1. Qualitative Information on the Consolidated Business Results for the Six Months Ended March 31, 2022

(1) Consolidated Operating Performance

In the first six months of the fiscal year ending September 30, 2022 (October 1, 2021 - March 31, 2022), the Japanese economy again saw the emergence of a number of factors that weighed on economic activity and continue to cloud the outlook for the rest of the current fiscal year. Such factors included concerns of a global economic slowdown caused by the contraction of monetary easing in the United States and other developed economies, soaring resource prices caused by the decision of major oil-producing countries to postpone output increases, the emergence of the Omicron variant, and the Ukraine crisis.

Among the food industries related to the Yokorei Group's business, restaurants were particularly negatively affected by the prolonged implementation of priority measures to prevent the spread of COVID-19. Meanwhile, rising prices of raw materials, such as wheat flour, oils and fats, and soaring energy prices have made the business environment more adverse.

In this environment, the Yokorei Group continues its efforts to realize its two longer-term visions for 2030—the Yokorei Business Vision 2030 and the Yokorei Sustainability Vision 2030. Under the Medium-term Management Plan (Phase I) "The Power to Create," which covers the period through September 2023, the Refrigerated Warehousing Business is striving to create new business models, and the Food Sales Business is focusing on creating new food value. Each business is implementing various key strategies to achieve the Group's quantitative targets of consolidated net sales of ¥120 billion, operating income of ¥5 billion, EBITDA of ¥11 billion, and maintenance of an equity ratio in the mid-40s in the final year of the medium-term plan (ending September 30, 2023).

As a result of Group company efforts during the first six months of the fiscal year, consolidated net sales came to ¥54,889 million, up 2.3% year on year. Operating income increased 30.4% to ¥2,417 million, and ordinary income reached ¥3,018 million, a year-on-year gain of 28.5%. Profit attributable to owners of the parent totaled ¥2,032 million, an increase of 51.1%.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year. Owing to the change in the accounting standard, the year-on-year percent change figures are based on differing calculation methods. For a more detailed explanation, please refer to "2. Consolidated Financial Statements, (4) Notes on the Consolidated Financial Statements (Change in Accounting Policies)."

Refrigerated Warehousing Business

The Refrigerated Warehousing Business posted year-on-year increases in sales and profit in the first six months of the fiscal year.

Despite continuing to be affected by the pandemic, the Refrigerated Warehousing Business is seeing a rebound in cargo movement, with inbound and outbound cargo volumes and inventories all rising above previous-year levels.

Segment growth is being driven by the increase in frozen food volumes achieved by the business's successful initiative focused on using its refrigerated warehouses near the Metropolitan Inter-City Expressway in the Tokyo area to provide a consolidated logistics service that enhances customer convenience and supports environment-friendly management.

Consolidated subsidiary Thai Yokorei Co., Ltd., posted gains in sales and profit as inbound and outbound cargo volumes both increased despite the ongoing impact from the pandemic.

As a result, overall segment sales came to ¥14,622 million, up 4.9% year on year, and operating income totaled ¥3,417 million, an increase of 6.9%.

The application of the new accounting standard for revenue recognition reduced both sales and operating income by ¥7 million each.

Food Sales Business

The Food Sales Business posted year-on-year increases in sales and profit in the first six months of the fiscal year.

In the marine products category, the Company is promoting the expansion of exports, one of the priority measures for the segment in the Company’s Medium-Term Management Plan. During the period under review, export sales of sardines, mackerel, scallops, and roe increased significantly thanks to the synergistic effects realized by Kesennuma Sorting Spot II, which was completed in July 2021. The business also achieved sales and profit growth in the domestic market, where it strengthened its sales of Norway salmon and other marine products targeted mainly at mass retailers.

In the livestock products category, increased sales of chicken to mass retailers supported profits, but overall sales and profit declined as sales of pork and beef to restaurants declined owing to the continuation of measures to prevent the spread of COVID-19 infections.

The agricultural products category, however, managed to achieve higher sales and profit, with price increases following poor harvests of potatoes and onions pushing up sales and profit margins.

