

## **1. Qualitative Information on the Consolidated Business Results for the Six Months Ended March 31, 2023**

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

In the first half of the fiscal year ending September 30, 2023 (October 1, 2022 – March 31, 2023), the Japanese economy showed signs of a moderate recovery, with socio-economic activities on a recovery track toward normalization as society moved into a new phase of coexisting with COVID-19. However, the outlook is likely to remain uncertain as interest rates and prices continue to rise.

The food industries related to the Yokorei Group's business faced a difficult business environment where consumer sentiment is unlikely to improve in the near future due to repeated price hikes.

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, each business is implementing various key strategies. The refrigerated warehousing business is striving to create new business models, and the food sales business is focusing on creating new food value.

As a result, the Yokorei Group recorded consolidated net sales of ¥63,271 million, a 15.3% year on year increase in the first half of the current fiscal year. Operating income totaled ¥1,697 million, down 29.8% year on year, and ordinary income was ¥1,992 million, down 34.0%. Profit attributable to owners of the parent totaled ¥1,190 million, a year-on-year decline of 41.4%.

In addition, as part of its new overseas business plan, the Company established a 100% subsidiary, Vietnam Yokorei Company Limited, in Long An Province, southwest of Ho Chi Minh City, Vietnam, and started the construction of refrigerated warehouses at the same time.

#### **Refrigerated Warehousing Business**

The refrigerated warehousing business posted a year-on-year increase in sales but a decrease in profit in the first half of the fiscal year.

While sales grew due to a year-on-year increase in inbound and outbound cargo volumes and inventories caused by the easing of restrictions on people's movement in response to COVID-19, profits declined due to higher-than-expected electricity rates and an increase in temporary expenses for the launch of the new Chiba Research Park Logistics Center in March 2023.

At Thai Yokorei Co., Ltd., a consolidated subsidiary in Thailand, the movement of inventory was returning to a level before the COVID-19 pandemic as the COVID-19 policy regulations were completely lifted in Thailand, leading to a higher inventory turnover rate and year-on-year increase in both inbound and outbound cargo volumes. However, profits fell since the inventory levels declined particularly for chicken and electricity rates soared as in Japan.

As a result, overall segment sales came to ¥15,434 million, up 5.6% year on year, and operating income was ¥3,253 million, a decline of 4.8%.

#### **Food Sales Business**

The food sales business posted a year-on-year increase in sales but a decrease in profit in the first half of the fiscal year.

In the marine products category, sales were up year on year despite lower profits. Sales channels for salmon, a product promoted in the Company's Medium-Term Management Plan, expanded steadily, and both sales and profits increased for many other major fish species including imported mackerel, squid and eel, while trilateral trade also performed well. On the other hand, the market price of shrimp in Japan declined due to an imbalance in supply and demand that has persisted since the end of last year, resulting in higher sales and lower profits. Meanwhile, the market for crab continued to plummet due to the United States' ban on imports of Russian crab, and the

unprecedented poor fishing conditions of domestic mackerel in the northern Pacific led to a decline in sales and profits, which fell well short of sales plans.

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 sales and profit amid an overall poor harvest. Increased sales of potatoes contributed strongly to the category results.

Reflecting the above results in each category, Food Sales Business sales totaled ¥47,807 million, up 18.8% year on year, while segment operating income fell 32.6% to ¥470 million.

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

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

Total assets as of March 31, 2023, amounted to ¥191,881 million, an increase of ¥12,860 million from the previous fiscal year-end (September 30, 2022). The main changes include increases of ¥7,143 million in merchandise, ¥3,256 million in notes and accounts receivable-trade, ¥2,238 million in property, plant and equipment, and ¥1,518 million in cash and deposits, and decreases of ¥3,175 million in loans receivable.

Total liabilities amounted to ¥108,042 million, ¥14,191 million more than at the previous fiscal year-end. The main changes include a ¥13,882 million increase in loans payable.

Total net assets amounted to ¥83,839 million, a decrease of ¥1,331 million from the previous fiscal year-end.

