
 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
¥747	23,784,595 shares		¥17,767 million	8.1%	100 shares
DPS (Estimate)	Dividend Yield (Estimate)	EPS (Estimate)	PER (Estimate)	BPS (Actual)	PBR (Actual)
¥0.00	-	¥14.59	51.2x	¥192.61	3.9x

*The share price is the closing price on October 28, 2021. Share Outstanding, DPS and EPS are taken from the brief report on results of the second quarter of fiscal year ending Feb. 2022. ROE and BPS are from the previous term.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 (Actual)	29,289	488	752	323	14.39	0.00
February 2022 (Estimate)	30,607	805	811	346	14.59	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 2022 and earnings forecasts.

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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 by M&A” and “the expansion of business of existing group companies.”
- In the second quarter of the term ending February 2022, sales were unchanged year on year, but profit increased thanks to the recovery of overseas business. Sales were 14,790 million yen. Sales decreased in the domestic business due to the impact of the novel coronavirus. Overseas business sales grew. Operating income increased 66.0% year on year to 410 million yen. The domestic business saw a year on year decrease of 49 million yen in profit, but the overseas business recovered mainly in high-margin fields, resulting in an increase of 152 million yen year on year in profit. Ordinary income increased 91.1% year on year to 565 million yen. The foreign exchange loss of 62 million yen in the same period of the previous year turned into a foreign exchange gain of 89 million yen. EBITDA increased 6.1% year on year to 873 million yen.
- There is no change in the earnings estimates. For the term ending February 2022, the company is forecasting a 4.5% year on year increase in sales to 30.6 billion yen and a 64.9% year on year increase in operating income to 0.8 billion yen, with stable growth in the domestic business and a gradual recovery in the overseas business from the latter half of the year as the recent situation continues. Growth through new mergers and acquisitions is not included.
- In terms of sales business, one of the most promising areas for the Yoshimura Food Holdings Group in the alliance with Kokubu, sales to Kokubu's customers are steadily progressing. Cost reduction, including that for logistics, is also underway. The two companies are currently building a joint structure for M&A. Of Kokubu's approximately 10,000 business partners, dozens of companies undergo shareholder changes and business succession every term, and they will jointly promote due diligence, PMI, and value enhancement. Coordination between the two companies has become smoother since July with the acceptance of resident workers from Kokubu.
- The overseas business, which was severely affected by the novel coronavirus in the previous term, is now on a recovery trend, with profit increasing despite a decrease in sales, as the company curtailed low-margin overseas export sales and focused on sales of high-value-added products to supermarkets and other retailers. Although Singapore has one of the highest novel coronavirus vaccination completion ratios in the world, the number of infected people has been increasing rapidly due to the delta strain. As the government has a clear policy of coexisting with the novel coronavirus, the company believes that sales to hotels, airline-related companies, and restaurants will gradually recover once quarantine ends and borders are opened. The impact on the domestic business, where sales and profits declined, is expected to gradually subside, and we will be closely watching developments in the second half of the year.
- The alliance with the Kokubu Group is beginning to show steady results in sales, purchasing, and other areas, and we look forward to seeing the results of this alliance in the full term.

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 the overwhelming advantage toward investment funds and large companies and the high barrier to entry. The company aims to accelerate growth through alliances. As of the end of February 2021, there are 20 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.

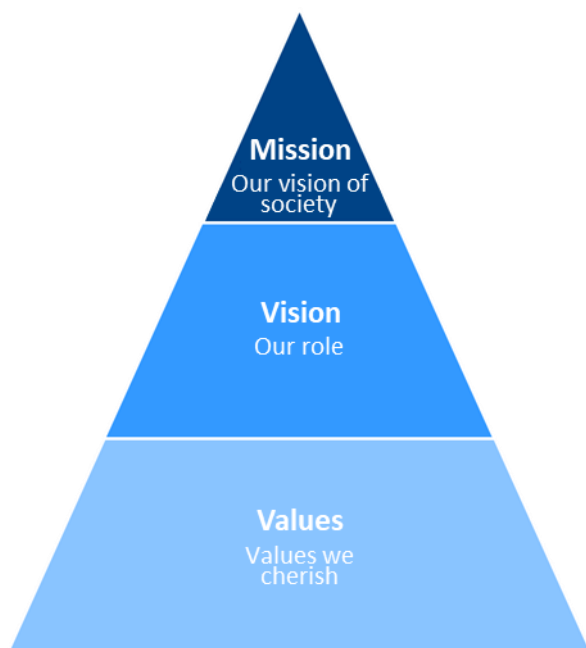
Many food SMEs started seeking help from Mr. Yoshimura upon learning about his reputation. He thought that it was possible to efficiently achieve results if the companies complemented each other in various functions, such as product development, production, and sales under a holding company system, instead 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】

As the social meaning of its existence as an enterprise, the company decided to pursue the mission: “working towards a society where we can enjoy this ‘delicious taste’ forever—achieving affluence that allows consumers to enjoy diverse food cultures,” and set its vision (roles to be fulfilled) and values (values they cherish).



