
 Representative director and CEO Motohisa Yoshimura	Yoshimura Food Holdings K.K. (2884)
	 YOSHIMURA FOOD HOLDINGS

Corporate Information

Exchange	TSE 1st Section
Industry	Food products (manufacturing)
Representative director and CEO	Motohisa Yoshimura
Address	18F, Fukoku Seimei Bldg., 2-2-2, Uchisaiwai-cho, Chiyoda-ku, Tokyo
Year-end	February
URL	http://y-food-h.com

Stock Information

Share price	Shares Outstanding		Total Market Cap	ROE (Actual)	Trading Unit
¥801	22,419,295 shares		¥17,957 million	4.6%	100 shares
DPS (Estimate)	Dividend Yield (Estimate)	EPS (Estimate)	PER (Estimate)	BPS (Actual)	PBR (Actual)
¥0.00	-	¥18.95	42.3x	¥154.54	5.2x

*Share price is as of closing on October 20. Shares outstanding, DPS, EPS were taken from the brief report on results of the second quarter of the fiscal year ending Feb. 2021. ROE and BPS were taken from results of the previous term.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
February 2017 (Actual)	16,241	493	530	353	16.28	0.00
February 2018 (Actual)	20,035	494	554	419	19.19	0.00
February 2019 (Actual)	23,716	354	420	263	12.04	0.00
February 2020 (Actual)	29,875	808	740	177	8.02	0.00
February 2021 (Estimate)	30,900	910	922	420	18.95	0.00

*Unit: Million yen. The estimated values were provided by the company.

This Bridge Report presents Yoshimura Food Holdings K.K.'s earnings results for the second quarter of Fiscal Year ending February 2021, etc.

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Key Points

- **The company has developed an original business model in the food industry and pursues growth with two engines: “the increase in the number of group companies” and “the expansion of business of existing group companies.”**
- **The sales for the second quarter of the term ending February 2021 were 14,809 million yen, the same level as the previous year. Although the domestic business continued to be healthy, the sales of overseas subsidiaries decreased significantly due to the impact of the novel coronavirus, especially from a partial lockdown in Singapore. Operating income declined 48.7% year on year to 247 million yen. In the domestic business, profit rose by 114 million yen year on year, but sales in the overseas business, which has a high-profit margin, dropped significantly, resulting in a decrease of 316 million yen year on year. EBITDA fell 13.2% year on year to 734 million yen.**
- **The earnings estimate for the term ending February 2021 remains unchanged. Sales are estimated to be 30,900 million yen, up 3.4% year on year, and operating income is projected to be 910 million yen, up 12.6% year on year. EBITDA is estimated to be 1,739 million yen, up 7.1% year on year. Both sales and profit are expected to mark a record high. The companies that were acquired in the previous term will contribute to the results for the full year. No new M&A is expected.**
- **Regarding the impact of the novel coronavirus, the sales of domestic subsidiaries are expected to remain robust towards the end of the term, and the sales of overseas subsidiaries are expected to recover gradually towards the end of the term.**
- **The progress rate against the full-year forecast for the first half of this year was 47.9% for sales, 27.1% for operating income, and 32.0% for ordinary income. The progress rate of profits was low, but EBITDA is 42.2%, which is reasonable.**
- **On the other hand, the company improved equity capital through a capital increase, which they have been considering while recognizing that it is indispensable for their future growth. Unfortunately, the stock market’s reaction was weak at this point. Still, the expansion of procurement capacity will speed up M&A implementation, and accelerate “growth by expanding the number of group companies.” Also, the spread of the novel coronavirus is forecasted to lead to an increase in sales deals. There is a strong sense of uncertainty at the moment, especially in overseas business. Still, we would like to note that the company is strengthening the business foundation from a medium- to long-term perspective.**

1.Company Overview

Yoshimura Food Holdings acquires small and medium-sized food products makers, facing various issues such as the difficulty in finding successors, through M&A at the same time as they possess excellent products and technologies. It also facilitates the growth of the entire corporate group by solving problems with their core skill, “a platform for supporting small and medium-sized enterprises (SME Support Platform),” and energizing each group company. Its strengths are an overwhelming advantage compared to investment funds and large companies as well as a high entry barrier. In recent years, the company has been concentrating on overseas M&A. As of the end of August 2020, there are 19 major consolidated subsidiaries.

【1-1 Corporate History】

One day, a food company that was facing financial difficulties and could not find a buyer was introduced to Mr. Yoshimura, who was managing the listed companies' fundraising and M&A in the corporate business division at Daiwa Securities Co. Ltd. and Morgan Stanley Securities Co., Ltd.

Mr. Yoshimura took on this food company and established L Partners Co., Ltd. on his own in March 2008, which was the predecessor of Yoshimura Food Holdings K.K. because he strongly felt that Japan could be more appreciated through its "food" since his MBA days in the USA while working for Daiwa Securities. Through his efforts to revitalize the company using his experience and network, he succeeded in turning a profit.

Many food SMEs started seeking help from Mr. Yoshimura upon learning about his reputation. He thought that it was possible to efficiently achieve results if the companies complemented each other in various functions, such as product development, production, and sales under a holding company system, instead of working on each company individually. Hence, he named the corporate Yoshimura Food Holdings K.K. in August 2009.

Since then, the company has continued acquiring companies facing problems with business succession or failing to handle management on their own. Due to the high reputation of the company for its unique position of not competing with major food companies and investment funds and its policy of not selling the companies it acquired, it received financing from Japan Tobacco (JT) and expanded its business. In March 2016, it was listed on the Mothers of Tokyo Stock Exchange, and in March 2017, it was listed in the first section of Tokyo Stock Exchange.

