

1. Qualitative Information on the Consolidated Business Results for the Nine Months Ended June 30, 2023

(1) Consolidated Operating Performance

During the first nine months ended June 30, 2023 (October 1, 2022 to June 30, 2023), in the Japanese economy, the tourism and restaurant industry drove the recovery of personal consumption as economic activities normalized due to the easing of measures against COVID-19. However, the future of society as a whole remains uncertain, as there are concerns about the impact on various prices caused by the growing problem of labor shortages, a rise in prices due to resource prices and exchange rate fluctuations, and rising labor costs.

The business environment is also quite severe in the food industries in which we are involved, with little prospect of an improvement in consumer sentiment, due to the increasing need to protect their lifestyles and the desire to save money among consumers.

Amidst 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, for the first nine months ended June 30, 2023, the Yokorei Group recorded consolidated net sales of ¥98,994 million, up 17.1% year on year. Operating income totaled ¥2,883 million, down 19.6% year on year, and ordinary income was ¥3,419 million, down 22.2% year on year. Profit attributable to owners of the parent totaled ¥2,324 million, a year-on-year decline of 21.4%.

Refrigerated Warehousing Business

The Refrigerated Warehousing Business posted a year-on-year increase in sales, but a decrease in profit in the first nine months ended June 30, 2023.

The inbound and outbound cargo volumes remained at the same level as the previous fiscal year. However, because of the easing of restrictions on activities, suppliers secured inventory in anticipation of a recovery in inbound tourism and dining out, by which stockpiles of livestock products in particular remained at a high level, resulting in a significant increase in storage fee income compared to the previous fiscal year. On the other hand, the rise in electricity prices and the temporary increase in expenses at the time of the launch of the new Chiba Research Park Logistics Center in March of this year led to a slight decrease in profits.

While the inbound and outbound cargo volumes remained at the same level as the previous fiscal year, Thai Yokorei Co., Ltd., a consolidated subsidiary in Thailand, also saw a decrease in revenue and profits due to a decrease in inventory of livestock products, which are the main items in storage, and a similar rise in electricity prices as in Japan.

As a result, overall segment sales came to ¥23,495 million, up 5.6% year on year, and operating income was ¥5,009 million, a decline of 1.8%.

Food Sales Business

The Food Sales Business posted a year-on-year increase in sales, but a decrease in profit in the first nine months ended June 30, 2023.

In marine products, although the handling volume of scallops decreased due to the high market price, that of main items such as salmon, mackerel, and squid, etc. grew, in addition to the abundant

albacore tuna catch in Kesenuma. As a result, net sales and profits of marine products as a whole increased significantly.

Net sales and profits of livestock products increased due to the expansion of sales channels for pork to mass retailers and the recovery of demand from restaurants. However, the balance between supply and demand for chicken was disrupted, resulting in increased sales but lower profits. Accordingly, net sales of livestock products as a whole increased but profits decreased. Further, the future surrounding chicken products is uncertain due to the outbreak of avian influenza in Brazil.

In agricultural products, increased handling of potatoes and cabbage covered the poor harvest of onions, resulting in increased sales and profits.

As a result of the above, in the Food Sales Business, net sales of materials from the foreshore, including those for export, were strong due to good catches in the local seas, and consumption recovered due to the relaxation of restrictions on activities. As a result, in the first nine months ended June 30, 2023, results partially made up for the shortfall from the first half of the current fiscal year, resulting in net sales of ¥75,456 million (up 21.2% year on year) and operating income of ¥984 million (down 10.4% year on year).

(2) Consolidated Financial Position

Assets, Liabilities, and Net Assets

Total assets as of June 30, 2023 amounted to ¥199,496 million, an increase of ¥20,474 million from the previous fiscal year-end (September 30, 2022). This was mainly due to increases of ¥6,274 million in merchandise, ¥4,440 million in property, plant and equipment, ¥4,140 million in notes and accounts receivable-trade, and ¥3,772 million in cash and deposits, and a decrease of ¥2,929 million in loans receivable.

Total liabilities increased by ¥20,603 million from the end of the previous fiscal year to ¥114,454 million. This was mainly due to an increase of ¥20,917 million in loans payable.

Net assets decreased by ¥128 million from the end of the previous fiscal year to ¥85,041 million.

