

## **1. Qualitative Information on the Consolidated Business Results for the Three Months Ended December 31, 2022**

### **(1) Consolidated Operating Performance**

In the first three months of the fiscal year ending September 30, 2023 (October 1, 2022 – December 31, 2022), COVID-19 infections continued to spread throughout Japan, but signs of economic activity recovery were noticed as restrictions on people’s movement were relaxed. However, Japan’s economic outlook remained uncertain owing to the impact from yen depreciation and rising raw material prices caused by geopolitical risks.

The food industries related to the Yokorei Group’s business faced difficult conditions as repeated price hikes weighed on consumer sentiment.

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 the end of the current fiscal year in 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 ¥124 billion, operating income of ¥5 billion, EBITDA of ¥11 billion, and maintenance of an equity ratio in the mid-40s in the year ending in September 2023.

As a result, the Yokorei Group recorded consolidated net sales of ¥32,748 million, an 11.1% year on year increase in the first quarter of the current fiscal year. Operating income totaled ¥1,092 million, down 27.0% year on year, and ordinary income was ¥1,312 million, down 30.6%. Profit attributable to owners of the parent totaled ¥746 million, a year-on-year decline of 39.8%.

#### **Refrigerated Warehousing Business**

The Refrigerated Warehousing Business posted a year-on-year increase in sales but a decrease in profit in the first three months of the fiscal year.

Since the container shortage was resolved last summer, inventory levels have remained high, contributing to higher revenue from storage fees. However, inventory bottlenecks led to a decline in the inventory turnover rate, and revenue from loading/unloading fees and transportation handling fees declined. In addition, with electricity rates soaring in Japan and abroad, consolidated subsidiary Thai Yokorei Co., Ltd., saw handling volumes for its core livestock products decrease, contributing to the slight decline in segment profit.

As a result, overall segment sales came to ¥8,115 million, up 6.0% year on year, and operating income was ¥1,868 million, a decline of 3.0%.

#### **Food Sales Business**

The Food Sales Business posted a year-on-year increase in sales but a decrease in profit in the first three months of the fiscal year.

In the marine products category, sales increased but profit declined due to price adjustments for some products as a continued rise in raw material prices depressed profit margins. Sales of salmon/trout and Norwegian mackerel and other strategic business products being promoted in the Company’s Medium-Term Management Plan expanded steadily, boosting sales and profit on such products and contributing to segment profit. On the other hand, the market for crab plummeted due to the United States’ ban on imports of Russian crab, and the improvement in overseas container logistics led to backlogs of shrimp being delivered all at once, pushing down market prices and profit margins. Japan fishing ports’ catches of saury, mackerel, and skipjack fell to a record low level, resulting in weak exports and a decline in profit.

The livestock product category also saw sales rise but profit decline. Revenue and profit from pork

sales increased as the Company expanded its sales channel to mass retailers and demand from restaurants rebounded. However, the market price of chicken fell for the same reason noted above for shrimp, resulting in lower profit on higher sales.

The agricultural products category achieved higher profit despite lower sales. Sales of potatoes decreased owing to a poor harvest, but the Company managed to secure a profit on sales of this core product. Cabbage sales and profit both increased, contributing strongly to the category results.

Reflecting the above results in each category, Food Sales Business sales totaled ¥24,618 million, up 12.9% year on year, while segment operating income fell 38.9% to ¥291 million.

## **(2) Consolidated Financial Position**

### **Assets, Liabilities, and Net Assets**

Total assets as of December 31, 2022, amounted to ¥190,359 million, an increase of ¥11,338 million from the previous fiscal year-end (September 30, 2022). The main changes include increases of ¥6,137 million in merchandise and ¥5,108 million in notes and accounts receivable-trade.

Total liabilities amounted to ¥105,641 million, ¥11,790 million more than at the previous fiscal year-end. The main changes are a ¥14,059 million increase in loans payable and decreases of ¥1,782 million in other (accounts payable-facilities) and ¥698 million in income taxes payable.

Total net assets amounted to ¥84,718 million, a decrease of ¥451 million from the previous fiscal year-end.

### **Cash Flows**

Cash and cash equivalents (hereinafter, “cash”) at the end of the period amounted to ¥2,887 million, an increase of ¥474 million from the previous fiscal year-end (September 30, 2022). The main factors affecting cash flows during the first three months of the fiscal year are summarized as follows.

