

1. Qualitative Information on the Consolidated Business Results for the Three Months Ended December 31, 2023

(1) Consolidated Operating Performance

In the first three months of the fiscal year ending September 30, 2024 (October 1, 2023 – December 31, 2023), Japan's economy saw further progress in the normalization of social and economic activities as restrictions on people's movement were relaxed as a result of the reclassification of COVID-19 to a Category V infectious disease. However, the economic outlook remains uncertain due to economic slowdown owing to the tightening of monetary policies on a global scale, rising tensions in the Middle East in addition to the prolonged invasion in Ukraine by Russia, and other factors.

Against this backdrop, the Yokorei Group formulated its two longer-term visions for 2030, the Yokorei Business Vision 2030 and the Yokorei Sustainability Vision 2030, and set our aspirations for the Refrigerated Warehousing Business and the Food Sales Business in the Yokorei Business Vision 2030. The aspirations we set for the Refrigerated Warehousing Business and the Food Sales Business are "We promise to provide smart cold services combining tradition and innovation," and "We will realize distinctive food value together with customers, preserve our close relationship with producers, and add to the richness of the world's tables," respectively. As the second stage toward realization, we have formulated a new medium-term management plan (Phase II) "The Power to Create," 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 respective priority measures.

As a result, the Yokorei Group recorded consolidated net sales of ¥33,301 million, up 1.7% year on year, in the first three months of the current fiscal year. Operating income totaled ¥1,738 million, up 59.1% year on year, and ordinary income was ¥1,691 million, up 28.8% year on year. Profit attributable to owners of the parent totaled ¥1,285 million, a year on year increase of 72.1%.

Refrigerated Warehousing Business

The Refrigerated Warehousing Business posted a year on year increase in both sales and profit in the first three months of the fiscal year.

Inventory levels have remained high, continuing from the previous fiscal year. Despite a decline in handling volumes for livestock products, handling volumes for marine products and agricultural products increased, resulting in increases in both storage fees and revenue from loading/unloading fees and transportation handling fees. Further, the Chiba Research Park Logistics Center, which was newly established last year, has been operating smoothly, contributing to a higher increase in sales. Our consolidated subsidiary THAI YOKOREI CO., LTD., also saw handling volumes for its core livestock products increase, driving segment profit.

As a result, overall segment sales came to ¥8,813 million, up 8.6% year on year, and operating income was ¥2,322 million, up 24.3% 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 three months of the fiscal year.

In marine products, handling volumes increased in sardines and mackerel for feed in Kyushu area ports, and exports due to an abundant catch of albacore tuna in Kesenuma. In addition, profit margins for shrimp and fish roe, which fell due to declines in market prices in the previous fiscal year, recovered, and marine products as a whole posted an increase in profit despite a decline in sales as a result of our efforts to focus on profit.

In livestock products, handling volumes increased due to a recovery in demand for both pork and chicken from restaurants for inbound tourists, resulting in increased sales and profits for livestock products as a whole.

Agricultural products had a poor harvest due to abnormal weather caused by high temperatures last summer, resulting in lower sales and profits.

As a result, overall segment sales came to ¥24,472 million, down 0.6% year on year, and operating income was ¥486 million, up 66.8% year on year.

(2) Consolidated Financial Position

Assets, Liabilities, and Net Assets

Total assets as of December 31, 2023, amounted to ¥204,886 million, an increase of ¥7,191 million from the previous fiscal year-end (September 30, 2023). This was mainly due to increases of ¥4,455 million in property, plant and equipment, ¥2,796 million in merchandise, and ¥1,496 million in cash and deposits, and decreases of ¥697 million in advance payments, and ¥474 million in loans receivable.

Total liabilities increased ¥6,853 million from the end of the previous fiscal year to ¥117,214 million. This was mainly due to increases of ¥2,247 million in loans payable and ¥3,627 million in other (notes payable-facilities).

Total net assets amounted to ¥87,672 million, an increase of ¥337 million from the previous fiscal year-end.

Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the period amounted to ¥5,424 million, an increase of ¥1,496 million compared with the previous fiscal year-end (September 30, 2023). 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 provided by operating activities amounted to ¥1,271 million, compared with ¥9,538 million used in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥1,691 million in income before income taxes, depreciation and amortization of ¥1,604 million, and ¥1,215 million increase in accounts payable - trade. These inflows exceeded cash outflows mainly attributable to an increase of ¥2,763 million in inventories and an increase of ¥671 million in accounts receivable - trade.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥1,247 million, compared with ¥3,154 million used in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥268 million from the collection of loans receivable. This inflow was outweighed by cash outflows of ¥1,568 million for the purchase of property, plant and equipment, and others.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥1,465 million, compared with ¥13,168 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 ¥2,240 million, which was partly offset by dividends paid to shareholders of ¥739 million.

(3) Consolidated Earnings Forecast

There is no change to the earnings forecast for the fiscal year ending September 30, 2024, announced on November 14, 2023, with the financial results for the fiscal year ended September 30, 2023.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2023 Amount	As of December 31, 2023 Amount
Assets		
Current assets		
Cash and deposits	3,937	5,434
Notes and accounts receivable - trade	20,002	20,676
Merchandise	17,935	20,732
Advance payments	2,178	1,481
Short-term loans receivable	870	645
Other	1,355	829
Allowance for doubtful accounts	(101)	(101)
Total current assets	46,179	49,697
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	54,182	53,890
Machinery, equipment and vehicles, net	8,353	8,125
Land	30,507	30,509
Leased assets, net	312	343
Construction in progress	7,056	12,005
Other, net	756	749
Total property, plant and equipment	101,168	105,623
Intangible fixed assets		
Goodwill	32	22
Other	3,398	3,390
Total intangible fixed assets	3,431	3,412
Investments and other assets		
Investment securities	42,264	41,863
Long-term loans receivable	4,724	4,473
Other	1,200	1,029
Allowance for doubtful accounts	(1,274)	(1,213)
Total investments and other assets	46,915	46,151
Total noncurrent assets	151,516	155,188
Total assets	197,695	204,886

	(Millions of yen)	
	As of September 30, 2023 Amount	As of December 31, 2023 Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,871	6,087
Short-term loans payable	21,087	24,593
Current portion of long-term loans payable	5,864	5,730
Lease obligations	95	95
Income taxes payable	899	324
Accrued employees' bonuses	812	175
Accrued bonuses for directors and corporate auditors	45	9
Other	5,099	9,638
Total current liabilities	<u>38,777</u>	<u>46,654</u>
Noncurrent liabilities		
Bonds	30,000	30,000
Long-term loans payable	38,586	37,462
Lease obligations	245	278
Deferred tax liabilities	333	523
Provision for Executive Compensation BIP Trust	143	95
Net defined benefit liability	1,081	1,087
Asset retirement obligations	91	91
Other	1,102	1,020
Total noncurrent liabilities	<u>71,583</u>	<u>70,559</u>
Total liabilities	<u>110,360</u>	<u>117,214</u>
Net assets		
Shareholders' equity		
Common stock	14,303	14,303
Capital surplus	14,419	14,419
Retained earnings	52,213	52,760
Treasury stock	(386)	(386)
Total shareholders' equity	<u>80,549</u>	<u>81,097</u>
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,392	4,116
Deferred gain (loss) on derivatives under hedge accounting	213	233
Foreign currency translation adjustments	884	895
Remeasurements of defined benefit plans	(164)	(158)
Total accumulated other comprehensive income	<u>5,326</u>	<u>5,088</u>
Non-controlling interests	<u>1,459</u>	<u>1,487</u>
Total net assets	<u>87,334</u>	<u>87,672</u>
Total liabilities and net assets	<u>197,695</u>	<u>204,886</u>

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

(Millions of yen)