The company is pursuing further growth by acquiring not only Japanese companies, but also overseas companies in Singapore, Malaysia, etc.

【1-2 Target Social Image】

The company's vision is "working towards a society where we can enjoy this 'delicious taste' forever—achieving affluence that allows consumers to enjoy diverse food cultures."

The company aims to realize a prosperous global society full of a wide variety of safe, secure, and sustainable food products by bringing out the potential of local SMEs and contributing to the maintenance and development of local communities.

On that basis, the company considers its role as follows.

- ☆ By taking over food SMEs that have no successors, and continuing their business, the company will protect the staff's employment, products, and transactions, and contribute to the maintenance and development of local communities.
- ☆ The SME Support Platform will bring out SMEs' potential and integrate them to achieve regeneration and revitalization.
- ☆ Become a global producer that promotes the diversification of the world's food culture and the revitalization of local communities by stably producing safe, secure, and high-quality foods in Japan and supporting their global expansion.

【1-3 Market Environment and the Background of the Company's Establishment】

As a company aiming for supporting and revitalizing SMEs throughout Japan, Yoshimura Food Holdings explained the conditions of the food SMEs as follows:

(Investment Bridge extracted, summarized and edited the information from Yoshimura Food Holdings' annual securities reports and reference material)

(The Conditions of the Food SMEs)

*Japanese cuisine has been highly appreciated worldwide and is attracting attention. Also, on the national level, the food manufacturing industry has been one of the largest industries based on its number of business establishments, number of employees and GDP since the 1990s and it is one of the key industries that Japan is proud of.

*99% of the companies are SMEs where each one of them has strong products and technical skills.

*However, the domestic market scale is shrinking and some of the food SMEs find it hard to survive on their own as the business environment remains stringent due to the falling birthrate and aging population.

*Therefore, many companies give up on continuing their businesses and end up choosing to close down or suspend their business.

(Conditions of the SMEs' Business Succession)

*The average age of managers is 59.7, and it is expected that around 50% of the managers will reach the average retirement age in the upcoming 10 years as the average retirement age of managers is around 70.

*Under such conditions, two-thirds (66.4%) of domestic companies do not have a successor. The percentage of companies, with presidents in their 60s, which have finished the business succession or prepared for business succession is only around 36%. Thus, the preparation for business succession has not progressed.

*Moreover, in 2018, the number of SMEs that suspended or discontinued business doubled to reach 46,724 in comparison with the previous year where that number was around 21,000.

(According to SME Agency "White Paper on Small and Medium Enterprises" (2019 Edition), Teikoku Databank, Ltd. "Analysis of the age of company presidents in Japan (2019)," Teikoku Databank, Ltd. "Survey of Trends on 'Companies without a Successor' in Japan" (2018), Teikoku Databank, Ltd. "Survey of Companies' Attitude towards Business Succession" (2017) and data from Tokyo Shoko Research, Ltd.)

(Conditions of Business Succession of Food SMEs through Acquisition)

*Although there are increasing needs for business succession from food SMEs, the number of companies and organizations that would acquire them is small.

*The scale of many food SMEs is too small for major companies to acquire.

*Furthermore, investment funds' primary aim is to rapidly grow independent companies and sell them off within a few years. Therefore, the mature market of food SMEs tends not to be one of their investment targets.

*Under these conditions, there is a tremendous shortage in the bearers of the responsibility of taking on the business of the SMEs.

【1-4 Business Description】

Having Yoshimura Food Holdings as its holding company, the corporate group consists of 19 group companies.

Yoshimura Food Holdings aims to support and revitalize SMEs that manufacture and sell food products by creating a corporate group, composed of the food SMEs that are facing problems in securing a successor, through M&A. Yoshimura Food Holdings is responsible for business strategies' design and implementation, as well as the business management of each company in the group. It also supports and supervises their sales, manufacturing, procurement, distribution, product development, quality control, and business management.

① Business Model

The company developed a unique business model in the food industry and is pursuing growth based on two engines.

One of them is the increase in the number of group companies.

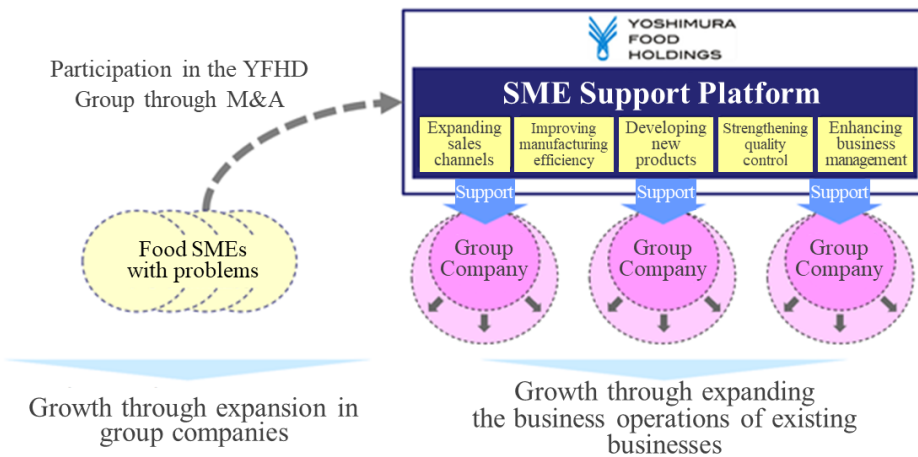
Since its establishment in 2008, the company prevented food SMEs that had business succession and financial problems from shutting down or facing business suspension by acquiring them. Thus, it has managed to solve their problems.

As of February, 2020, the company had 19 group companies. It is recently focusing on adding not only Japanese companies to the group, but also overseas ones.