<p>Mission Working towards a society where we can enjoy this ‘delicious taste’ forever—achieving affluence that allows consumers to enjoy diverse food cultures</p>	<p>*We believe that a society in which people can choose from various options freely according to their respective preferences and a society in which those choices are respected is affluent and happy. *We aim to achieve an affluent society in which consumers around the world can choose from a wide array of high-quality “delicious foods” freely and enjoy them.</p>
<p>Vision To protect and nurture the “delicious foods” in each region, and distribute them around the world</p>	<p>*In order to realize “a society where we can enjoy this ‘delicious taste’ forever,” we will discover “delicious foods” that have been cherished in Japan and around the world, protect and nurture them, and deliver them to people around the world. *To do so, we will develop our own ability to find “delicious foods”, a business base for protecting “delicious foods”, functions to support the growth of “deliciousness”, and sales networks to deliver “delicious foods” to people around the world. *As a result, our company will become a global producer that promotes the cultures and diversification of foods around the world and the vitalization of local communities.</p>
<p>Values To cherish individuality</p>	<p>*We cherish the individuality of everyone related to us. *We value the “individuality”, “new ideas”, and “desire to take on new challenges” of each employee working in our corporate group. *We value the “history”, “culture”, “employees”, “business partners”, and “local communities” of each of our group companies. *We brush up the “strengths” of our group companies, mutually make up for their “weaknesses,” and grow together. *We will contribute to the development of an affluent society with a variety of options available, by cherishing the individuality of everyone related to us.</p>

【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 60.1, 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.

*Meanwhile, 65.1%, nearly two thirds of domestic enterprises are suffering the lack of successors, and the ratio of enterprises that plan to conduct business succession is only 34% in all industries. Namely, the preparations for business succession have not progressed.

*Moreover, in 2020, the number of SMEs that suspended or discontinued business reached 49,698, and have increased rapidly for 13 years in comparison with in 2007 where that number was around 21,000.

(According to SME Agency "White Paper on Small and Medium Enterprises" (2021 Edition), Teikoku Databank, Ltd. "Analysis of the age of company presidents in Japan (2021)," Teikoku Databank, Ltd. "Survey of Trends on 'Companies without a Successor' in Japan" (2020), Teikoku Databank, Ltd., and Small and Medium Enterprise Agency "Basic Survey on the Actual Situation of SMEs" (Report in FY 2019 [Financial results in FY 2018])

(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, and for investment funds' whose primary aim is to rapidly grow independent companies and sell them off within a few years, 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 20 group companies in August 2021.

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 and marketing, production management, procurement and 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 through M&A.

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.

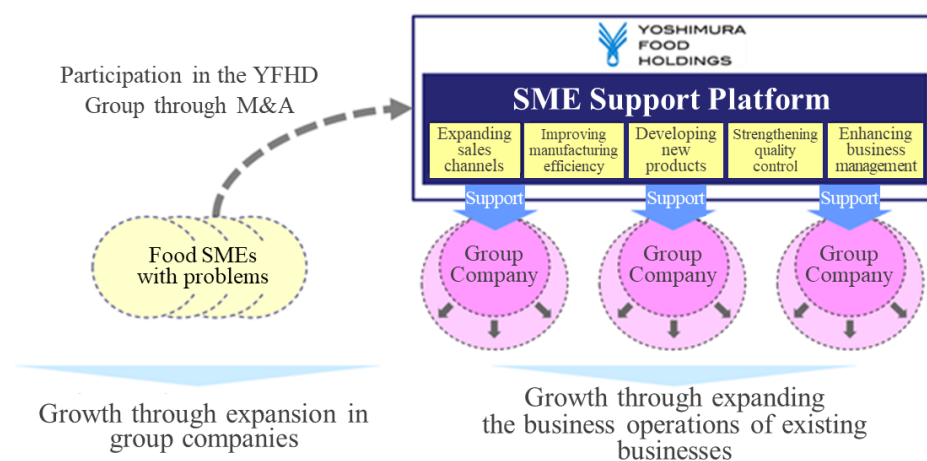
As of August, 2021, the company had 20 group companies. It is recently focusing on adding not only Japanese companies to the group, but also overseas ones.

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 company has used the “indirect approach” to find business opportunities through the introductions from M&A brokerage firms, local financial institutions, such as local banks, lawyers, and accountants, but from now on, the company will enhance the “direct approach,” by producing a list of targets, approaching them to foster relationships, and utilizing the network of KOKUBU GROUP, which is an alliance partner, in order to speed up the business. The company plans to find business opportunities more voluntarily and actively.

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 and marketing, production management, procurement and manufacturing, procurement, distribution, product development, quality control, business management, and securing personnel) 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.

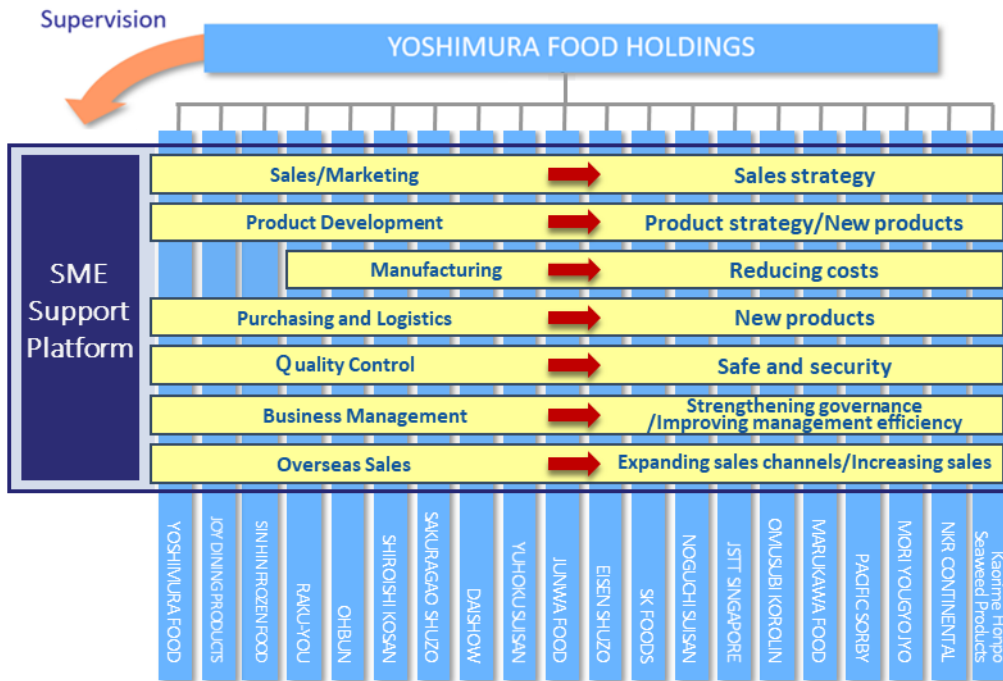
Hence, the “SME Support Platform” is a system in which each company’s “strengths” such as strong products and technologies, sales channels, and manufacturing know-how are shared across the group and their “weaknesses” such as a shortage in personnel, funds, or sales channels are supplemented.