(Cash flows from operating activities)

Net cash used by operating activities amounted to ¥9,538 million, compared with ¥4,376 million used in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥1,312 million in income before income taxes and depreciation and amortization of ¥1,541 million. These inflows were outweighed by cash outflows mainly attributable to increases of ¥5,111 million in accounts receivable – trade and ¥6,086 million in inventories, and ¥756 million in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥3,154 million, compared with ¥2,793 million provided in the previous fiscal year. The main investment outflows were ¥3,205 million used for the purchase of property, plant and equipment, and ¥2,606 million for the purchase of investment securities, which offset inflows including ¥3,113 million from the collection of loans receivable.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥13,168 million, compared with ¥644 million provided in the same period of the previous fiscal year. This net inflow was mainly derived from a net increase in loans payable from financial institutions of ¥14,074 million, which was partly offset by dividends paid to shareholders of ¥682 million.

## **(3) Consolidated Earnings Forecast**

There is no change to the earnings forecast for the fiscal year ending September 30, 2023, announced on November 14, 2022, with the financial results for the fiscal year ended September 30, 2022.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of September 30, 2022 Amount	As of December 31, 2022 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,423	2,897
Notes and accounts receivable - trade	13,933	19,041
Merchandise	15,660	21,797
Advance payments	169	795
Short-term loans receivable	4,953	2,223
Other	841	673
Allowance for doubtful accounts	(47)	(26)
Total current assets	37,934	47,402
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures, net	51,457	50,686
Machinery, equipment and vehicles, net	8,139	7,836
Land	30,229	30,223
Leased assets, net	276	281
Construction in progress	3,924	4,960
Other, net	809	766
Total property, plant and equipment	94,837	94,755
Intangible fixed assets		
Goodwill	72	61
Other	2,215	2,307
Total intangible fixed assets	2,287	2,369
Investments and other assets		
Investment securities	39,357	41,505
Long-term loans receivable	4,661	4,314
Other	1,084	1,087
Allowance for doubtful accounts	(1,141)	(1,074)
Total investments and other assets	43,961	45,833
Total noncurrent assets	141,087	142,957
<b>Total assets</b>	179,021	190,359

	(Millions of yen)	
	As of September 30, 2022	As of December 31, 2022
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	5,225	5,854
Short-term loans payable	13,093	28,027
Current portion of long-term loans payable	4,364	4,355
Lease obligations	79	89
Income taxes payable	933	234
Accrued employees' bonuses	791	148
Accrued bonuses for directors and corporate auditors	29	13
Other	6,911	5,549
<b>Total current liabilities</b>	<b>31,430</b>	<b>44,273</b>
<b>Noncurrent liabilities</b>		
Bonds	30,000	30,000
Long-term loans payable	29,727	28,861
Lease obligations	213	212
Deferred tax liabilities	229	384
Provision for Executive Compensation BIP Trust	143	143
Net defined benefit liability	979	836
Asset retirement obligations	91	91
Other	1,035	838
<b>Total noncurrent liabilities</b>	<b>62,420</b>	<b>61,367</b>
<b>Total liabilities</b>	<b>93,850</b>	<b>105,641</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	14,303	14,303
Capital surplus	14,399	14,399
Retained earnings	50,740	50,807
Treasury stock	(286)	(486)
<b>Total shareholders' equity</b>	<b>79,157</b>	<b>79,024</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	3,988	3,752
Deferred gain (loss) on derivatives under hedge accounting	147	10
Foreign currency translation adjustments	605	563
Remeasurements of defined benefit plans	(92)	0
<b>Total accumulated other comprehensive income</b>	<b>4,647</b>	<b>4,326</b>
<b>Non-controlling interests</b>	<b>1,365</b>	<b>1,367</b>
<b>Total net assets</b>	<b>85,170</b>	<b>84,718</b>
<b>Total liabilities and net assets</b>	<b>179,021</b>	<b>190,359</b>