Cash Flow

Cash and cash equivalents (hereinafter, “cash”) during the first nine months ended June 30, 2023 increased by ¥3,772 million from the end of the previous fiscal year (September 30, 2022) to ¥6,185 million. The main factors affecting cash flow during the first nine months ended June 30, 2023 are summarized as follows.

(Cash flow from operating activities)

Net cash used in operating activities amounted to ¥6,435 million, compared with ¥2,679 million provided in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥3,680 million in income before income taxes and depreciation and amortization of ¥4,836 million. These inflows were outweighed by cash outflows mainly attributable to an increase of ¥6,219 million in inventories, an increase of ¥4,136 million in accounts receivable – trade, an increase of ¥1,814 million in advance payments, and ¥1,757 million in income taxes paid.

(Cash flow from investing activities)

Net cash used in investing activities amounted to ¥9,054 million, compared with ¥93 million used in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥3,279 million from the collection of loans receivable. This inflow was outweighed by cash outflows of ¥8,853

million for the purchase of property, plant and equipment, and ¥2,608 million for the purchase of investment securities.

(Cash flow from financing activities)

Net cash provided by financing activities amounted to ¥19,260 million, compared with ¥2,474 million used in the same period of the previous fiscal year. This net inflow was mainly due to a net increase in loans payable from financial institutions of ¥20,893 million, which was partly offset by dividends paid to shareholders of ¥1,360 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 June 30, 2023 Amount
Assets		
Current assets		
Cash and deposits	2,423	6,195
Notes and accounts receivable - trade	13,933	18,074
Merchandise	15,660	21,934
Advance payments	169	1,990
Short-term loans receivable	4,953	2,086
Other	841	1,535
Allowance for doubtful accounts	(47)	(25)
Total current assets	37,934	51,792
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	51,457	54,875
Machinery, equipment and vehicles, net	8,139	8,453
Land	30,229	30,486
Leased assets, net	276	308
Construction in progress	3,924	4,367
Other, net	809	785
Total property, plant and equipment	94,837	99,277
Intangible fixed assets		
Goodwill	72	39
Other	2,215	3,144
Total intangible fixed assets	2,287	3,184
Investments and other assets		
Investment securities	39,357	40,636
Long-term loans receivable	4,661	4,599
Deferred tax assets	-	4
Other	1,084	1,127
Allowance for doubtful accounts	(1,141)	(1,124)
Total investments and other assets	43,961	45,242
Total noncurrent assets	141,087	147,704
Total assets	179,021	199,496

	As of September 30, 2022	(Millions of yen) As of June 30, 2023
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,225	5,609
Short-term loans payable	13,093	22,451
Current portion of long-term loans payable	4,364	5,802
Lease obligations	79	94
Income taxes payable	933	229
Accrued employees' bonuses	791	204
Accrued bonuses for directors and corporate auditors	29	39
Other	6,911	7,716
Total current liabilities	<u>31,430</u>	<u>42,148</u>
Noncurrent liabilities		
Bonds	30,000	30,000
Long-term loans payable	29,727	39,848
Lease obligations	213	240
Deferred tax liabilities	229	-
Provision for Executive Compensation BIP Trust	143	143
Net defined benefit liability	979	959
Asset retirement obligations	91	91
Other	1,035	1,022
Total noncurrent liabilities	<u>62,420</u>	<u>72,306</u>
Total liabilities	<u>93,850</u>	<u>114,454</u>
Net assets		
Shareholders' equity		
Common stock	14,303	14,303
Capital surplus	14,399	14,409
Retained earnings	50,740	51,705
Treasury stock	(286)	(425)
Total shareholders' equity	<u>79,157</u>	<u>79,992</u>
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	3,988	3,453
Deferred gain (loss) on derivatives under hedge accounting	147	(335)
Foreign currency translation adjustments	605	616
Remeasurements of defined benefit plans	(92)	(92)
Total accumulated other comprehensive income	<u>4,647</u>	<u>3,642</u>
Non-controlling interests	<u>1,365</u>	<u>1,406</u>
Total net assets	<u>85,170</u>	<u>85,041</u>
Total liabilities and net assets	<u>179,021</u>	<u>199,496</u>