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“The platform for supporting SMEs” functions effectively and produces effects with the current structure, but as subsidiaries will increase further, their know-how will be added as a new strength, and the managerial resources of the corporate group will be accumulated, bringing out a new synergy so that existing subsidiaries will be able to seize opportunities to grow business and acquire the know-how to streamline production processes.

Such scalability of the platform will fortify the business foundation of Yoshimura Food Holdings.

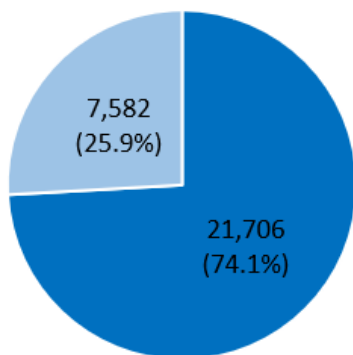


(Taken from the reference material of the company)

② Segments

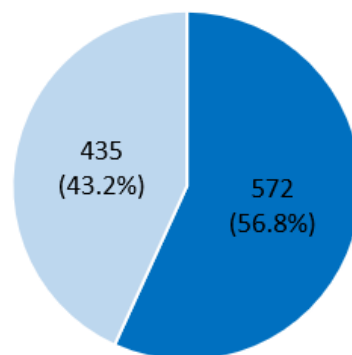
The company has two segments: “manufacturing business segment” and “sales business segment.”

Sales composition of each segment



■ Manufacturing business ■ Sales business

Operating income composition of each segment



■ Manufacturing business ■ Sales business

*The term ended Feb. 2021. 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 and manufactures its original products, domestic enterprises sell products to supermarkets, convenience stores, and drugstores around Japan via mainly wholesalers, and overseas enterprises sell products to hotels, restaurants, supermarkets, etc. in Singapore and Malaysia. As of the end of August 2021, there are 17 group companies as tabulated below.

(Group Companies within the Manufacturing Business Segment)

Company Name	Features
RAKU-YOU INC. (Adachi Ward, Tokyo)	Five factories in Japan manufacture and sell chilled shumai and chilled dumpling. It has the largest share of chilled shumai production in Japan.
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.
Shiroishi Kosan Co., Ltd. (Shiroishi City, Miyagi Prefecture)	Started business in 1886. Its core product is Shiroishi-uumen, which is a local specialty in Shiroishi-City, Miyagi Prefecture. It produces and sells the dry noodles, etc. with a traditional method.
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.
Ohbun Co., Ltd. (Shikokuchuo City, Ehime Prefecture)	It has original routes for procuring oysters harvested in Hiroshima, whose supply amount is limited. Its core product is deep-fried oyster, and it also produces and sells deep-fried soft chicken bone, deep-fried chicken breast strips, etc.
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.”
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)	It processes and wholesales chilled and frozen seafood products in Singapore.

Mori Yougyojou Co., Ltd. (Ogaki City, Gifu Prefecture)	The company's harvest amount of farmed ayu (sweetfish) is top-class in Japan. It has nurtured the original know-how to collect roe, incubate them, grow and ship fish stably. In addition, it possesses the technology to make fish give birth to male or female fish.
NKR CONTINENTAL PTE. LTD. (Singapore)	In Singapore and Malaysia, where its subsidiary is located, the company manufactures, imports, sells, designs, installs, and maintains kitchen equipment.
Kaorime Honpo Co., Ltd. (Izumo City, Shimane Prefecture)	It produces a wide array of high-quality products ranging from original products to OEM ones, including soft dried seaweed for seasoning rice, dried hijiki for seasoning rice, seaweed soup, ochazuke with seaweed, etc.

◎ Sales Business Segment

Its strengths are sales capability and planning skills. Domestic enterprises sell products to mainly industrial catering companies, consumer cooperatives, etc., while overseas enterprises sell products to mainly supermarkets, hotels, restaurants, etc. As of the end of August 2021, group companies are the following three.

(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】

① The 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.

③Contribution to regional vitalization

The company has actively implemented the business succession, etc. of local small and medium-sized food enterprises, including Sakuragao Shuzo K. K. (Iwate Prefecture), Shiroishi Kosan Co., Ltd. (Miyagi Prefecture), and Ohbun Co., Ltd. (Ehime Prefecture), which are subsidiaries.