Target companies are found by mainly M&A mediating companies, local financial institutions such as regional banks, lawyers and accountants. The company plans to improve its own function for finding target companies from the aspect of costs as well.

The other one is the expansion of business of existing group companies.

Yoshimura Food Holdings supports the expansion of business operations of each company and solves problems by supervising each function of these companies, which have excellent products and technologies but could not achieve growth for reasons such as the lack of sales channels, labor shortage or poor business management, through the "SME Support Platform."



(Taken from the reference material of the company)

What is the SME Support Platform?

The core of this unique business model is the “SME Support Platform,” a product of the company’s accumulation of know-how and achievements through its specializing in food manufacturing and sales.

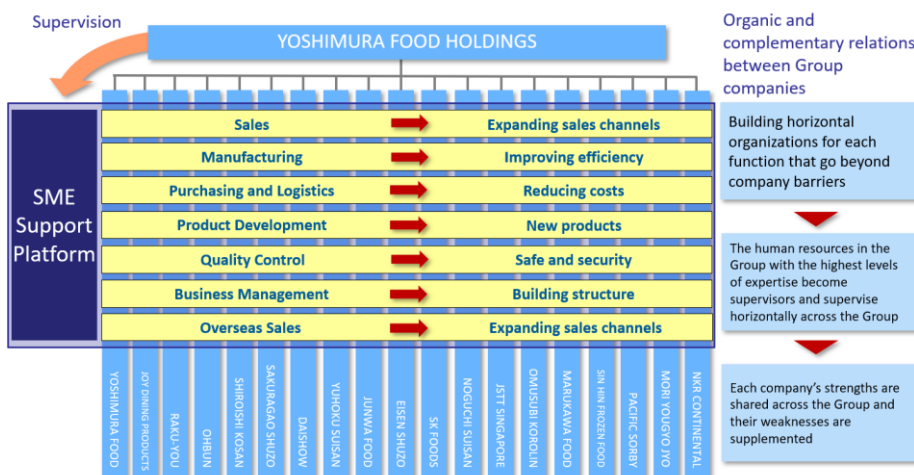
As a holding company, Yoshimura Food Holdings is responsible for business strategies’ design and implementation, as well as the business management of each subsidiary in the group. It also aims to strengthen the business foundation of each subsidiary through the company supervisor’s horizontal supervision of its functions (sales, manufacturing, procurement, distribution, product development, quality control and business management) in a manner that goes beyond the company barriers and through his support for the business by building organic relations between subsidiary companies.

For example, Company A which has an excellent product but is worried about sales growth can use the sales channels and sales know-how of Company B that has a nationwide sales network. Also, it can achieve a stable financial position by using the creditworthiness of Yoshimura Food Holdings which is listed in the stock market to raise funds.

This cooperation is made to be more effective through appointing the personnel in the group with the highest levels of expertise as supervisors.

Hence, the “SME Support Platform” is a system in which each company’s “strengths” such as strong products and technologies, sales channels, and manufacturing know-how are shared across the group and their “weaknesses” such as a shortage in personnel, funds, or sales channels are supplemented.

Support and revitalization from the integrated Group management



(Taken from the reference material of the company)

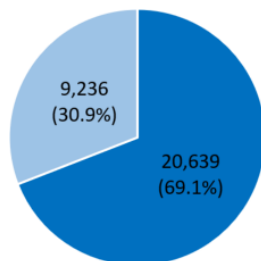
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② Segments

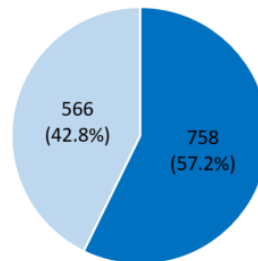
The company has two segments: “manufacturing business segment” and “sales business segment.”

Sales composition of each segment



■ Manufacturing business ■ Sales business

Operating income composition of each segment



■ Manufacturing business ■ Sales business

*The term ended Feb. 2020. Unit: Million yen. The Sales are the sales to external customers. Composition in operating income is the rate of the total operating income before taxes and interest.

◎ Manufacturing Business Segment

Each company develops, manufactures and sells its unique products mainly through wholesalers to supermarkets, convenience stores, drug stores, hotels, restaurants, etc.

(Group Companies within the Manufacturing Business Segment)

Company Name	Features
RAKU-YOU INC. (Adachi Ward, Tokyo)	Six factories in Japan manufacture and sell chilled shumai and chilled dumpling. It has the largest share of chilled shumai production in Japan.
Ohbun Co., Ltd. (Shikokuchuo City, Ehime Prefecture)	It has an independent route to procure oysters with a limited supply from Hiroshima Prefecture. Fried oysters are its leading product, but it also manufactures and sells other products such as deep-fried chicken cutlets and fried chicken breast.
Shiroishi Kosan, Inc. (Shiroishi City, Miyagi Prefecture)	Founded in 1886. Its leading product is Shiroishi hot noodles, which are a specialty of Shiroishi City. The company also sells dry noodles and other products using traditional manufacturing methods.
Daishow Co., Ltd. (Tokigawa-machi, Hiki-gun, Saitama Prefecture)	It is a pioneer in the peanut butter industry. “Peanut Butter Creamy” made by its own unique manufacturing methods has been continuously a long-selling product since started being sold in 1985.
Sakuragao Shuzo K.K. (Morioka City, Iwate Prefecture)	It was established in 1973 as a collective of 10 local breweries in Iwate Prefecture. Its sake which is brewed using the skills of the biggest Toji (head brewers) group in Japan, Nanbu Toji, has a high reputation for its fruity taste.
Yuhoku Seafood Processing Co., Ltd. (Oi-machi, Ashigarakamigun, Kanagawa Prefecture)	The company manufactures and sells negitoro and tuna slices using tuna that is immediately frozen on the ship at minus 50-60 degrees as soon as it is caught.
JUNWA FOOD Corporation (Kumagaya City, Saitama Prefecture)	It has constructed a perfect quality control system, including having acquired the Saitama Prefecture HACCP. Although it is a jelly manufacturing start-up company, it has an established reputation by major hypermarkets for its products’ quality and technological capabilities.
Eisen Shuzo Co., Ltd. (Bandai-machi, Yama-gun, Fukushima Prefecture)	It was established in Aizu Wakamatsu in 1869. In a serene natural environment, the company brews delicious sake with a smooth taste that you would never get tired of drinking by employing traditional handmade techniques that have been inherited through generations to utilize the five senses to the maximum and using the crystal clear water from “the natural springs in the western foot of Mt. Bandai that has been designated as one of the Best 100 Natural Water Resources in Japan.”