### **Cash Flows**

Cash and cash equivalents (hereinafter, “cash”) at the end of the period amounted to ¥3,931 million, an increase of ¥1,518 million from the previous fiscal year-end (September 30, 2022). The main factors affecting cash flows during the first half of the fiscal year are summarized as follows.

(Cash flows from operating activities)

Net cash used by operating activities amounted to ¥7,219 million, compared with ¥1,145 million provided in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥1,992 million in income before income taxes and depreciation and amortization of ¥3,139 million. These inflows were outweighed by cash outflows mainly attributable to increases of ¥7,124 million in inventories and ¥3,260 million in accounts receivable, and ¥779 million in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥4,234 million, compared with ¥2,342 million provided in the same period of the previous fiscal year. The main investment outflows were ¥4,462 million used for the purchase of property, plant and equipment, and ¥2,607 million for the purchase of investment securities, which offset inflows including ¥3,215 million from the collection of loans receivable.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥12,974 million, compared with ¥3,540 million used 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 ¥13,902 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 in “Financial Results for the Fiscal Year Ended September 2022.”

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	As of September 30, 2022 Amount	(Millions of yen) As of March 31, 2023 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,423	3,941
Notes and accounts receivable - trade	13,933	17,190
Merchandise	15,660	22,804
Advance payments	169	627
Short-term loans receivable	4,953	2,130
Other	841	1,542
Allowance for doubtful accounts	(47)	(24)
Total current assets	37,934	48,212
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures, net	51,457	55,474
Machinery, equipment and vehicles, net	8,139	8,768
Land	30,229	30,222
Leased assets, net	276	294
Construction in progress	3,924	1,507
Other, net	809	808
Total property, plant and equipment	94,837	97,075
Intangible fixed assets		
Goodwill	72	51
Other	2,215	2,265
Total intangible fixed assets	2,287	2,317
Investments and other assets		
Investment securities	39,357	39,557
Long-term loans receivable	4,661	4,309
Deferred tax assets	-	370
Other	1,084	1,120
Allowance for doubtful accounts	(1,141)	(1,082)
Total investments and other assets	43,961	44,276
Total noncurrent assets	141,087	143,668
<b>Total assets</b>	179,021	191,881

	As of September 30, 2022 Amount	(Millions of yen) As of March 31, 2023 Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	5,225	5,549
Short-term loans payable	13,093	14,183
Current portion of long-term loans payable	4,364	5,837
Lease obligations	79	90
Income taxes payable	933	674
Accrued employees' bonuses	791	581
Accrued bonuses for directors and corporate auditors	29	26
Other	6,911	7,914
Total current liabilities	31,430	34,857
<b>Noncurrent liabilities</b>		
Bonds	30,000	30,000
Long-term loans payable	29,727	41,047
Lease obligations	213	226
Deferred tax liabilities	229	-
Provision for Executive Compensation BIP Trust	143	143
Net defined benefit liability	979	838
Asset retirement obligations	91	91
Other	1,035	836
Total noncurrent liabilities	62,420	73,184
<b>Total liabilities</b>	93,850	108,042
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	14,303	14,303
Capital surplus	14,399	14,409
Retained earnings	50,740	51,250
Treasury stock	(286)	(425)
Total shareholders' equity	79,157	79,538
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	3,988	2,529
Deferred gain (loss) on derivatives under hedge accounting	147	(97)
Foreign currency translation adjustments	605	506
Remeasurements of defined benefit plans	(92)	0
Total accumulated other comprehensive income	4,647	2,938
<b>Non-controlling interests</b>	1,365	1,362
<b>Total net assets</b>	85,170	83,839
<b>Total liabilities and net assets</b>	179,021	191,881