	Three months ended December 31, 2022	Three months ended December 31, 2023
	Amount	Amount
Net sales	32,748	33,301
Cost of sales	29,398	29,278
Gross profit	3,350	4,022
Selling, general and administrative expenses	2,258	2,284
Operating income	1,092	1,738
Other income		
Interest income	120	55
Dividend income	117	104
Insurance dividends	33	18
Gain on valuation of derivatives	169	41
Other	187	141
Total other income	628	361
Other expenses		
Interest expense	88	109
Foreign exchange losses	298	217
Other	21	81
Total other expenses	408	408
Ordinary income	1,312	1,691
Income before income taxes	1,312	1,691
Income taxes - Current	269	78
Income taxes - Deferred	280	306
Total income taxes	550	385
Profit	762	1,306
Profit attributable to non-controlling interests	15	20
Profit attributable to owners of the parent	746	1,285

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended December 31, 2022	Three months ended December 31, 2023
	Amount	Amount
Profit	762	1,306
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(236)	(276)
Deferred gain (loss) on derivatives under hedge accounting	(136)	20
Foreign currency translation adjustments	(55)	18
Remeasurements of defined benefit plans	92	6
Total other comprehensive income	(334)	(231)
Comprehensive income	427	1,075
Breakdown:		
Comprehensive income attributable to owners of the parent	426	1,047
Comprehensive income attributable to non-controlling interests	1	27

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended December 31, 2022	Three months ended December 31, 2023
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	1,312	1,691
Depreciation and amortization	1,541	1,604
Amortization of goodwill	10	11
Increase (decrease) in accrued employees' bonuses	(642)	(636)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(16)	(35)
Increase (decrease) in allowance for doubtful accounts	(87)	(59)
Increase (decrease) in net defined benefit liability	(49)	12
Interest and dividend income	(238)	(160)
Increase (decrease) in provision for Executive Compensation BIP Trust	-	(48)
Interest expense	88	109
Loss (gain) on valuation of derivatives	(169)	(41)
Decrease (increase) in accounts receivable - trade	(5,111)	(671)
Decrease (increase) in inventories	(6,086)	(2,763)
Decrease (increase) in advance payments	(628)	688
Increase (decrease) in accounts payable - trade	628	1,215
Increase (decrease) in accrued expenses	443	13
Other - net	33	723
Sub total	(8,973)	1,652
Interest and dividend income received	232	160
Interest paid	(40)	(109)
Income taxes paid	(756)	(432)
Net cash provided by (used in) operating activities	(9,538)	1,271
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,205)	(1,568)
Proceeds from sales of property, plant and equipment	1	0
Purchase of intangible fixed assets	(149)	(47)
Purchase of investment securities	(2,606)	(2)
Payments of loans receivable	(300)	(15)
Collection of loans receivable	3,113	268
Other - net	(6)	118
Net cash provided by (used in) investing activities	(3,154)	(1,247)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	14,946	3,502
Repayments of long-term loans payable	(871)	(1,261)
Purchase of treasury stock	(199)	(0)
Dividends paid to shareholders	(682)	(739)
Other - net	(24)	(35)
Net cash provided by (used in) financing activities	13,168	1,465
Effect of exchange rate changes on cash and cash equivalents	(1)	6
Net increase (decrease) in cash and cash equivalents	474	1,496
Cash and cash equivalents, beginning of period	2,413	3,927
Cash and cash equivalents, end of period	2,887	5,424

(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)

Not applicable.

Segment Information

I. 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 Business	Food Sales Business	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 adjustment amount (-1,073 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.
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, 2023 (October 1, 2023 – December 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 Business	Food Sales Business	Other	Total		
Net sales						
Sales to outside customers	8,813	24,472	14	33,301	-	33,301
Intersegment sales or transfers	471	-	8	479	(479)	-
Total	9,284	24,472	22	33,780	(479)	33,301
Segment profit (loss)	2,322	486	7	2,816	(1,078)	1,738

- Notes: 1. The adjustment amount (-1,078 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.
2. Segment profit (loss) was adjusted based on operating income reported on the consolidated statements of income for the corresponding period.