Reflecting the above factors, segment sales totaled to ¥40,241 million, up 1.4% year on year, and operating income expanded 387.2% to ¥697 million.

The application of the new accounting standard for revenue recognition reduced sales by ¥1,077 million while also reducing cost of sales by ¥997 million

(2) Consolidated Financial Position

Assets, Liabilities, and Net Assets

Total assets as of March 31, 2022, amounted to ¥175,043 million, a decrease of ¥3,159 million from the previous fiscal year-end (September 30, 2021). The main changes include increases of ¥4,162 million in merchandise and ¥1,312 million in investment securities and decreases of ¥7,867 million in other (accounts receivable) and ¥875 million in loans receivable.

Total liabilities amounted to ¥89,865 million, ¥5,769 million less than at the previous fiscal year-end. The decline mainly reflects decreases of ¥2,907 million in other (notes payable – facilities) and ¥2,815 million in loans payable.

Total net assets amounted to ¥85,177 million, an increase of ¥2,609 million from the previous fiscal year-end.

Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the period amounted to ¥3,108 million, a decrease of ¥52 million from the previous fiscal year-end (September 30, 2021). The main factors affecting cash flows during the first six months of the fiscal year are summarized as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥1,145 million compared with ¥5,551 million provided in the same period of the previous fiscal year. Positive cash inflow was mainly attributable to ¥3,018 million in income before income taxes and depreciation and amortization of ¥3,134 million, which offset cash outflows consisting mainly of increases of ¥4,159 million in inventories and ¥805 million in accounts receivable – trade.

(Cash flows from investing activities)

Net cash provided by investing activities totaled ¥2,342 million, compared with ¥4,553 million used in the same period of the previous fiscal year. The main inflows were the ¥7,784 million in income generated by the sale of shares of subsidiaries resulting in change in scope of consolidation and ¥2,577 million from the collection of loans receivable. Investment outflows included ¥7,074 million used for the purchase of property, plant and equipment and ¥1,400 million in payments of loans receivable.

(Cash flows from financing activities)
Net cash used in financing activities came to ¥3,540 million, compared with ¥1,111 million used in the same period of the previous fiscal year. Net cash used mainly reflects a net decrease of ¥2,809 million in loans payable to financial institutions and ¥679 million in dividends paid to shareholders.

(3) Consolidated Earnings Forecast

Considering recent trends in the business environment, the Company has revised its full-year earnings forecast for the fiscal year ending September 30, 2022, that was announced on November 12, 2021, when the Company released its financial results for the fiscal year ended September 30, 2021.

For details, please see the “Notice Regarding Revision of Earnings Forecast” released on May 12, 2022.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2021	As of March 31, 2022
	Amount	Amount
Assets		
Current assets		
Cash and deposits	3,170	3,118
Notes and accounts receivable - trade	11,827	12,632
Merchandise	11,743	15,906
Advance payments	322	407
Short-term loans receivable	5,303	4,158
Other	9,090	728
Allowance for doubtful accounts	(81)	(81)
Total current assets	41,376	36,869
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	53,339	52,011
Machinery, equipment and vehicles, net	8,833	8,559
Land	29,597	30,139
Leased assets, net	238	268
Construction in progress	579	1,560
Other, net	876	837
Total property, plant and equipment	93,464	93,377
Intangible fixed assets		
Goodwill	102	83
Other	2,185	2,178
Total intangible fixed assets	2,287	2,261
Investments and other assets		
Investment securities	37,014	38,326
Long-term loans receivable	3,816	4,085
Other	832	873
Allowance for doubtful accounts	(588)	(750)
Total investments and other assets	41,074	42,535
Total noncurrent assets	136,826	138,174
Total assets	178,203	175,043