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

	(Millions of yen)	
	Three months ended December 31, 2021	Three months ended December 31, 2022
	Amount	Amount
Net sales	29,477	32,748
Cost of sales	25,922	29,398
Gross profit	3,555	3,350
Selling, general and administrative expenses	2,058	2,258
Operating income	1,496	1,092
Other income		
Interest income	122	120
Dividend income	169	117
Insurance dividends	33	33
Gain on valuation of derivatives	-	169
Foreign exchange gains	111	-
Other	162	187
Total other income	600	628
Other expenses		
Interest expenses	93	88
Loss on valuation of derivatives	59	-
Foreign exchange losses	-	298
Other	51	21
Total other expenses	204	408
Ordinary income	1,892	1,312
Income before income taxes	1,892	1,312
Income taxes - Current	375	269
Income taxes - Deferred	257	280
Total income taxes	632	550
Profit	1,259	762
Profit attributable to non-controlling interests	19	15
Profit attributable to owners of the parent	1,240	746

## Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended December 31, 2021	Three months ended December 31, 2022
	Amount	Amount
Profit	1,259	762
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	398	(236)
Deferred gain (loss) on derivatives under hedge accounting	96	(136)
Foreign currency translation adjustments	(183)	(55)
Remeasurements of defined benefit plans	(82)	92
Total other comprehensive income	229	(334)
Comprehensive income	1,488	427
Breakdown:		
Comprehensive income attributable to owners of the parent	1,515	426
Comprehensive income attributable to non-controlling interests	(26)	1

### (3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Three months ended December 31, 2021	Three months ended December 31, 2022
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes	1,892	1,312
Depreciation and amortization	1,551	1,541
Amortization of goodwill	8	10
Increase (decrease) in accrued employees' bonuses	(644)	(642)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(17)	(16)
Increase (decrease) in allowance for doubtful accounts	32	(87)
Increase (decrease) in net defined benefit liability	44	(49)
Interest and dividends income	(292)	(238)
Interest expenses	93	88
Loss (gain) on valuation of derivatives	59	(169)
Decrease (increase) in accounts receivable - trade	(4,083)	(5,111)
Decrease (increase) in inventories	(3,424)	(6,086)
Decrease (increase) in advance payments	77	(628)
Increase (decrease) in accounts payable - trade	973	628
Increase (decrease) in accrued expenses	122	443
Other - net	(282)	33
Sub total	(3,888)	(8,973)
Interest and dividend income received	334	232
Interest paid	(34)	(40)
Income taxes paid	(787)	(756)
<b>Net cash provided by (used in) operating activities</b>	(4,376)	(9,538)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(5,233)	(3,205)
Proceeds from sales of property, plant and equipment	1	1
Purchase of intangible fixed assets	(99)	(149)
Purchase of investment securities	(1)	(2,606)
Payments of loans receivable	(823)	(300)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	7,784	-
Collection of loans receivable	1,191	3,113
Other - net	(26)	(6)
<b>Net cash provided by (used in) investing activities</b>	2,793	(3,154)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	2,130	14,946
Repayments of long-term loans payable	(779)	(871)
Purchase of treasury stock	(0)	(199)
Dividends paid to shareholders	(682)	(682)
Other - net	(24)	(24)
<b>Net cash provided by (used in) financing activities</b>	644	13,168
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(6)	(1)
<b>Net increase (decrease) in cash and cash equivalents</b>	(944)	474
<b>Cash and cash equivalents, beginning of period</b>	3,160	2,413
<b>Cash and cash equivalents, end of period</b>	2,215	2,887

#### **(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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) have been applied from the beginning of the first quarter under review, and in accordance with the transitional treatment provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policy set forth by the Implementation Guidance on Accounting Standard for Fair Value Measurement is applied prospectively. There is no impact on the Company's consolidated quarterly financial statements.



## Segment Information

### I. Three months ended December 31, 2021 (October 1, 2021 – December 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	7,656	21,809	12	29,477	-	29,477
Intersegment sales or transfers	463	-	13	476	(476)	-
Total	8,119	21,809	25	29,954	(476)	29,477
Segment profit (loss)	1,925	477	14	2,417	(921)	1,496

- Notes:
1. The minus 921 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. Three months ended December 31, 2022 (October 1, 2022 – December 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	8,115	24,618	14	32,748	-	32,748
Intersegment sales or transfers	517	-	8	526	(526)	-
Total	8,633	24,618	22	33,275	(526)	32,748
Segment profit (loss)	1,868	291	5	2,165	(1,073)	1,092

- Notes:
1. The minus 1,073 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.