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SK Foods Co., Ltd. (Yorii-machi, Osato-gun, Saitama Prefecture)	It mainly manufactures and sells chilled and frozen pork cutlet and makes products that meet customer needs. Also, it conducts direct procurement and direct sales without depending on any trading companies.
Yamani Noguchi Suisan K. K. (Rumoi City, Hokkaido Prefecture)	For half a century, the company has manufactured and sold Hokkaido Prefecture's specialties such as salmon jerky and herring that are prepared by its skilled workers who use unique manufacturing techniques.
JSTT SINGAPORE PTE. LTD. (Singapore)	The company located in Singapore manufactures and sells sushi, makimono, rice balls, etc. by using fresh Japanese seafood transported by air.
Omusubi Kororin Honpo K.K. (Azumino City, Nagano Prefecture)	Using its own freeze-dry device, it manufactures ingredients for confectionery, emergency food, etc. The company's "Mizu Modori Mochi" (rice cakes that can be prepared by adding water) is famous for being used in the Space Shuttle Endeavour.
Marukawa Shokuhin Co, Ltd. (Iwata City, Shizuoka Prefecture)	A famous dumpling shop in Hamamatsu area. It manufactures and sells dumplings using carefully selected ingredients and a secret recipe the company has been following since its establishment.
PACIFIC SORBY PTE. LTD. (Singapore)	The company procures frozen seafood and fresh fish, and it processes and sells them by wholesale to hotels and hospitals in Singapore. The products the company mainly handles are frozen seafood, such as crab, lobster, shrimp and salmon, and fresh fish caught in the sea around Singapore.
Mori Yougyojou Co., Ltd. (Ogaki City, Gifu Prefecture)	An ayu (sweetfish) farming company that runs three fisheries in Gifu Prefecture and possesses the best scale and high-level facilities among fish farming companies in Japan. As an old-established company that has been running a business for more than 50 years, it raises high-quality ayu (sweetfish) using advanced fish farming technologies, the plentiful groundwater of "the Land of Pure Water Gifu," and the large-scale farming facilities that are managed by technicians.
NKR CONTINENTAL PTE. LTD. (Singapore)	The company designs, manufactures and sells commercial kitchen equipment mainly to luxury hotels and restaurants in Singapore and Malaysia.

◎ Sales Business Segment

Having sales and planning functions as its strengths, the section of this business plans and develops products that meet the consumer needs and mainly sells its products to industrial channels and supermarkets.

(Group Companies within the Sales Business Segment)

Company Name	Features
Yoshimura Food Co., Ltd. (Koshigaya City, Saitama Prefecture)	Mainly conducts the planning and sales of industrial food ingredients. It does not have distribution channels, but it has constructed a business model where it sends products directly to customers.
Joy Dining Products Co., Ltd. (Koshigaya City, Saitama Prefecture)	It conducts the planning and sales of frozen foods. Also, it has direct accounts with consumer co-ops throughout Japan and utilizes them to sell the products of the group companies.
SIN HIN FROZEN FOOD PRIVATE LIMITED (Singapore)	It procures high quality, safe and trusted frozen seafood products and processed seafood products from the influential seafood companies in various parts in Asia.

【1-5 Characteristics and Strengths】

①The Advantage in Business Succession through Acquisition

There are influential players in the M&A, such as major food companies and investment funds; however, this company has three main points that form strong competitive advantages, which are explained below.

***Ability to Acquire Companies of Various Scales**

The company does not aim to sell the companies it acquired. It aims to not only achieve short term business recovery, but also achieve sustainable growth from a medium to long term perspective. Therefore, the company can acquire a variety of SMEs, including those with a small business scale that would take time to achieve growth and those that lack management resources for growth. This point creates a huge difference between the company and other major food companies and investment funds that need the companies they will acquire to be of a certain scale. Moreover, it is not easy for investment funds aiming to generate capital gains from selling companies to gain the trust of owners and managers of food SMEs. Regarding this point, this company operating company groups with the aim of achieving sustainable growth from a medium-term perspective also has a huge advantage.

***Advanced Capability of M&A**

Since its establishment, the company has worked on creating many company groups out of food-related SMEs and later has achieved re-growth of these companies. Thus, it has thorough knowledge of the market environment of the food industry, business practices and risks that are peculiar to food SMEs, and strong assessment abilities, which enable the company to choose companies that have strengths from a large number of SMEs.

Also, the company has an extremely high capability of M&A since it has great expertise and accumulated knowledge in due diligence and negotiations.

***Rich and High-Quality M&A Data through its Wide Network**

The company can gather plenty of M&A data on the food SMEs since it has a wide network of financial institutions, such as city banks, regional banks, credit associations, securities companies and companies that provide M&A advisory services.

Furthermore, “the company’s specialization in the food industry” and “the reassurance that the company is not aiming to sell” are the two factors allowing the company to access not only to a huge amount of data, but also high-quality data that meets its needs.

