1. Qualitative Information on the Consolidated Business Results for the Three Months Ended December 31, 2021

(1) Consolidated Operating Performance

In the first three months of the fiscal year ending September 30, 2022 (October 1, 2021 – December 31, 2021), the Japanese economy continued to be affected by the novel coronavirus (COVID-19) as new variants raised concerns about the spread of a new wave of infections, The economic outlook therefore remains uncertain. Overseas as well, downside economic risks remain with new COVID variants spreading infections in most countries, soaring crude oil prices, supply constraints, and other factors weighing on global economic conditions.

The food industries related to the Yokorei Group's business also continue to face difficult conditions. In addition to rising food prices, the shortage of marine containers continues to delay product distribution. Meanwhile, the restaurant industry has been negative affected by local government requests that shops shorten operating hours and refrain from selling alcoholic beverages.

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 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 ¥120 billion, operating income of ¥5 billion, EBITDA of ¥11 billion, and maintenance of an equity ratio in the mid-40s in the final year of the medium-term plan (ending September 30, 2023).

In September 2021, the Company restructured its Norway trout cultivation business, converting the former consolidated subsidiary Hofseth Aqua AS into a 100% Norwegian-owned company. The restructuring secures the Norwegian company's management freedom and reduces the risk of earnings fluctuations for the YOKOREI Group.

As a result of Group company efforts during the first three months of the fiscal year, first-quarter consolidated net sales came to ¥29,477 million, up 4.1% year on year. Operating income increased 24.5% to ¥1,496 million, and ordinary income reached ¥1,892 million, a year-on-year gain of 34.4%. Profit attributable to owners of the parent totaled ¥1,240 million, an increase of 49.3%.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year. Owing to the change in the accounting standard, the year-on-year percentage change figures are based on differing calculation methods. For a more detailed explanation, please refer to "2. Consolidated Financial Statements, (4) Notes on the Consolidated Financial Statements (Changes in Accounting Policies)."

Refrigerated Warehousing Business

The Refrigerated Warehousing Business posted year-on-year increases in sales and profit in the first three months of the fiscal year.

Despite the continued pandemic, cargo movement is recovering and both inbound and outbound cargo volumes were greater than a year earlier.

Growth in demand for frozen foods in particular contributed to the increase in inbound cargo volumes. Refrigerated warehouses near the Metropolitan Inter-City Expressway in the Tokyo area were a key driver of the segment's growth as they increased their volume of frozen foods handled by providing a consolidated logistics service that enhances customer convenience and supports environment-friendly management.

The Fukuoka ISLAND CITY Logistics Center has been operating steadily since its establishment last year, contributing to segment profit growth.

Consolidated subsidiary Thai Yokorei Co., Ltd., posted gains in sales and profits on a recovery in livestock cargo volumes handled.

As a result, overall segment sales came to ¥7,656 million, up 4.6% year on year, and operating income was ¥1,925 million, an increase of 5.9%.

The application of the new accounting standard for revenue recognition reduced both sales and operating income by ¥17 million respectively.

Food Sales Business

The Food Sales Business posted year-on-year increases in sales and profit in the first three months of the fiscal year.

In the livestock category, with market prices of livestock products rising and ship arrivals delayed, the business shifted its focus from quantity to quality and was able to increase profit despite lower sales.

In the marine products category, sales and profits increased as the business focused on profit-oriented sales amid the global rise in market prices for such core products as salmon/trout, shrimp, and crab.

The agricultural products category also shows gains in sales and profits, as sales were pushed ahead of plan in response to poor harvests of potatoes and onions.

Reflecting the above factors, segment sales totaled ¥21,809 million, up 4.0% year on year, and operating income rose 153.4% to ¥477 million.

The application of the new accounting standard for revenue recognition reduced sales by ¥724 million while also reducing cost of sales by ¥680 million.

(2) Consolidated Financial Position

Assets, Liabilities, and Net Assets

Total assets as of December 31, 2021, amounted to ¥177,340 million, a decrease of ¥862 million from the previous fiscal year-end (September 30, 2021). The decline is mainly attributable to increases of ¥4,071 million in notes and accounts receivable–trade and ¥3,461 million in merchandise, and decreases of ¥7,040 million in other (accounts receivable), ¥944 million in cash and deposits, and ¥285 million in loans receivable.

Total liabilities amounted to ¥94,370 million, ¥1,264 million less than at the previous fiscal year-end. This change mainly reflects a decrease of ¥1,273 million in loans payable.

Total net assets amounted to ¥82,969 million, an increase of ¥401 million from the previous fiscal year-end.

Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the period amounted to ¥2,215 million, a decrease of ¥944 million from the previous fiscal year-end (September 30, 2021).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 ¥4,376 million compared with ¥1,644 million provided in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥1,892 million in income before income taxes, depreciation and amortization of ¥1,551 million, and an increase of ¥973 million in accounts payable – trade. These inflows were outweighed by cash outflows mainly attributable to increases of ¥4,083 million in accounts receivable – trade and ¥3,424 million in inventories, and ¥787 million in income taxes paid.

(Cash flows from investing activities)

Net cash provided by investing activities totaled ¥2,793 million, compared with ¥3,014 million used in the same period of the previous fiscal year. The main inflows were the ¥7,784 million in proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation and ¥1,191 million from the collection of loans receivable. Investment outflows included ¥5,233 million used for the purchase of property, plant and equipment and ¥823 million in payments of loans receivable.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥644 million, compared with ¥901 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 ¥1,351 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, 2022, announced on November 12, 2021, with the financial results for the fiscal year ended September 30, 2021.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2021	As of December 31, 2021
	Amount	Amount
Assets		
Current assets		
Cash and deposits	3,170	2,225
Notes and accounts receivable - trade	11,827	15,898
Merchandise	11,743	15,205
Advance payments	322	223
Short-term loans receivable	5,303	4,945
Other	9,090	2,027
Allowance for doubtful accounts	(81)	(84)
Total current assets	41,376	40,441
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	53,339	52,618
Machinery, equipment and vehicles, net	8,833	8,473
Land	29,597	30,122
Leased assets, net	238	263
Construction in progress	579	1,229
Other, net	876	837
Total property, plant and equipment	93,464	93,545
Intangible fixed assets		
Goodwill	102	88
Other	2,185	2,164
Total intangible fixed assets	2,287	2,253
Investments and other assets		
Investment securities	37,014	36,989
Long-term loans receivable	3,816	3,888
Other	832	840
Allowance for doubtful accounts	(588)	(618)
Total investments and other assets	41,074	41,099
Total noncurrent assets	136,826	136,899
Total assets	178,203	177,340

(Millions of yen)

	As of September 30, 2021	As of December 31, 2021
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,709	5,682
Short-term loans payable	14,013	16,082
Current portion of long-term loans payable	6,007	5,959
Lease obligations	77	86
Income taxes payable	1,071	464
Accrued employees' bonuses	788	143
Accrued bonuses for directors and corporate auditors	24	6
Other	7,600	4,905
Total current liabilities	34,293	33,332
Noncurrent liabilities		
Bonds	30,000	30,000
Long-term loans payable	29,309	28,560
Lease obligations	175	195
Deferred tax liabilities	195	455
Provision for Executive Compensation BIP Trust	143	143
Net defined benefit liability	720	845
Asset retirement obligations	91	91
Other	705	745
Total noncurrent liabilities	61,341	61,037
Total liabilities	95,634	94,370
Net assets		
Shareholders' equity		
Common stock	14,303	14,303
Capital surplus	14,394	14,394
Retained earnings	49,188	49,341
Treasury stock	(336)	(336)
Total shareholders' equity	77,550	77,703
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	3,630	4,029
Deferred gain (loss) on derivatives under hedge accounting	(65)	31
Foreign currency translation adjustments	199	62
Remeasurements of defined benefit plans	86	3
Total accumulated other comprehensive income	3,850	4,125
Non-controlling interests	1,167	1,140
Total net assets	82,568	82,969
Total liabilities and net assets	178,203	177,340

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

(Millions of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
	Amount	Amount
Net sales	28,313	29,477
Cost of sales	24,405	25,922
Gross profit	3,908	3,555
Selling, general and administrative expenses	2,706	2,058
Operating income	1,202	1,496
Other income		
Interest income	158	122
Dividend income	40	169
Insurance dividends	31	33
Foreign exchange gains	-	111
Other	229	162
Total other income	460	600
Other expenses		
Interest expenses	136	93
Loss on valuation of derivatives	-	59
Foreign exchange losses	100	-
Other	17	51
Total other expenses	254	204
Ordinary income	1,407	1,892
Income before income taxes	1,407	1,892
Income taxes - Current	384	375
Income taxes - Deferred	174	257
Total income taxes	559	632
Profit	848	1,259
Profit attributable to non-controlling interests	17	19
Profit attributable to owners of the parent	831	1,240