By utilizing the platform for supporting SMEs, it is possible to distribute attractive products that have been available only in some regions to all around Japan (and overseas) and invest in new equipment by using the funds of the corporate group. Through this, the company contributes to the regrowth of local small and medium-sized food enterprises and the vitalization of local economies.

【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.”

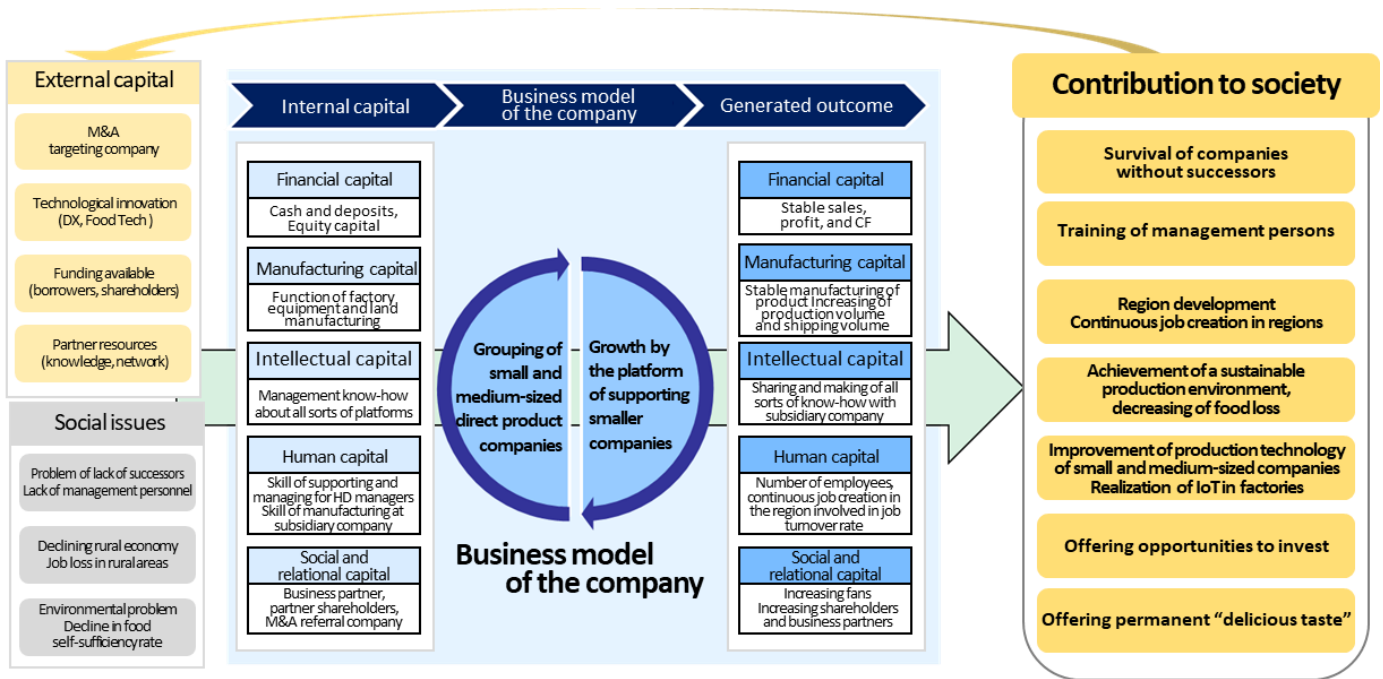
Items	Main Initiatives
E(Environment)	<p>Production of environmentally friendly, sustainable products *To hold the technology and know-how to produce sustainable products that do not depend on environmental changes or produce environmental burdens *To utilize a limited amount of food resources and conduct efficient production</p> <p>Moriyougyojou: It supplies farmed ayu (sweetfish) stably with its original technology, while the natural resources of ayu are decreasing due to climate changes, water pollution in the rivers, etc. Yamani Noguchi Suisan: It helps reduce food loss by developing products using residue and food that do not satisfy size specs. Yuhoku Seafood Processing: It produces and sells negitoro (minced tuna and green onion) and nakaochi (tuna meat scraped from the backbone) efficiently, by effectively utilizing ingredients.</p> <p>Recycling of industrial waste from the manufacturing process *Group companies: To utilize food waste by offering the waste produced during the manufacturing process to local livestock breeders and others</p> <p>Reduction of power consumption *Group companies: To install LED lighting, highly efficient boilers, etc. for reducing power consumption at factories</p>
S(Society)	<p>To contribute to the business continuity, by involving enterprises that have loyal fans in each region</p> <p>To contribute to the diversity of food in local communities *To develop products with rigorously selected ingredients and recipes, which are strongly demanded by local consumers</p> <p>Kaorime Honpo: It has a lion’s share in the rice seasoning market in the Chugoku region. Marukawa Shokuhin: Rigorously selected ingredients, such as fresh pork and locally grown cabbage, and secret recipes Omusubikororin Honpo: To develop local specialties by taking advantage of the location of Shinshu-azumino and the freeze-drying technology Eisen Shuzou: To produce refined sake from “Ryugasawa Spring Water” boasted by the local community and selected as one of the 100 best waters of Japan Daishow: It does not use preservatives or colorants. Smooth texture and taste you will never get tired of. Ohbun: To procure oysters harvested in the clean sea areas of Hiroshima and conditional clean sea areas</p> <p>Diversity of employees *Group companies: To prepare opportunities for female employees to flourish, and take measures for recruiting disabled and foreign workers</p>
G(Governance)	<p>Support for managerial resources *To support the management of group companies, by procuring funds and training next-generation employers for them</p> <p>Support with a platform for supporting SMEs *To design business plans and get involved in progress management according to situations while securing the autonomy of each group company *To establish the control section for each function, support business and manage progress as a corporate group</p>