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

	(Millions of yen)	
	Six months ended March 31, 2022	Six months ended March 31, 2023
	Amount	Amount
Net sales	54,889	63,271
Cost of sales	48,544	57,201
Gross profit	6,345	6,069
Selling, general and administrative expenses	3,927	4,371
Operating income	2,417	1,697
Other income		
Interest income	250	188
Dividend income	239	219
Insurance dividends	34	33
Gain on valuation of derivatives	-	141
Foreign exchange gains	331	-
Other	320	274
Total other income	1,176	858
Other expenses		
Interest expenses	187	183
Provision of allowance for doubtful accounts	162	-
Loss on valuation of derivatives	98	-
Foreign exchange losses	-	300
Other	127	79
Total other expenses	576	563
Ordinary income	3,018	1,992
Income before income taxes	3,018	1,992
Income taxes - Current	708	664
Income taxes - Deferred	244	123
Total income taxes	952	788
Profit	2,065	1,204
Profit attributable to non-controlling interests	33	14
Profit attributable to owners of the parent	2,032	1,190

## Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Six months ended	Six months ended
	March 31, 2022	March 31, 2023
	Amount	Amount
Profit	2,065	1,204
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	1,551	(1,458)
Deferred gain (loss) on derivatives under hedge accounting	116	(244)
Foreign currency translation adjustments	(13)	(116)
Remeasurements of defined benefit plans	(79)	93
Total other comprehensive income	1,574	(1,726)
Comprehensive income	3,640	(521)
Breakdown:		
Comprehensive income attributable to owners of the parent	3,610	(518)
Comprehensive income attributable to non-controlling interests	30	(2)

### (3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Six months ended March 31, 2022	Six months ended March 31, 2023
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes	3,018	1,992
Depreciation and amortization	3,134	3,139
Amortization of goodwill	18	20
Increase (decrease) in accrued employees' bonuses	(226)	(209)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(10)	(3)
Increase (decrease) in allowance for doubtful accounts	162	(82)
Increase (decrease) in net defined benefit liability	41	(46)
Interest and dividends income	(490)	(408)
Interest expenses	187	183
Loss (gain) on valuation of derivatives	98	(141)
Decrease (increase) in accounts receivable - trade	(805)	(3,260)
Decrease (increase) in inventories	(4,159)	(7,124)
Decrease (increase) in advance payments	(115)	(470)
Increase (decrease) in accounts payable - trade	247	324
Increase (decrease) in accrued expenses	(187)	71
Other - net	711	(622)
Sub total	<u>1,624</u>	<u>(6,639)</u>
Interest and dividend income received	525	395
Interest paid	(193)	(195)
Income taxes paid	<u>(810)</u>	<u>(779)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>1,145</u>	<u>(7,219)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(7,074)	(4,462)
Proceeds from sales of property, plant and equipment	2	3
Purchase of intangible fixed assets	(131)	(152)
Purchase of investment securities	(2)	(2,607)
Proceeds from redemption of investment securities	634	115
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	7,784	-
Payments of loans receivable	(1,400)	(300)
Collection of loans receivable	2,577	3,215
Other - net	(46)	(46)
<b>Net cash provided by (used in) investing activities</b>	<u>2,342</u>	<u>(4,234)</u>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(3,785)	1,105
Proceeds from long-term loans payable	5,000	15,000
Repayments of long-term loans payable	(4,024)	(2,202)
Purchase of treasury stock	(0)	(200)
Dividends paid to shareholders	(679)	(679)
Other - net	(51)	(48)
<b>Net cash provided by (used in) financing activities</b>	<u>(3,540)</u>	<u>12,974</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(0)</u>	<u>(2)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(52)</u>	<u>1,518</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>3,160</u>	<u>2,413</u>
<b>Cash and cash equivalents, end of period</b>	<u>3,108</u>	<u>3,931</u>



#### **(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. 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.

### II. Six months ended March 31, 2023 (October 1, 2022 – March 31, 2023)

#### 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	15,434	47,807	28	63,271	-	63,271
Intersegment sales or transfers	1,082	-	16	1,099	(1,099)	-
Total	16,517	47,807	44	64,370	(1,099)	63,271
Segment profit (loss)	3,253	470	14	3,738	(2,040)	1,697

- Notes:
1. The minus 2,040 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.