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
	Amount	Amount
Profit	848	1,259
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	499	398
Deferred gain (loss) on derivatives under hedge accounting	10	96
Foreign currency translation adjustments	(60)	(183)
Remeasurements of defined benefit plans	90	(82)
Total other comprehensive income	540	229
Comprehensive income	1,388	1,488
Breakdown:		
Comprehensive income attributable to owners of the parent	1,418	1,515
Comprehensive income attributable to non-controlling interests	(30)	(26)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	1,407	1,892
Depreciation and amortization	1,555	1,551
Amortization of goodwill	123	8
Increase (decrease) in accrued employees' bonuses	(605)	(644)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(12)	(17)
Increase (decrease) in allowance for doubtful accounts	(34)	32
Increase (decrease) in net defined benefit liability	(11)	44
Interest and dividends income	(199)	(292)
Interest expenses	136	93
Loss (gain) on valuation of derivatives	(65)	59
Decrease (increase) in accounts receivable - trade	(1,525)	(4,083)
Decrease (increase) in inventories	(1,720)	(3,424)
Decrease (increase) in advance payments	132	77
Increase (decrease) in accounts payable - trade	1,749	973
Increase (decrease) in accrued expenses	82	122
Other - net	883	(282)
Sub total	1,897	(3,888)
Interest and dividend income received	226	334
Interest paid	(52)	(34)
Income taxes paid	(427)	(787)
Net cash provided by (used in) operating activities	1,644	(4,376)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,368)	(5,233)
Proceeds from sales of property, plant and equipment	10	1
Purchase of intangible fixed assets	(13)	(99)
Purchase of investment securities	(2)	(1)
Payments of loans receivable	(1,018)	(823)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	7,784
Collection of loans receivable	1,388	1,191
Other - net	(11)	(26)
Net cash provided by (used in) investing activities	(3,014)	2,793
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,803	2,130
Repayments of long-term loans payable	(2,153)	(779)
Purchase of treasury stock	(0)	(0)
Dividends paid to shareholders	(680)	(682)
Other - net	(68)	(24)
Net cash provided by (used in) financing activities	901	644
Effect of exchange rate changes on cash and cash equivalents	2	(6)
Net increase (decrease) in cash and cash equivalents	(466)	(944)
Cash and cash equivalents, beginning of period	4,121	3,160
Cash and cash equivalents, end of period	3,655	2,215

(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 Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter under review.

With this change, for the Food Sales Business, a portion of the promotion expenses, etc. that had previously been recorded as selling, general and administrative expenses is now deducted from net sales. Meanwhile, with regard to agent transactions, the Company has shifted to the method by which it recognizes revenue at the net amount of consideration. For the Refrigerated Warehousing Business, with regard to the loading/unloading fees that were recorded as a lump sum as sales at the time of entry of cargo into warehouses, the Company changed the method of recognizing revenue related to removal of cargo from warehouses at the point when the performance obligation is satisfied.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter under review was reflected in the beginning balance of retained earnings of the first quarter under review, and the new accounting policy was thus applied from the beginning balance.

For the first three months of the fiscal year under review, as a result of this change, net sales decreased by 742 million yen, cost of sales decreased by 680 million yen, selling, general and administrative expenses decreased by 43 million yen, and operating income, ordinary income and income before income taxes each decreased by 17 million yen. In addition, other under current liabilities increased by 606 million yen and the balance of retained earnings as of the beginning of the first quarter showed a decline of 406 million yen.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation. Furthermore, in accordance with the transitional treatment stipulated in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue from contracts with customers for the first three months of the fiscal year ended September 30, 2021, is omitted.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. have been applied from the beginning of the first quarter under review, and in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth by the Accounting Standard for Fair Value Measurement, etc. are applied prospectively. The impact of these changes on the Company's consolidated quarterly financial statements is minor.

Segment Information

I. Three months ended December 31, 2020 (October 1, 2020 – December 31, 2020)

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	7,321	20,980	12	28,313	-	28,313
Intersegment sales or transfers	399	-	13	413	(413)	-
Total	7,721	20,980	25	28,727	(413)	28,313
Segment profit (loss)	1,818	188	15	2,022	(820)	1,202

Notes:
1. The minus 820 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, 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.

2. Matters relating to changes in reportable segments, etc.

As stated under the "Changes in Accounting Policies," the Accounting Standards for Revenue Recognition, etc. have been applied from the beginning of the first quarter under review. As a result of a change in the method of accounting treatment for revenue recognition, the method of measuring profit or loss in each business segment has also been changed accordingly.

As a result of this change, for the three months under review, compared with the previous method of calculation, for the Refrigerated Warehousing Business, net sales and segment income both decreased by ¥17 million respectively, and for the Food Sales Business, net sales decreased by ¥724 million.