②Core Skill: SME Support Platform

The company revitalizes the group companies through the “SME Support Platform” in which each group company’s “strengths” such as strong products and technologies, sales channels, and manufacturing know-how are shared across the group and their “weaknesses” such as a shortage in personnel, funds or sales channels are supplemented. These achievements are highly evaluated.

【1-6 Dividend Policy and Shareholders’ Benefit System】

(Dividend Policy)

Although payout to shareholders is one of the important business challenges, it is thought that allocating the cash to investment in the facilities to actively expand the business and to strengthen the business foundation by expanding the platform is what would lead to the highest payout to the shareholders because the company is considered to be within the growth process.

Therefore, the company has not provided dividend payout to its shareholders since its establishment and as of the time being, it plans to continue on using the cash to invest in business expansion and as necessary operating capital for the existing companies. The company is planning to look into providing dividend payouts to its shareholders while considering the operating performance and financial conditions for each business year.

(Shareholders’ Benefit System)

The company offers special benefits to the shareholders mentioned below according to the number of shares they hold.

Number of Shares	Number of Times to Receive Special Benefits	Special Benefit Content
300 shares to 499 shares	Once a year (Shareholders recorded in the shareholder register as of the end of February of every year)	Products worth 800 yen from the group companies
500 shares to 2,499 shares	Once a year (Shareholders recorded in the shareholder register as of the end of February of every year)	Products worth 1,500 yen from the group companies
2,500 shares or more	Twice a year (Shareholders recorded in the shareholder register as of the end of February and on the 31 st of August of every year)	Products worth 4,000 yen from the group companies each time

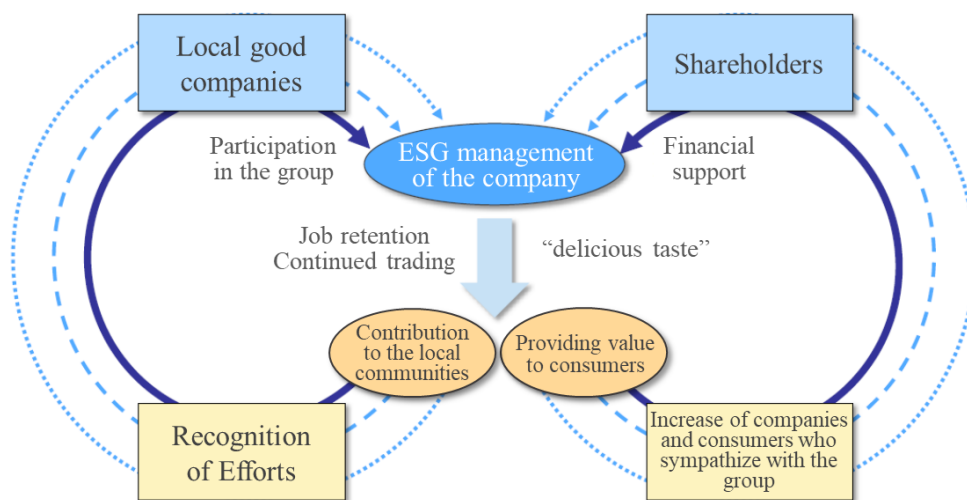
【1-7 ESG Management】

The company is working on its ESG management based on the goal mentioned above, “working towards a society where we can enjoy this ‘delicious taste’ forever—achieving affluence that allows consumers to enjoy diverse food cultures.”

Item	Overview	Main efforts
E (Environment)	Efforts of group companies	Environmentally friendly and sustainable food manufacturing
S (Society)	Efforts of the entire group	Continuing business of companies without a successor
G (Governance)	Holdings’ support for the growth of group companies	Management support through SME Support Platform

The company recognizes that taking over companies that have no successors and revitalizing it as their group companies is ESG management itself.

Also, the company believes that contributing to local communities and providing value to consumers by promoting ESG management, as well as increasing the number of good companies that sympathize with the group and want to participate, and the companies and consumers that sympathize with the group and support them as shareholders, will lead to the realization of sustainable growth.



(Taken from the reference material of the company)

2. Second quarter of Fiscal Year ending February 2021 Earnings Results

(1) Consolidated results

	2Q of FY 2/20	Ratio to sales	2Q of FY 2/21	Ratio to sales	YoY
Net sales	14,802	100.0%	14,809	100.0%	+0.0%
Gross profit	3,112	21.0%	3,236	21.9%	+4.0%
SG&A expenses	2,630	17.8%	2,989	20.2%	+13.6%
Operating income	481	3.3%	247	1.7%	-48.7%
Ordinary income	504	3.4%	295	2.0%	-41.3%
Quarterly net income	232	1.6%	94	0.6%	-59.3%
EBITDA	846	5.7%	734	5.0%	-13.2%

*Unit: Million yen. Quarterly net income is quarterly profit attributable to owners of the parent. EBITDA is calculated by adding amortization (depreciation, goodwill) and acquisition costs associated with M&A to operating income.

Sales are at the same level as the previous year. A significant drop in sales and profit in the overseas business.

Sales were 14,809 million yen, the same level as the previous year. Although the domestic business continued to be healthy, the sales of overseas subsidiaries decreased significantly due to the impact of the novel coronavirus, especially from a partial lockdown in Singapore. Operating income declined 48.7% year on year to 247 million yen. In the domestic business, profit rose by 114 million yen year on year, but sales in the overseas business, which has a high-profit margin, dropped significantly, resulting in a decrease of 316 million yen year on year. EBITDA fell 13.2% year on year to 734 million yen.

(Domestic Business)

Sales of commercial products for supermarket mass retailers remained strong, but sales of commercial products for industrial meals, restaurants, and tourism continued to stay weak.

