

1. Overview of Consolidated Operating Performance

(1) Overview of Consolidated Operating Performance for the Nine Months Ended June 30, 2024

During the nine months ended June 30, 2024 (October 1, 2023 – June 30, 2024), the Japanese economy maintained a moderate recovery trend against a background of the normalization of economic activities, the improvement of employment and income environments, and an increase in inbound consumption. On the other hand, the economic slowdown risk is still increasing due to geopolitical risks and global inflation, and the outlook remains uncertain mainly due to adverse economic impacts and concerns about price hikes resulting from the weaker yen.

Against this backdrop, the Yokorei Group formulated a new medium-term management plan (Phase II) “The Power to Connect,” with the final year of 2026. The Refrigerated Warehousing Business aims to “solve domestic and overseas issues with the high-quality logistics we have accumulated over the years and provide smart cold services to customers,” and the Food Sales Business aims to “provide our customers with seasonal and delicious products through our discerning abilities by leveraging our network with domestic and overseas producers.” In order to achieve the quantitative targets of “consolidated net sales of ¥150 billion,” “operating income of ¥6.5 billion,” “EBITDA of ¥13 billion,” “ROE of 5% or higher,” and “equity ratio to be maintained in the 40% or higher range” in the final year (fiscal year ending in September 2026), we have been working on the respective priority measures.

As a result, for the first nine months ended June 30, 2024, the Yokorei Group recorded consolidated net sales of ¥93,800 million, down 5.2% year on year. Operating income totaled ¥4,137 million, up 43.5% year on year, and ordinary income was ¥3,952 million, up 15.6% year on year. Profit attributable to owners of the parent totaled ¥2,740 million, a year-on-year increase of 17.9%.

Refrigerated Warehousing Business

The Refrigerated Warehousing Business posted a year-on-year increase in both sales and profit in the first nine months ended June 30, 2024.

Inventory levels have remained high, continuing from the previous fiscal year. Handling volumes mainly for frozen food products as well as for all of marine products, agricultural products and livestock products increased, resulting in significant increases in both storage fees and revenue from loading/unloading fees from the previous fiscal year. As a result, the segment saw stronger sales. These stronger sales absorbed increases in depreciation and amortization, expenses at the time of the launch, and other costs for the three logistics centers that were launched this year, and we worked to improve productivity by promoting DX, resulting in an increase in profit.

Our consolidated subsidiary, THAI YOKOREI CO., LTD., also saw handling volumes for its core livestock and dairy products increase, driving segment profit.

As a result, overall segment sales came to ¥25,895 million, up 10.2% year on year, and operating income was ¥5,819 million, up 16.2% year on year.

Food Sales Business

The Food Sales Business posted a year-on-year decrease in sales but an increase in profit in the first nine months ended June 30, 2024.

In marine products, the mainstay salmon/trout sales to mass retailers grew, while sardines and pacific ocean perch increased in both sales and profits due to a higher volume handled, and scallops saw lower sales but higher profit due to a shift to Vietnam and domestic sales as alternatives to export to China. In addition, the market price of shrimp and fish roe recovered, and overall profit of marine products increased due to our efforts to focus on profit.

In livestock products, sales to restaurants and for home-replacement meals, which are our main customers, grew steadily. By item, handling volumes for both pork and beef decreased due to their higher prices, while chicken saw stable unit prices and an increase in handling volumes. As a result, pork saw sales fall but profit grow, while chicken and beef increased in both sales and profits, resulting in increases in sales and profits for livestock products as a whole.

In agricultural products, sales fell due to a decrease in handling volumes resulting from a drop in overall harvest, while the mainstay potatoes increased in profit, driving profits for the agricultural category.

As a result, overall segment sales came to ¥67,860 million, down 10.1% year on year, and operating income was ¥1,284 million, up 30.6% year on year.

(2) Overview of Financial Position for the Nine Months Ended June 30, 2024

Assets, Liabilities, and Net Assets

Total assets as of June 30, 2024, amounted to ¥220,117 million, an increase of ¥22,421 million from the previous fiscal year-end (September 30, 2023). This was mainly due to increases of ¥12,056 million in property, plant and equipment, ¥8,643 million in investment securities and ¥1,528 million in notes and accounts receivable – trade.

Total liabilities amounted to ¥126,217 million, ¥15,856 million more than at the previous fiscal year-end. This was mainly due to increases of ¥9,807 million in loans payable, ¥3,002 million in deferred tax liabilities and ¥2,275 million in others (foreign exchange reserve liabilities and notes payable-facilities).

Total net assets amounted to ¥93,900 million, an increase of ¥6,565 million from the previous fiscal year-end.

Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the period amounted to ¥4,995 million, an increase of ¥1,068 million from the previous fiscal year-end (September 30, 2023). The main factors affecting cash flows during the first nine months of the fiscal year are summarized as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥8,851 million, compared with ¥6,435 million used in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥3,952 million in income before income taxes, depreciation and amortization of ¥5,348 million, and a ¥975 million increase in accounts payable – trade. These inflows exceeded cash outflows mainly attributable to a ¥1,520 million decrease in accounts receivable – trade.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥16,054 million, compared with ¥9,054 million used in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥418 million from the collection of loans receivable. This inflow was outweighed by cash outflows of ¥16,263 million for the purchase of property, plant and equipment, and others.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥8,271 million, compared with ¥19,260 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 ¥9,778 million, which was partly offset by dividends paid to shareholders of ¥1,417 million.

(3) Consolidated Earnings Forecast

Regarding the consolidated financial forecast for the fiscal year ending September 30, 2024, there are no changes to the figures announced in the "Financial Results for the Fiscal Year Ended September 30, 2023" (dated November 14, 2023).

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of September 30, 2023	As of June 30, 2024
	Amount	Amount
Assets		
Current assets		
Cash and deposits	3,937	5,005
Notes and accounts receivable – trade	20,002	21,531
Merchandise	17,935	17,033
Advance payments	2,178	556
Short-term loans receivable, net	870	540
Other	1,355	3,426
Allowance for doubtful accounts	(101)	(101)
Total current assets	46,179	47,992
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	54,182	65,181
Machinery, equipment and vehicles, net	8,353	10,305
Land	30,507	30,773
Leased assets, net	312	364
Construction in progress	7,056	5,602
Other, net	756	998
Total property, plant and equipment	101,168	113,225
Intangible fixed assets		
Goodwill	32	-
Other	3,398	3,360
Total intangible fixed assets	3,431	3,360
Investments and other assets		
Investment securities	42,264	50,907
Long-term loans receivable	4,724	5,054
Other	1,200	904
Allowance for doubtful accounts	(1,274)	(1,327)
Total investments and other assets	46,915	55,538
Total noncurrent assets	151,516	172,125
Total assets	197,695	220,117

	As of September 30, 2023 Amount	(Millions of yen) As of June 30, 2024 Amount
Liabilities		
Current liabilities		
Notes and accounts payable – trade	4,871	5,847
Short-term loans payable	21,087	17,573
Current portion of long-term loans payable	5,864	5,518
Current portion of bonds payable	-	10,000
Lease obligations	95	99
Income taxes payable	899	451
Accrued employees' bonuses	812	145
Accrued bonuses for directors and corporate auditors	45	27
Other	5,099	7,957
Total current liabilities	38,777	47,620
Noncurrent liabilities		
Bonds	30,000	20,000
Long-term loans payable	38,586	52,254
Lease obligations	245	298
Deferred tax liabilities	333	3,335
Provision for Executive Compensation BIP Trust	143	95
Net defined benefit liability	1,081	1,112
Asset retirement obligations	91	91
Other	1,102	1,408
Total noncurrent liabilities	71,583	78,596
Total liabilities	110,360	126,217
Net assets		
Shareholders' equity		
Common stock	14,303	14,303
Capital surplus	14,419	14,428
Retained earnings	52,213	53,506
Treasury stock	(386)	(282)
Total shareholders' equity	80,549	81,956
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,392	10,355
Deferred gain (loss) on derivatives under hedge accounting	213	(777)
Foreign currency translation adjustments	884	967
Remeasurements of defined benefit plans	(164)	(143)
Total accumulated other comprehensive income	5,326	10,402
Non-controlling interests	1,459	1,541
Total net assets	87,334	93,900
Total liabilities and net assets	197,695	220,117

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

	(Millions of yen)	
	Nine months ended June 30, 2023	Nine months ended June 30, 2024
	Amount	Amount
Net sales	98,994	93,800
Cost of sales	89,313	83,006
Gross profit	9,681	10,793
Selling, general and administrative expenses	6,797	6,656
Operating income	2,883	4,137
Other income		
Interest income	262	215
Dividend income	400	281
Insurance dividends	33	18
Delinquency charge received	-	198
Other	323	448
Total other income	1,020	1,162
Other expenses		
Interest expense	290	371
Commission expenses	18	236
Loss on valuation of derivatives	68	406
Other	106	332
Total other expenses	484	1,347
Ordinary income	3,419	3,952
Extraordinary income		
Gain on receipt of contingent consideration	260	-
Total extraordinary income	260	-
Income before income taxes	3,680	3,952
Income taxes – current	1,112	931
Income taxes – deferred	222	229
Total income taxes	1,334	1,160
Profit	2,345	2,792
Profit attributable to non-controlling interests	21	52
Profit attributable to owners of the parent	2,324	2,740

