------------------|----------------------------------|---------|--------------------------|--|
| | Mushroom business in Japan | Mushroom business outside Japan | Processed products business | Chemical products business | | | |
| Net sales | | | | | | | |
| (1) Net sales from external customers | 46,286 | 6,348 | 7,732 | 10,565 | 70,932 | – | 70,932 |
| (2) Internal net sales or transfers between segments | 9 | – | – | 1,566 | 1,576 | (1,576) | – |
| Total | 46,295 | 6,348 | 7,732 | 12,132 | 72,509 | (1,576) | 70,932 |
| Segment profit | 2,788 | 642 | 340 | 109 | 3,881 | (1,866) | 2,014 |
| Segment assets | 77,293 | 11,760 | 5,552 | 8,426 | 103,033 | 1,899 | 104,933 |
| Segment liabilities | 43,869 | 1,089 | 1,643 | 3,821 | 50,423 | – | 50,423 |
| Other items | | | | | | | |
| Depreciation | 5,804 | 534 | 158 | 340 | 6,837 | 67 | 6,905 |
| Amortization of goodwill | – | – | 72 | – | 72 | – | 72 |
| Increase in property, plant and equipment and intangible assets | 10,427 | 190 | 342 | 69 | 11,029 | 5 | 11,035 |

Notes:

1. Adjustments are as follows:

- (1) Adjustments for segment profit of ¥(1,866) million are Group-wide expenses of ¥(1,844) million not allocated to an individual reporting segment and elimination of internal transactions of ¥(21) million. Group-wide expenses are mainly selling, general and administrative expenses that do not belong to any reportable segment.
- (2) The segment asset adjustment amount of ¥1,899 million corresponds to Group-wide assets, etc. not allocated to an individual reportable segment. The main assets of the Group are assets related to the management division.
- (3) The adjustment amount of ¥73 million for other items is the increase in Group-wide assets not allocated to an individual reportable segment and its depreciation. The main increase in Group-wide assets is assets related to Company management division that do not belong any segment.

2. Segment profit is adjusted with operating profit on the consolidated financial statement.

Related information

Previous fiscal year (April 1, 2020 - March 31, 2021)

1. Information by product and service

Not stated as similar information is disclosed in segment information.

2. Information by region

(1) Net sales

Not stated as net sales from external customers in Japan exceed 90% of net sales on the consolidated income statement.

(2) Property, plant and equipment

(Millions of yen)

| Japan | Asia | North America | Total |
|--------|-------|---------------|--------|
| 57,105 | 3,377 | 3,564 | 64,047 |

3. Information by major customer

Not stated as there is no other party of the net sales from external customers that accounts for 10% or more of net sales on the consolidated income statement.

Current fiscal year (April 1, 2021 - March 31, 2022)

1. Information by product and service

Not stated as similar information is disclosed in segment information.

2. Information by region

(1) Net sales

Not stated as net sales from external customers in Japan exceed 90% of net sales on the consolidated income statement.

(2) Property, plant and equipment

(Millions of yen)

| Japan | Asia | North America | Total |
|--------|-------|---------------|--------|
| 61,458 | 3,565 | 3,750 | 68,774 |

3. Information by major customer

Not stated as there is no other party of the net sales from external customers that accounts for 10% or more of net sales on the consolidated income statement.

Information on impairment losses on non-current assets by reportable segment

Previous fiscal year (April 1, 2020 - March 31, 2021)

(Millions of yen)

| | Mushroom business in Japan | Mushroom business outside Japan | Processed products business | Chemical products business | Group-wide / Eliminations | Total |
|-----------------|----------------------------|---------------------------------|-----------------------------|----------------------------|---------------------------|-------|
| Impairment loss | 299 | — | — | — | — | 299 |

Current fiscal year (April 1, 2021 - March 31, 2022)

Not applicable.