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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 2022 Earnings Results

(1) Consolidated results

	2Q of FY 2/21	Ratio to sales	2Q of FY 2/22	Ratio to sales	YoY
Net sales	14,809	100.0%	14,790	100.0%	-0.1%
Gross profit	3,236	21.9%	3,310	22.4%	+2.3%
SG&A expenses	2,989	20.2%	2,900	19.6%	-3.0%
Operating income	247	1.7%	410	2.8%	+66.0%
Ordinary income	295	2.0%	565	3.8%	+91.1%
Net income	94	0.6%	291	2.0%	+208.4%
EBITDA	823	5.6%	873	5.9%	+6.1%

*Unit: Million yen. Net income is profit attributable to owners of the parent. EBITDA is calculated by adding amortization (depreciation, goodwill), Covid-19-related subsidy income and acquisition costs associated with M&A to operating income.

Sales were unchanged year on year but profit increased due to the recovery in overseas business.

In the second quarter of the term ending February 2022, sales were unchanged year on year, but profit increased thanks to the recovery of overseas business. Sales were 14,790 million yen. Sales decreased in the domestic business due to the impact of the novel coronavirus. Overseas business sales grew. Operating income increased 66.0% year on year to 410 million yen. The domestic business saw a year on year decrease of 49 million yen in profit, but the overseas business recovered mainly in high-margin fields, resulting in an increase of 152 million yen year on year in profit. Ordinary income increased 91.1% year on year to 565 million yen. The foreign exchange loss of 62 million yen in the same period of the previous year turned into a foreign exchange gain of 89 million yen. EBITDA increased 6.1% year on year to 873 million yen.

*Status of Domestic and Overseas business

	2Q of FY 2/21	2Q of FY 2/22	YoY
Net sales			
Domestic	12,569	12,368	-1.6%
Overseas	3,101	3,357	+8.3%
Operating income			
Domestic	468	419	-10.5%
Overseas	15	168	+1020.0%

*Unit: Million yen.

(Domestic business)

Sales and profit decreased. Sales for restaurants and tourism dropped due to the declaration of the state of emergency.

(Overseas business)

Sales and profit increased. Sales to supermarkets, etc. grew, and sales to some restaurants and hotels recovered.

BRIDGE REPORT

**(2) Results of each segment**

	2Q of FY 2/21	Composition ratio	2Q of FY 2/22	Composition ratio	YoY
Net sales					
Manufacturing business	10,975	74.1%	11,064	74.8%	+0.8%
Sales business	3,833	25.9%	3,725	25.2%	-2.8%
Total	14,809	100.0%	14,790	100.0%	-0.1%
Operating income					
Manufacturing business	312	2.9%	444	4.0%	+42.1%
Sales business	186	4.9%	212	5.7%	+14.1%
Adjusted amount	-252	-	-247	-	-
Total	247	1.7%	410	2.8%	+66.0%

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

***Manufacturing business segment**

Sales and profit increased.

Domestic manufacturing subsidiaries saw a decrease in sales to food supermarkets, drugstores, and other retail stores due to the recoil from the special demand from people staying home in the previous term. Sales and profit dropped due to a decline in sales to the restaurant and tourism industries as a result of the declaration of the state of emergency following the rapid increase of people infected with the novel coronavirus.

Both sales and profit grew at overseas manufacturing subsidiaries due to strong sales to supermarkets and other retailers.

***Sales business segment**

Sales decreased, but profit increased.

Both sales and profit increased at domestic sales subsidiaries due to continued growth in sales to home delivery services such as Co-op. Overseas sales subsidiaries reduced low-margin overseas export sales and focused on sales of high value-added products to supermarkets and other retail stores, resulting in lower sales, but higher profits.

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

	End of 2/21	End of 8/21	Y to Y		End of 2/21	End of 8/21	Y to Y
Current assets	14,828	13,654	-1,174	Current liabilities	7,009	6,252	-757
Cash and deposits	4,942	4,562	-380	Notes and accounts payable - trade	2,465	2,339	-125
Notes and accounts receivable - trade	4,973	4,388	-585	Short term interest-bearing liabilities	2,458	2,131	-326
Inventories	4,681	4,311	-369	Non-current liabilities	8,821	7,834	-987
Non-current assets	8,806	8,866	+59	Long term interest-bearing liabilities	8,621	7,647	-973
Property, plant and equipment	3,843	4,026	+182	Liabilities	15,831	14,086	-1,744
Intangible assets	4,264	4,257	-6	Net assets	7,804	8,434	+630
Investments and other assets	698	582	-116	Retained earnings	2,539	2,812	+272
Total assets	23,635	22,521	-1,114	Total liabilities and net assets	23,635	22,521	-1,114
				Total interest-bearing liabilities	11,079	9,779	-1,299

*Unit: Million yen

BRIDGE REPORT



Total assets decreased by 1.1 billion yen from the end of the previous fiscal year to 22.5 billion yen due to decreases in cash and deposits, notes and accounts receivable-trade, inventories, and investments and other assets.

Total liabilities decreased 1.7 billion yen to 14 billion yen due to a decrease in interest-bearing debt.

Net assets increased 0.6 billion yen to 8.4 billion yen due to an increase in retained earnings and foreign currency exchange adjustments.