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

	(Millions of yen)	
	Nine months ended June 30, 2022	Nine months ended June 30, 2023
	Amount	Amount
Net sales	84,531	98,994
Cost of sales	74,787	89,313
Gross profit	9,744	9,681
Selling, general and administrative expenses	6,157	6,797
Operating income	3,587	2,883
Other income		
Interest income	392	262
Dividend income	382	400
Insurance dividends	34	33
Foreign exchange gains	684	1
Other	403	322
Total other income	1,897	1,020
Other expenses		
Interest expenses	272	290
Provision of allowance for doubtful accounts	256	-
Loss on valuation of derivatives	312	68
Other	247	124
Total other expenses	1,088	484
Ordinary income	4,395	3,419
Extraordinary income		
Gain on receipt of contingent consideration	-	260
Total extraordinary income	-	260
Income before income taxes	4,395	3,680
Income taxes - Current	1,052	1,112
Income taxes - Deferred	332	222
Total income taxes	1,384	1,334
Profit	3,011	2,345
Profit attributable to non-controlling interests	53	21
Profit attributable to owners of the parent	2,957	2,324

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended	Nine months ended
	June 30, 2022	June 30, 2023
	Amount	Amount
Profit	3,011	2,345
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	946	(534)
Deferred gain (loss) on derivatives under hedge accounting	205	(482)
Foreign currency translation adjustments	316	32
Remeasurements of defined benefit plans	(75)	0
Total other comprehensive income	1,392	(984)
Comprehensive income	4,403	1,361
Breakdown:		
Comprehensive income attributable to owners of the parent	4,271	1,319
Comprehensive income attributable to non-controlling interests	132	41

(3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Nine months ended June 30, 2022	Nine months ended June 30, 2023
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	4,395	3,680
Depreciation and amortization	4,760	4,836
Amortization of goodwill	29	31
Increase (decrease) in accrued employees' bonuses	(587)	(586)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(3)	9
Increase (decrease) in allowance for doubtful accounts	256	(39)
Increase (decrease) in net defined benefit liability	48	(21)
Interest and dividends income	(775)	(662)
Interest expenses	272	290
Loss (gain) on valuation of derivatives	312	68
Gain on receipt of contingent consideration	-	(260)
Decrease (increase) in accounts receivable - trade	(1,599)	(4,136)
Decrease (increase) in inventories	(4,282)	(6,219)
Decrease (increase) in advance payments	(52)	(1,814)
Increase (decrease) in accounts payable - trade	210	384
Increase (decrease) in accrued expenses	199	123
Other - net	612	(703)
Sub total	3,798	(5,019)
Interest and dividend income received	788	642
Interest paid	(232)	(301)
Income taxes paid	(1,674)	(1,757)
Net cash provided by (used in) operating activities	2,679	(6,435)
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,403)	(8,853)
Proceeds from sales of property, plant and equipment	2	4
Purchase of intangible fixed assets	(312)	(1,070)
Purchase of investment securities	(3)	(2,608)
Proceeds from redemption of investment securities	961	293
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	7,784	-
Proceeds from settlement of contingent consideration	-	260
Payments of loans receivable	(4,480)	(301)
Collection of loans receivable	3,574	3,279
Other - net	(217)	(57)
Net cash provided by (used in) investing activities	(93)	(9,054)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,105)	9,339
Proceeds from long-term loans payable	5,000	15,000
Repayments of long-term loans payable	(4,928)	(3,446)
Purchase of treasury stock	(0)	(200)
Dividends paid to shareholders	(1,361)	(1,360)
Other - net	(77)	(72)
Net cash provided by (used in) financing activities	(2,474)	19,260
Effect of exchange rate changes on cash and cash equivalents	11	2
Net increase (decrease) in cash and cash equivalents	123	3,772
Cash and cash equivalents, beginning of period	3,160	2,413
Cash and cash equivalents, end of period	3,283	6,185

(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. Nine months ended June 30, 2022 (October 1, 2021 – June 30, 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	22,254	62,237	39	84,531	-	84,531
Intersegment sales or transfers	1,428	-	34	1,463	(1,463)	-
Total	23,683	62,237	73	85,995	(1,463)	84,531
Segment profit (loss)	5,101	1,097	38	6,237	(2,650)	3,587

- Notes:
1. The minus 2,650 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. 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	Food Sales	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:
1. The minus 3,134 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.