(Overseas Business)

In the second quarter (April-June) of the overseas subsidiaries, a partial lockdown from early April to early June 2020 was implemented in Singapore, and NKR suspended all business other than maintenance. As for SIN HIN and PACIFIC SORBY, sales fell sharply as many of their customers such as the hotels and restaurants were closed or downsized. JSTT's sales to the supermarket sushi business performed well. Sales after lockdown are gradually recovering.

(2) Results of each segment

	2Q of FY 2/20	Composition ratio	2Q of FY 2/21	Composition ratio	YoY
Net sales					
Manufacturing business	10,330	69.8%	10,975	74.1%	+6.3%
Sales business	4,472	30.2%	3,833	25.9%	-14.3%
Total	14,802	100.0%	14,809	100.0%	+0.0%
Operating income					
Manufacturing business	423	4.1%	312	2.9%	-26.1%
Sales business	297	6.7%	186	4.9%	-37.4%
Adjusted amount	-239	-	-252	-	-
Total	481	3.3%	247	1.7%	-48.7%

*Unit: Million yen. The composition ratio of operating income means the ratio of operating income to sales.

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***Manufacturing business segment**

Sales increased and profit decreased.

Domestic subsidiaries' sales improved due to increased demand by people staying at home because of the spread of the novel coronavirus. On the other hand, overseas subsidiaries' sales declined due to the partial lockdown in Singapore that forced some subsidiaries to suspend their businesses, and to the suspension and downscale of their customers' business such as hotels and restaurants.

Profit decreased due to fixed costs squeezing profits because of a decrease in sales in overseas business.

***Sales business segment**

Sales and profit dropped.

Due to the impact of the spread of the novel coronavirus, sales of domestic subsidiaries mainly for industrial meals decreased. Sales of overseas subsidiaries to restaurants and hotels were sluggish due to a partial lockdown in Singapore.

(3) Financial conditions and cash flow**◎Main balance sheet**

	End of 2/20	End of 8/20		End of 2/20	End of 8/20
Current assets	14,148	13,909	Current liabilities	9,749	7,961
Cash and deposits	3,015	3,961	Notes and accounts payable - trade	2,757	2,379
Notes and accounts receivable - trade	5,585	4,600	Short term interest-bearing liabilities	4,608	3,657
Inventories	5,350	5,172	Non-current liabilities	7,449	8,716
Non-current assets	9,729	9,185	Long term interest-bearing liabilities	7,119	8,430
Property, plant and equipment	4,128	3,998	Liabilities	17,199	16,678
Intangible assets	4,811	4,438	Net assets	6,678	6,416
Investments and other assets	789	748	Retained earnings	2,216	2,310
Total assets	23,877	23,094	Total liabilities and net assets	23,877	23,094
			Total interest-bearing liabilities	11,728	12,088

*Unit: Million yen

Total assets decreased 700 million yen from the end of the previous term to 23 billion yen due to a decline in trade receivables and inventories, etc.

Total liabilities dropped 500 million yen from the end of the previous term to 16.6 billion yen due to a decrease in trade payables, etc.

Retained earnings increased, but net assets decreased 200 million yen from the end of the previous term to 6.4 billion yen due to a drop in foreign currency translation adjustment etc.

The equity capital ratio decreased 0.3% from the previous term to 14.0%.

◎Cash flows

	2Q of FY 2/20	2Q of FY 2/21	Change
Operating CF	905	1,077	+171
Investing CF	-2,927	-398	+2,529
Free CF	-2,021	679	+2,700
Financing CF	2,768	368	-2,399
Balance of cash and cash equivalents	2,796	3,502	+706

*Unit: Million yen

Purchase of shares of subsidiaries resulting in the change in scope of consolidation decreased compared to the same period of the previous term, the deficit of investing CF shrank, and free CF turned positive.

The surplus of financing CF decreased due to a net decrease in short-term borrowings. The cash position has risen.

(4) Topics

◎ Implemented a capital and business alliance to strengthen M&A and the SME Support Platform

In August 2020, a capital and business alliance agreement was signed with P & E Directions, Inc. to strengthen M&A and the SME Support Platform.

(Overview of P & E Directions, Inc.)

An independent consulting firm founded in 2001 by ex-workers from the Boston Consulting Group.

The firm's purpose is strategic planning and execution support to achieve corporate and business growth. It specializes in "offensive strategies" such as sales improvement, new project development, and business expansion, regardless of the companies' business type or growth phases such as venture companies, small and medium-sized companies, large companies, and huge companies.

The firm provides a wide range of consistent management consulting and business growth support, from the planning to the execution of management strategies, marketing strategies, sales strategies, new business strategies, global strategies, M&A and alliance strategies, etc., and it has strengthened its M&A advisory services in recent years.

(Purpose and Reasons of the Alliance)

Yoshimura Food Holdings recognizes that it is an important issue to strengthen its financial position by enhancing its equity capital while active investing in Japan and overseas to further accelerate future growth.

By increasing equity capital, it will be possible to raise more funds from financial institutions (assumed to be two to three times the amount of increased capital). Conducting new M&A flexibly using the raised funds will promote the group's further expansion and growth.

Therefore, the company has been considering increasing equity capital through allocation of new shares to a third party who can generate business synergies and contribute to growth. Yoshimura Food Holdings has determined that P & E Directions Inc., which has been regularly seeking collaboration related to business strategies and M&A strategies, and has a relationship of trust with the company, is the suitable allocation destination. They have decided to allocate to P & E Directions, Inc. and to the company group's P & E Asset Management Inc.

(Details of the Alliance)

◎ Details of business alliance

By combining the companies' business areas and strengths, Yoshimura Food Holdings aims to improve corporate value over medium- to long-term.