The equity ratio increased by 3.4 points from the previous fiscal year to 22.7%.

◎Cash flows

	2Q of FY 2/21	2Q of FY 2/22	Increase/decrease
Operating CF	1,077	964	-112
Investing CF	-398	-309	+88
Free CF	679	655	-24
Financing CF	368	-1,129	-1,498
Balance of cash and cash equivalents	3,502	4,162	+659

*Unit: Million yen

Positive range of operating CF and free CF narrowed.

Cash position increased.

【2-4 Topics】

(1) Selecting the Prime Market in the new market segmentation

In September 2021, the company applied to the Tokyo Stock Exchange to select the Prime Market as its new market segment, after confirming that it met the criteria for maintaining a listing on the Prime Market.

(2) Progress of alliance with Kokubu Group Corp.

The progress of the alliance with Kokubu Group Corp. made in February 2021 is as follows.

	Details of the agreement	Progress
Sales	Promoting sales of Yoshimura Food Holdings Group products by utilizing Kokubu's resources	Proposed Yoshimura Food Holdings Group products to Kokubu's business partners (major supermarkets, etc.) and some of them decided to adopt them
Purchase	Increase of procurement routes through Kokubu as a contact point Increase in gross profit due to lower procurement costs Review of conditions for bulk purchase of consumables	Succeeded in reducing costs by procuring some raw materials via Kokubu Switching to a centralized purchasing system operated by Kokubu for consumables reduced costs for the entire group
Product Development	Joint development of new products and Kokubu's PB products (canned foods, etc.) using Kokubu's knowledge, and manufacturing at Yoshimura Food Holdings	Working with Kokubu to develop new products such as canned foods Sharing of Kokubu's marketing information with the Yoshimura Food Holdings Group and utilize it in sales
Logistics	Review of the logistics network using Kokubu's logistics knowledge, owned warehouses, etc. Expansion of the product supply (sales) area	Discussions are underway with each Group subsidiary to reduce logistics costs, considering regional characteristics
M&A	To identify and study M&A projects in cooperation with Kokubu Conducting PMI in cooperation with Kokubu	Efforts are underway to establish a system that can gather M&A needs in a timely manner by utilizing Kokubu's information network For specific projects that can be considered by both companies, joint PMI and value improvement measures are being considered as needed
Other	Promotion of company-to-company collaboration Realization of medium-to-long-term collaboration	Introduction of the Yoshimura Food Holdings Group to Kokubu Area Company and discussions on joint business are underway Accepted a permanent secondment from Kokubu to maintain close collaboration at all times.

As for sales business, which is one of the most promising areas for the Yoshimura Food Holdings Group, sales to Kokubu's business partners are steadily progressing.

The two companies are currently building a joint structure for M&A. Of Kokubu's approximately 10,000 business partners, dozens of companies undergo shareholder changes and business succession every term, and they will jointly promote due diligence, PMI, and value enhancement.

Coordination between the two companies has become smoother since July with the acceptance of resident workers from Kokubu.

3. Fiscal Year ending February 2022 Earnings Estimates

[3-1 Full-year earnings forecasts]

	FY 2/21	Ratio to sales	FY 2/22 (Estimate)	Ratio to sales	YOY	Progress rate
Net sales	29,289	100.0%	30,607	100.0%	+4.5%	48.3%
Gross profit	6,209	21.2%	-	-	-	-
SG&A expenses	5,721	19.5%	-	-	-	-
Operating income	488	1.7%	805	2.6%	+64.9%	50.9%
Ordinary income	752	2.6%	811	2.6%	+7.8%	69.7%
Net income	323	1.1%	346	1.1%	+7.2%	84.2%
EBITDA	1,607	5.5%	1,670	5.5%	+4.0%	52.3%

*Unit: Million yen. Net income is net income attributable to shareholders of the parent company. EBITDA is calculated by adding amortization expenses (depreciation and amortization, goodwill) and acquisition costs related to M&A to operating income.

There is no change in the earnings forecasts. Both sales and profit increased.

There is no change in the earnings estimates. For the term ending February 2022, the company is forecasting a 4.5% year on year increase in sales to 30.6 billion yen and a 64.9% year on year increase in operating income to 0.8 billion yen, with stable growth in the domestic business and a gradual recovery in the overseas business from the latter half of the year as the recent situation continues. Growth through new mergers and acquisitions is not included.

[3-2 Impact of novel coronavirus]

① Domestic

Sales to supermarkets and mass merchandisers are expected to show little change or impact as demand has weakened due to the lingering effects of the novel coronavirus in addition to a reactionary decline from the demand from people staying at home in the previous term. Sales to restaurants and tourism may turn to an upward trend due to the improvement in the infection situation of the novel coronavirus, but it remains uncertain.

In the future, sales of domestic subsidiaries to restaurants and tourism may gradually recover, while sales to supermarkets may become stagnant.

② Overseas

Despite Singapore having one of the highest vaccination completion rates for the novel coronavirus in the world, the number of infected people has spiked due to the delta strain. On the other hand, the government has clarified its policy to coexist with the novel coronavirus, and as it exempts travelers from quarantine and opens the borders, sales to hotels, airline-related companies, and restaurants may gradually recover and start an upward trend.

A gradual recovery is expected if the infection subsides, but at this point there is no clear indication of when the infection control measures will be completely lifted, and a full-scale recovery will depend on the global containment of the novel coronavirus, which remains uncertain.