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended June 30, 2023	Nine months ended June 30, 2024
	Amount	Amount
Profit	2,345	2,792
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(534)	5,963
Deferred gain (loss) on derivatives under hedge accounting	(482)	(991)
Foreign currency translation adjustments	32	114
Remeasurements of defined benefit plans	0	20
Total other comprehensive income	(984)	5,107
Comprehensive income	1,361	7,899
Breakdown:		
Comprehensive income attributable to owners of the parent	1,319	7,816
Comprehensive income attributable to non-controlling interests	41	83

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	3,680	3,952
Depreciation and amortization	4,836	5,348
Amortization of goodwill	31	33
Increase (decrease) in accrued employees' bonuses	(586)	(667)
Increase (decrease) in accrued bonuses for directors and corporate auditors	9	(17)
Increase (decrease) in allowance for doubtful accounts	(39)	53
Increase (decrease) in net defined benefit liability	(21)	50
Increase (decrease) in provision for Executive Compensation BIP Trust	-	(48)
Interest and dividend income	(662)	(497)
Interest expense	290	371
Loss (gain) on valuation of derivatives	68	406
Gain on receipt of contingent consideration	(260)	-
Decrease (increase) in accounts receivable – trade	(4,136)	(1,520)
Decrease (increase) in inventories	(6,219)	938
Decrease (increase) in advance payments	(1,814)	158
Increase (decrease) in accounts payable – trade	384	975
Increase (decrease) in accrued expenses	123	225
Other	(703)	192
Sub total	(5,019)	9,955
Interest and dividend income received	642	483
Interest paid	(301)	(287)
Income taxes paid	(1,757)	(1,299)
Cash flows from operating activities	(6,435)	8,851
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,853)	(16,263)
Proceeds from sales of property, plant and equipment	4	6
Purchase of intangible fixed assets	(1,070)	(114)
Purchase of investment securities	(2,608)	(10,580)
Proceeds from sales of investment securities	-	10,576
Proceeds from redemption of investment securities	293	-
Proceeds from settlement of contingent consideration	260	-
Payments of loans receivable	(301)	(118)
Collection of loans receivable	3,279	418
Other	(57)	21
Cash flows from investing activities	(9,054)	(16,054)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	9,339	(3,529)
Proceeds from long-term loans payable	15,000	17,500
Repayments of long-term loans payable	(3,446)	(4,192)
Purchase of treasury stock	(200)	(0)
Dividends paid to shareholders	(1,360)	(1,417)
Other	(72)	(89)
Cash flows from financing activities	19,260	8,271
Effect of exchange rate changes on cash and cash equivalents	2	0
Net increase (decrease) in cash and cash equivalents	3,772	1,068
Cash and cash equivalents, beginning of period	2,413	3,927
Cash and cash equivalents, end of period	6,185	4,995

(4) Notes on the Consolidated Financial Statements

(Notes on Segment Information)

Business segment information

I. Nine months ended June 30, 2023 (October 1, 2022 – June 30, 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 Business	Food Sales Business	Other	Total		
Net sales						
Sales to outside customers	23,495	75,456	43	98,994	-	98,994
Intersegment sales or transfers	1,641	-	24	1,665	(1,665)	-
Total	25,136	75,456	67	100,660	(1,665)	98,994
Segment profit (loss)	5,009	984	23	6,017	(3,134)	2,883

- Notes:
- The adjustment amount (-3,134 million yen) to segment profit (loss) is for company-wide expenses that are not allocated to each reportable segment. Company-wide expenses are mainly general and administrative expenses that do not belong to any reportable segment.
 - Segment profit (loss) was adjusted based on operating income reported on the consolidated statements of income for the corresponding period.

II. Nine months ended June 30, 2024 (October 1, 2023 – June 30, 2024)

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 Business	Food Sales Business	Other	Total		
Net sales						
Sales to outside customers	25,895	67,860	44	93,800	-	93,800
Intersegment sales or transfers	1,536	-	24	1,560	(1,560)	-
Total	27,431	67,860	69	95,361	(1,560)	93,800
Segment profit (loss)	5,819	1,284	18	7,123	(2,985)	4,137

- Notes:
- The adjustment amount (-2,985 million yen) to segment profit (loss) is for company-wide expenses that are not allocated to each reportable segment. Company-wide expenses are mainly general and administrative expenses that do not belong to any reportable segment.
 - Segment profit (loss) was adjusted based on operating income reported on the consolidated statements of income for the corresponding period.

(Notes on Significant Changes in Shareholders' Equity)
Not applicable.

(Notes on the Going-concern Assumption)
Not applicable.