	As of September 30, 2021	As of March 31, 2022
		(Millions of yen)
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,709	4,957
Short-term loans payable	14,013	10,223
Current portion of long-term loans payable	6,007	4,427
Lease obligations	77	86
Income taxes payable	1,071	837
Accrued employees’ bonuses	788	562
Accrued bonuses for directors and corporate auditors	24	13
Other	7,600	3,883
Total current liabilities	34,293	24,992
Noncurrent liabilities		
Bonds	30,000	30,000
Long-term loans payable	29,309	31,863
Lease obligations	175	201
Deferred tax liabilities	195	970
Provision for Executive Compensation BIP Trust	143	143
Net defined benefit liability	720	841
Asset retirement obligations	91	91
Other	705	761
Total noncurrent liabilities	61,341	64,873
Total liabilities	95,634	89,865
Net assets		
Shareholders’ equity		
Common stock	14,303	14,303
Capital surplus	14,394	14,399
Retained earnings	49,188	50,135
Treasury stock	(336)	(286)
Total shareholders’ equity	77,550	78,552
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	3,630	5,181
Deferred gain (loss) on derivatives under hedge accounting	(65)	50
Foreign currency translation adjustments	199	189
Remeasurements of defined benefit plans	86	7
Total accumulated other comprehensive income	3,850	5,428
Non-controlling interests	1,167	1,196
Total net assets	82,568	85,177
Total liabilities and net assets	178,203	175,043

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
	Amount	Amount
Net sales	53,675	54,889
Cost of sales	46,429	48,544
Gross profit	7,246	6,345
Selling, general and administrative expenses	5,392	3,927
Operating income	1,854	2,417
Other income		
Interest income	310	250
Dividend income	52	239
Insurance dividends	31	34
Foreign exchange gains	198	331
Other	294	320
Total other income	887	1,176
Other expenses		
Interest expenses	301	187
Commission fee	2	1
Provision of allowance for doubtful accounts	16	162
Loss on valuation of derivatives	36	98
Other	35	126
Total other expenses	392	576
Ordinary income	2,348	3,018
Extraordinary losses		
Loss on removal of refrigerated warehouses	227	-
Total extraordinary losses	227	-
Income before income taxes	2,121	3,018
Income taxes - Current	898	708
Income taxes - Deferred	(149)	244
Total income taxes	749	952
Profit	1,371	2,065
Profit attributable to non-controlling interests	26	33
Profit attributable to owners of the parent	1,345	2,032

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
	Amount	Amount
Profit	1,371	2,065
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	630	1,551
Deferred gain (loss) on derivatives under hedge accounting	94	116
Foreign currency translation adjustments	1,629	(13)
Remeasurements of defined benefit plans	98	(79)
Total other comprehensive income	2,452	1,574
Comprehensive income	3,824	3,640
Breakdown:		
Comprehensive income attributable to owners of the parent	3,810	3,610
Comprehensive income attributable to non-controlling interests	13	30

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	2,121	3,018
Depreciation and amortization	3,248	3,134
Amortization of goodwill	264	18
Increase (decrease) in accrued employees' bonuses	(212)	(226)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(6)	(10)
Increase (decrease) in allowance for doubtful accounts	(21)	162
Increase (decrease) in net defined benefit liability	(6)	41
Loss on removal of refrigerated warehouses	227	-
Interest and dividends income	(362)	(490)
Interest expenses	301	187
Loss (gain) on valuation of derivatives	36	98
Decrease (increase) in accounts receivable - trade	1,021	(805)
Decrease (increase) in inventories	(928)	(4,159)
Decrease (increase) in advance payments	6	(115)
Increase (decrease) in accounts payable - trade	203	247
Increase (decrease) in accrued expenses	(272)	(187)
Other - net	294	711
Sub total	5,915	1,624
Interest and dividend income received	301	525
Interest paid	(295)	(193)
Income taxes paid	(371)	(810)
Net cash provided by (used in) operating activities	5,551	1,145
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,033)	(7,074)
Proceeds from sales of property, plant and equipment	15	2
Purchase of intangible fixed assets	(67)	(131)
Purchase of investment securities	(3)	(2)
Proceeds from redemption of investment securities	-	634
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	7,784
Payments of loans receivable	(1,769)	(1,400)
Collection of loans receivable	2,356	2,577
Other - net	(51)	(46)
Net cash provided by (used in) investing activities	(4,553)	2,342
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,248	(3,785)
Proceeds from long-term loans payable	256	5,000
Repayments of long-term loans payable	(3,791)	(4,024)
Purchase of treasury stock	(0)	(0)
Dividends paid to shareholders	(677)	(679)
Other - net	(146)	(51)
Net cash provided by (used in) financing activities	(1,111)	(3,540)
Effect of exchange rate changes on cash and cash equivalents	90	(0)
Net increase (decrease) in cash and cash equivalents	(22)	(52)
Cash and cash equivalents, beginning of period	4,121	3,160
Cash and cash equivalents, end of period	4,098	3,108

(4) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)
Not applicable

(Notes on Significant Changes in Shareholders' Equity)
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), etc. effective from the beginning of the current fiscal year.