4. Conclusions

The overseas business, which was severely affected by the novel coronavirus in the previous term, is now on a recovery trend, with profit increasing despite a decrease in sales, as the company curtailed low-margin overseas export sales and focused on sales of high-value-added products to supermarkets and other retailers. Although Singapore has one of the highest novel coronavirus vaccination completion ratios in the world, the number of infected people has been increasing rapidly due to the delta strain. As the government has a clear policy of coexisting with the novel coronavirus, the company believes that sales to hotels, airline-related companies, and restaurants will gradually recover once quarantine ends and borders are opened. The impact on the domestic business, where sales and profits declined, is expected to gradually subside, and we will be closely watching developments in the second half of the year.

The alliance with the Kokubu Group is beginning to show steady results in sales, purchasing, and other areas, and we look forward to seeing the results of this alliance in the full term.

<Reference 1: Business Strategy>

The company has established an original business model in the food industry based on a “platform for supporting small and medium-sized enterprises” and pursues growth with two engines: “growth based on the increase of the number of group companies through M&A” and “growth based on the expansion of business of existing group companies.”

While the basic strategy and road map remain unchanged, the following four strategies were anew brought up in order to further accelerate the growth speed based on M&A enhancement and business model improvement: “Strategy 1: Creation of new core businesses through M&A,” “Strategy 2: Reinforcement of the business model,” “Strategy 3: Growth based on cooperation with business partners, and “Strategy 4: Establishment of overseas sales channels.”

The company aims for the realization of their vision and the achievement of their mission by organically linking strategies.



(Taken from the reference material of the company)

【1-1 Strategy 1: Creation of new core businesses through M&A】

(1) Basic policy

From this term, the company will further boost the basic policy of “discovering companies which will form the new pillar of the group and companies which manufacture local niche products, and speeding up M&A through proactive approach and negotiation.”

The company has mostly considered business opportunities in a passive way until now, due to the limitations of their resources, but from now on they will also proactively propose business opportunities.

Furthermore, while business revitalization and transfer used to be the main reasons for M&A, from now on the company will expand the target to include carve-out business opportunities which have sufficient profitability, such as the subsidiaries of major corporations. In step with this, it will also broaden the range of target companies to encompass middle- and large-sized corporations.

In regard to the type of industry as well, instead of being limited to food manufacturing and wholesale, they will also target upper-class primary industry.

(2) Strategy

① The base of the M&A strategy

It is based on two strategies: “business unit strategy” and “community-based product/niche market strategy.”

“Business unit strategy”

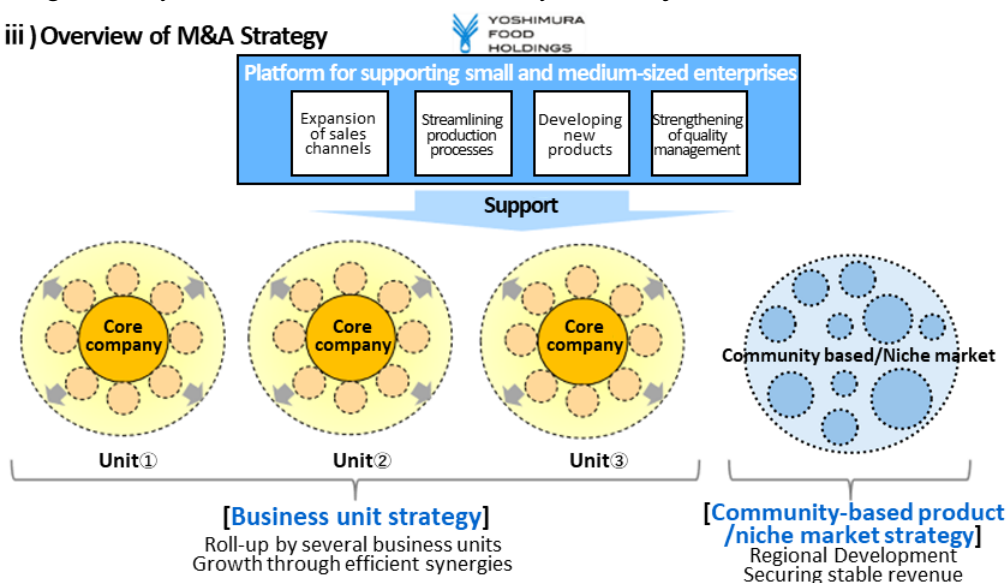
The company will merge and acquire companies that will become a new pillar (core) of the group and conduct M&A of companies in the same field/same category (roll-up strategy).

They will improve the profit margin by establishing several business units centered around the core company and thus bringing out an even greater synergy.

“Community-based product/niche market strategy”

The company will form a group through M&A of companies which manufacture local specialties, famous regional products and products liked in the local community, and utilize the group’s sales channels to deliver the products to the whole country as well as overseas. Through this, they will contribute to the local economy as well as job retention, and furthermore to countryside revitalization.

iii) Overview of M&A Strategy



(Taken from the reference material of the company)

② Finding business opportunities: Independent discovery of business opportunities

From now on, the company will discover business opportunities by using both indirect and direct approaches.

As for the indirect approach, target companies have been introduced predominantly by M&A mediating companies and financial institutions. However, from now on, the company will reinforce the approach by finding prominent M&A mediating companies and regional banks and cementing relationships with them, and utilizing the network of P&E DIRECTIONS, INC., the company’s business partner.