Information on amortization of goodwill and unamortized balance by reportable segment

Previous fiscal year (April 1, 2020 - March 31, 2021)

(Millions of yen)

| | Mushroom business in Japan | Mushroom business outside Japan | Processed products business | Chemical products business | Group-wide / Eliminations | Total |
|---------------------|----------------------------|---------------------------------|-----------------------------|----------------------------|---------------------------|-------|
| Amortization amount | – | – | 69 | – | – | 69 |
| Unamortized balance | – | – | 115 | – | – | 115 |

Current fiscal year (April 1, 2021 - March 31, 2022)

(Millions of yen)

| | Mushroom business in Japan | Mushroom business outside Japan | Processed products business | Chemical products business | Group-wide / Eliminations | Total |
|---------------------|----------------------------|---------------------------------|-----------------------------|----------------------------|---------------------------|-------|
| Amortization amount | – | – | 72 | – | – | 72 |
| Unamortized balance | – | – | 46 | – | – | 46 |

Information on negative goodwill gains by reportable segment

Previous fiscal year

(April 1, 2020 - March 31, 2021)

Not applicable.

Current fiscal year

(April 1, 2021 - March 31, 2022)

Not applicable.

Per share data

| Previous fiscal year (April 1, 2020 - March 31, 2021) | | Current fiscal year (April 1, 2021 - March 31, 2022) | |
|--|--------------|---|--------------|
| Net assets per share | 1,720.37 yen | Net assets per share | 1,726.24 yen |
| Earnings per share | 128.83 yen | Earnings per share | 80.26 yen |
| Diluted earnings per share | 111.90 yen | Diluted earnings per share | 69.93 yen |

Notes:

- Company shares held by the Board Incentive Plan Trust (BIP Trust) and in the employee stock ownership plan (ESOP) are included in treasury shares deducted from the total number of issued shares at the end of the fiscal year based on the calculation of the net assets per share (BIP Trust: 78,000 shares in previous fiscal year and 72,000 shares in current fiscal year; ESOP: 257,000 shares in previous fiscal year and 158,000 shares in current fiscal year). They are also included in treasury shares deducted in the calculation of the average number of shares during the period based on the calculation of earnings per share and diluted earnings per share (BIP Trust: 78,000 shares in previous fiscal year and 73,000 shares in current fiscal year; ESOP: 298,000 shares in previous fiscal year and 206,000 shares in current fiscal year).
- The basis for calculating earnings per share and diluted earnings per share is as follows.

| | Previous fiscal year (April 1, 2020 - March 31, 2021) | Current fiscal year (April 1, 2021 - March 31, 2022) |
|---|--|---|
| Earnings per share | | |
| Profit attributable to owners of parent (Millions of yen) | 4,038 | 2,530 |
| Amount not attributable to ordinary shareholders (Millions of yen) | – | – |
| Profit attributable to owners of parent pertaining to common shares (Millions of yen) | 4,038 | 2,530 |
| Average number of shares during the period (Thousands of shares) | 31,343 | 31,526 |
| Diluted earnings per share | | |
| Adjustment of profit attributable to owners of parent (Millions of yen) | – | – |
| Increase in common shares (Thousands of shares) | 4,743 | 4,655 |
| [Of which are convertible bonds with share acquisition rights (Thousands of shares)] | [4,743] | [4,655] |
| Summary of diluted shares not included in calculation of diluted earnings per share because they do not have a dilutive effect | – | – |

Material subsequent events

Not applicable.

Additional information

Accounting Estimates Related to the Impacts of COVID-19

The Group has been affected by the pandemic which has continued on from the previous fiscal year, especially at some overseas subsidiaries, but in the current fiscal year, the Group has been affected by the rise in production costs owing to disruptions to logistics and procurement, as well as soaring personnel expenses due to labor shortages.

However, since it is difficult to predict when the pandemic will come to an end, we are making accounting estimates, such as examining the recoverability of deferred tax assets and determining impairment on non-current assets, based on the assumption that there will continue to be an impact on overseas subsidiaries to a certain extent in the next fiscal year.

For Group companies other than the above overseas subsidiaries, since the negative impact on business activities and operating results due to the pandemic is limited, we have assessed that there is only a minor impact on accounting estimates, such as the recoverability of deferred tax assets and impairment on non-current assets.