(1) Collaboration related to sourcing of M&A projects, strategy planning, and execution

Utilizing the allottees' extensive network of listed company management and unlisted company owners in Japan and overseas, the company will discover new M&A projects from a unique strategic perspective. This will enable sourcing of a wide range of M&A projects, making it possible to approach companies that Yoshimura Food Holdings alone could not contact.

Also, by combining the business due diligence know-how of the allottees with the Yoshimura Food Holdings' connoisseurship for food SMEs, the company will carry out M&A that will increase their corporate value.

(2) Collaboration to strengthen the SME Support Platform

By combining the management consulting and business growth know-how of the allottees with the know-how of support and revitalization for food SMEs accumulated by Yoshimura Food Holdings, group companies' growth strategy can be executed reliably and quickly to build an organization that produces high results in medium- to long-term.

© Details of the capital tie-up

In September 2020, approximately 160,000 shares of common stock (dilution rate of roughly 0.72%) were allotted to two companies, P & E Directions, Inc. and P & E Asset Management Inc., and a total of approximately 146 million yen (estimated take-home amount after deducting issuance costs) were raised.

The funds raised will be used to repay the debt to strengthen the financial base.

This makes it possible to increase the procurement capacity from financial institutions, and the investment capacity for new M&A projects. In the future, when a new M&A project that can contribute to business and business expansion is discovered, it will be possible to carry out flexible M&A at all times by building a financial base that can raise further funds from financial institutions. Thus, it will contribute to medium- to long-term company value enhancement.

3.Fiscal Year ending February 2021 Earnings Estimates

(1) Full-year earnings forecasts

	FY 2/20	Ratio to sales	FY 2/21 (Estimate)	Ratio to sales	YOY	Progress Rate
Net sales	29,875	100.0%	30,900	100.0%	+3.4%	47.9%
Operating income	808	2.7%	910	2.9%	+12.6%	27.1%
Ordinary income	740	2.5%	922	3.0%	+24.6%	32.0%
Net income	177	0.6%	420	1.4%	+137.2%	22.4%
EBITDA	1623	5.4%	1,739	5.6%	+7.1%	42.2%

*Unit: Million yen. The estimates are provided by the company.

The earnings estimate remains unchanged. Sales and operating income are estimated to increase, hitting a record high.

The earnings estimate remains unchanged. Sales are estimated to be 30,900 million yen, up 3.4% year on year, and operating income is projected to be 910 million yen, up 12.6% year on year. EBITDA is estimated to be 1,739 million yen, up 7.1% year on year. Both sales and profit are expected to mark a record high.

The companies that were acquired in the previous term will contribute to the results for the full year.

No new M&A is expected.

(2) Impact of the new coronavirus pandemic

① Japan

Sales to supermarket mass retailers, which account for most sales, are returning to the same level as the previous year as demand by people staying at home has settled down.

Sales for business use, such as restaurants and tourism, are gradually showing signs of recovery due to the influence of the Go To campaign.

Sales of domestic subsidiaries are predicted to remain strong towards the end of the term.

② Overseas

In Singapore, a partial lockdown was lifted in June 2020, and government restrictions on economic activities and immigration were gradually lifted. Hence, sales to hotels and restaurants, the company's main customers, are starting to recover.

Sales to supermarkets are expected to remain healthy, and as a result, sales at overseas subsidiaries are forecasted to recover gradually towards the end of the term.

4. Business Strategy

Yoshimura Food Holdings has established an original business model in the food industry, and pursues growth with two engines: "the increase of the number of group companies" and "the expansion of business of existing group companies."

Furthermore, the company makes efforts to secure and develop human resources to ensure sustainable growth of the business.

(1) Growth strategy

The company is cautious about M&A due to the influence of the novel coronavirus. However, there is no change in its basic growth strategy, which is based on the company's awareness of the business environment. Also, as mentioned in the capital and business alliance agreement with P & E Directions, Inc., the business areas and strengths of both companies will be combined in "sourcing of M&A projects, strategy planning, and execution," and "strengthening the SME Support Platform." By doing so, the company aims to improve corporate value over medium- to long-term.

Meanwhile, it recognizes that the support system for the group companies is the most important function and is the source of its own competitiveness. Therefore, it will strengthen the system through aggressive investment (i.e. increasing personnel).

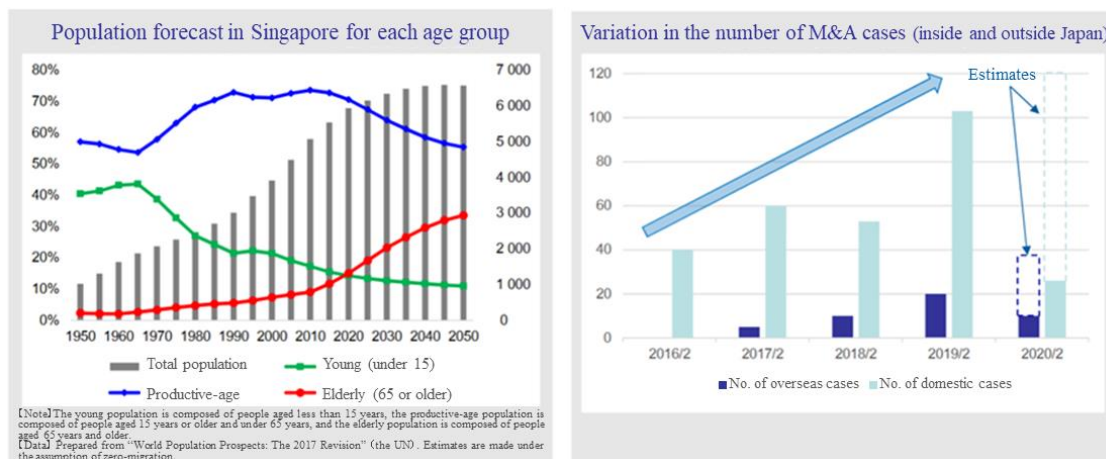
① Growth through the increase in the number of group companies

As mentioned in Section 1-2 "Market Environment and the Background of the Company's Establishment," the problem of business succession is getting more serious. The company gave over 100 M&A proposals in the term ended February 2019. As you can see, the number of M&A cases is increasing.