With this change, for the Food Sales Business, a portion of the promotion expenses, etc. that had previously been recorded as selling, general and administrative expenses is now deducted from net sales. Meanwhile, with regard to agent transactions, the Company has shifted to the method by which it recognizes revenue at the net amount of consideration. For the Refrigerated Warehousing Business, with regard to the loading/unloading fees that were recorded as a lump sum as sales at the time of entry of cargo into warehouses, the Company changed the method of recognizing revenue related to removal of cargo from warehouses at the point when the performance obligation is satisfied.

The application of the Accounting Standard for Revenue Recognition, etc. 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 reflected in the beginning balance of retained earnings at the beginning of the current fiscal year, and the new accounting policy was thus applied from the beginning balance.

For the first six months of the fiscal year under review, as a result of this change, net sales decreased by 1,085 million yen, cost of sales decreased by 997 million yen, selling, general and administrative expenses decreased by 80 million yen, and operating income, ordinary income and income before income taxes each decreased by 7 million yen. In addition, other under current liabilities increased by 596 million yen and the balance of retained earnings as of the beginning of the current fiscal year showed a decline of 406 million yen.

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. Furthermore, in accordance with the transitional treatment stipulated in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue from contracts with customers for the first six months of the fiscal year ended September 30, 2021, is omitted.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. have been applied from the beginning of the current fiscal year, and 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), the new accounting policy set forth by the Accounting Standard for Fair Value Measurement, etc. are applied prospectively. The impact of these changes on the Company's consolidated quarterly financial statements is minor.

Segment Information

I. Six months ended March 31, 2021 (October 1, 2020 – March 31, 2021)

1. Net sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment				Adjustments *1	Amounts reported on consolidated statements of income*2
	Refrigerated Warehousing	Food Sales	Other	Total		
Net sales						
Sales to outside customers	13,944	39,705	25	53,675	-	53,675
Intersegment sales or transfers	797	-	26	824	(824)	-
Total	14,741	39,705	52	54,499	(824)	53,675
Segment profit (loss)	3,198	143	32	3,373	(1,519)	1,854

Notes: 1. The minus 1,519 million yen adjustment for segment profit (loss) was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.
2. Segment profit (loss) was adjusted based on operating income reported on the consolidated statements of income for the corresponding period.

II. Six months ended March 31, 2022 (October 1, 2021 – March 31, 2022)

1. Net sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment				Adjustments *1	Amounts reported on consolidated statements of income*2
	Refrigerated Warehousing	Food Sales	Other	Total		
Net sales						
Sales to outside customers	14,622	40,241	25	54,889	-	54,889
Intersegment sales or transfers	944	-	24	968	(968)	-
Total	15,566	40,241	49	55,857	(968)	54,889
Segment profit (loss)	3,417	697	26	4,141	(1,723)	2,417

Notes: 1. The minus 1,723 million yen adjustment for segment profit (loss) was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.
2. Segment profit (loss) was adjusted based on operating income reported on the consolidated statements of income for the corresponding period.

2. Matters relating to changes in reportable segments, etc.

As stated under “Changes in Accounting Policies,” the Accounting Standards for Revenue Recognition, etc. have been applied from beginning of the current fiscal year. As a result of a change in the method of accounting treatment for revenue recognition, the method of measuring profit or loss in each business segment has also been changed accordingly.

As a result of this change, for the six months under review, compared with the previous method of calculation, for the Refrigerated Warehousing Business, net sales and segment income each decreased by ¥7 million, and for the Food Sales Business, net sales decreased by ¥1,077 million.