The ratio of cases attributable to the lack of successors is growing as well.

Due to the external environment and the increase in popularity of the company through listing, the number of M&A cases is expected to keep increasing. By taking advantage of the function to deal with business succession, the company will surely increase M&A.

Moreover, Singapore and Taiwan are also forecasted to witness an increase in M&A needs due to the absence of successors because of the accelerating aging of the population and the declining working-age population. Thus, the company will also focus on overseas M&A.



(Taken from the reference material of the company)

② Growth through the expansion of business of existing group companies

The company will keep brushing up the mutual complement and growth functions of SME Support Platform and will strongly support new group companies while expanding operation of the existing businesses.

In this growth strategy, the company will expand the overseas business, such as expanding Japanese products to overseas and increasing transactions between overseas subsidiaries.

Yoshimura Food Holdings aims to expand its business further in Asia in which market is expected to keep growing, and it established YOSHIMURA FOOD HOLDINGS ASIA PTE. LTD. in Singapore in April 2019 to manage local business by establishing an efficient, robust management system.

The company will apply its business model conducted in Japan, which is to grow business through M&A and synergy using SME Support Platform, to Asian markets based in Singapore.

The company is considering to list in overseas markets, such as Singapore Exchange (SGX) and Hong Kong Exchanges and Clearing, and aims to grow by enhancing its capability of fund procurement, credibility, and popularity.

(2) Strengthening the management base

In order to implement the above two growth strategies effectively, the most important task is to secure and develop human resources.

The company has, so far, been focusing on selecting and developing excellent human resources from inside the company, in a view to appropriately handle the work at owners' SMEs.

However, the company has also started making efforts to recruit external human resources for dealing with an urgent need for enhancement of support systems in response to the increase of the number of group companies.

It mainly focuses on recruiting personnel with a great deal of experience at major food companies and general trading companies.

5. Conclusions

The progress rate against the full-year forecast for the first half of this year was 47.9% for sales, 27.1% for operating income, and 32.0% for ordinary income. The progress rate of profits was low, but EBITDA is 42.2%, which is reasonable.

On the other hand, the company improved equity capital through a capital increase, which they have been considering while recognizing that it is indispensable for their future growth.

Unfortunately, the stock market's reaction was weak at this point. Still, the expansion of procurement capacity will speed up M&A implementation, and accelerate "growth by expanding the number of group companies." Also, the spread of the novel coronavirus is forecasted to lead to an increase in sales deals. There is a strong sense of uncertainty at the moment, especially in overseas business. Still, we would like to note that the company is strengthening the business foundation from a medium- to long-term perspective.

<Reference: Regarding Corporate Governance>

◎Organization type, and the composition of directors and auditors

Organization type	Company with an audit and supervisory board
Directors	5 directors, including 2 outside ones
Auditors	3 auditors, including 3 outside ones

◎Corporate Governance Report

The latest update: May 29, 2020

<Basic Policy>

Our company believes that our sustainable growth and creation of mid/long-term corporate value can be achieved especially through the trusting relationships and cooperation with our stakeholders, including shareholders, clients, business partners, employees, and local communities.

Accordingly, we consider that the most important mission in management is to keep tightening corporate governance as a base for securing the soundness, transparency, and efficiency of business administration. We will strive to secure the transparency and fairness of our company and timely disclose information to all stakeholders by streamlining the decision-making process, improving the supervisory function for business execution, strengthening the function to oversee directors, and developing an internal control system.

<Principles that have not been followed and the reasons>

Principle	Reason for not following the principle
<Supplementary Principle 1-2-4>	We have not adopted the electronic exercise of voting rights. We do not translate convocation notices into English, either. We will think of them while considering the ratio of overseas shareholders, etc.
<Supplementary Principle 4-1-2>	Although our company has formulated a mid-term management plan, we do not disclose it as of now because it is difficult to estimate the effects of M&A, which is the pillar of our business. From now on, we will consider announcing our mid/long-term vision for growth, so as to gain a further understanding of shareholders.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principle	Disclosed information
<Principle 1-4 Strategically held shares>	For the purpose of maintaining and strengthening transaction relations, we hold shares strategically to a limited extent. In this case, we judge whether or not to invest, while comprehensively considering the benefits, risks, capital costs, etc. arising out of the maintenance and strengthening of transaction relations, and whether they would contribute to the increase in our corporate value. The board of directors examines economic rationality of individual strategically held shares every year, such as whether the benefits and risks arising out of strategic holding of each stock will recoup capital cost and whether it will increase our corporate value from the mid/long-term viewpoint. We will try to reduce the number of shares we hold if we determined that the significance of holding of that stock is not sufficient. We exercise voting rights appropriately with the criteria considering whether it will lead to the increase in corporate value from the mid/long-term viewpoint or whether it will degrade the significance of shareholding. We will not agree with any proposals by the company or a shareholder that would degrade the share value.
<Principle 5-1 Policy for promoting constructive dialogue with shareholders>	Our IR activities are led by the representative director and CEO, and operated by the management department. For shareholders and investors, we regularly hold a briefing session, targeting analysts and institutional investors, to enrich the dialogue with shareholders, and the results of each session are reported to directors and the management.

BRIDGE REPORT



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