As for the direct approach, the company has mainly contacted the targets by building relationships with buyers and suppliers, establishing an enquiry form on their website and through M&A mediating companies. However, from now on, the company will form a group of companies which will become the group’s new mainstay through M&A based on the independent discovery of business opportunities by approaching target companies on the target list created by the company itself and establishing medium- to long-term relations, and also through an approach utilizing the network of the KOKUBU GROUP CORP., etc.

As the restructuring of major corporations keeps progressing in addition to the absence of successors, it is estimated that the number of M&A targets will further increase. Therefore, the company assumes that engaging in active and independent discovery of business opportunities instead of only considering business opportunities “passively” as they did until now, will lead to the acceleration of the growth speed.

③ PMI consolidation

With regard to M&A, how to maximize synergy after the acquisition is more important than the acquisition itself, and the quality of the integration after the acquisition called “PMI: Post Merger Integration” holds the key.

In order to secure a smooth progress of PMI and improve the profit of the acquired companies, specialized human resources with abundant experience and knowledge regarding not only business, but also management such as personnel affairs and accounting, are required. The company hired human resources from trading companies, food-related companies and marketing companies.

Through this, the company will improve PMI and realize an early integration in approximately 100 days (100 Day Plan), working toward achieving an even swifter synergy maximization after M&A.

【1-2 Strategy 2: Restrengthening of the business model】

(1) Basic policy

The company aims to improve their performance with a new support system based on the recruitment of specialized human resources and organizational reform.

The company has worked toward the growth of the group companies and enhancement of corporate value based on multifaceted support through its platform for supporting small and medium-sized enterprises.

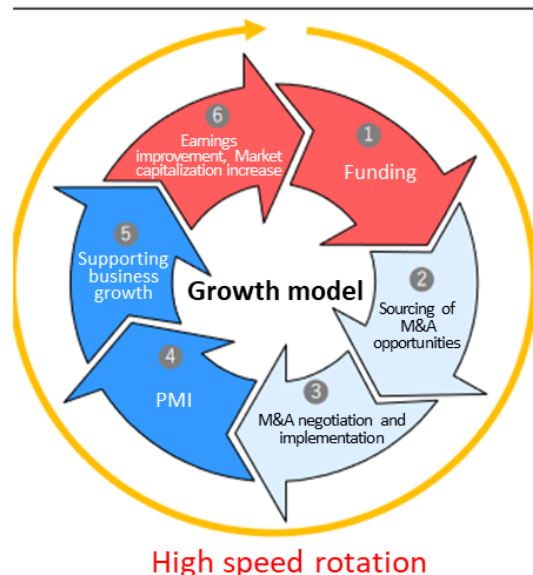
While this mechanism itself remains unchanged, the company reflects on the fact that there were rather ambiguous points in regard to numerical value management of each group company and locus of responsibility pertaining to it. They therefore newly established four business headquarters which will support the management of the subsidiaries, and clarified that the management ranks of each company and the business headquarters to which the company belongs will be responsible for the numerical values of each group company. On the other hand, the general headquarters will keep providing support in order to create synergy in the group.

Furthermore, while the company provided efficient support with a few people until now, both specialized and efficient support is now possible due to the above-mentioned recruitment of specialized human resources. In addition, while the management personnel of each company were appointed from full-time employees of each subsidiary until now, from the viewpoint of improving development speed, the company will proactively consider the employment of personnel from outside the company in addition to in-house development, and thus enhance the development of management personnel even further.

(2) Business model

The company will implement an even greater number of M&A and engage in supporting growth by increasing the speed of the sourcing of M&A opportunities, M&A implementation and the procedure up to PMI based on the recruitment of specialized human resources and organizational reform.

ii) Business model



(Taken from the reference material of the company)

【1-3 Strategy 3: Growth based on cooperation with alliance partners】

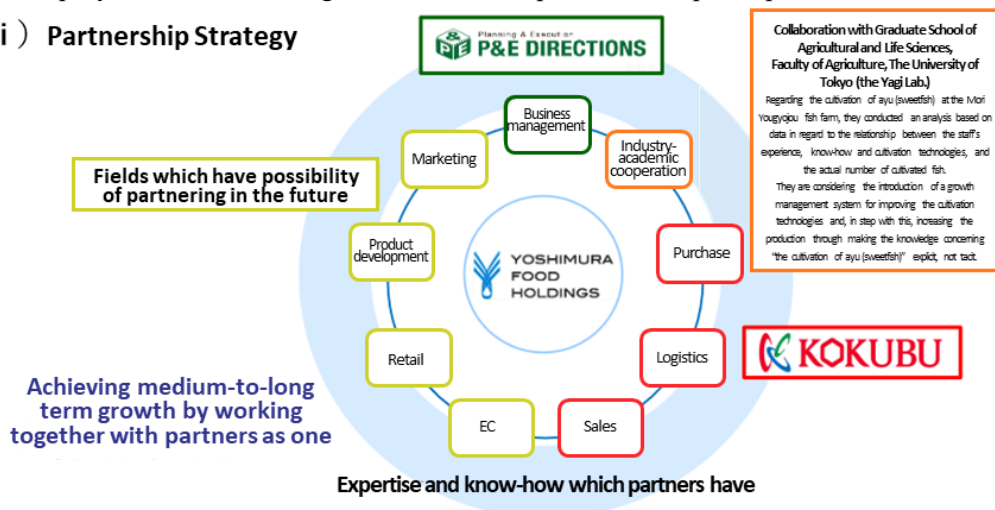
(1) Basic policy

The company will speed up growth through cooperation with alliance partners that will contribute to enhancing corporate value. While the company has focused on its growth by itself until now, they will proactively promote the alliance with P&E DIRECTIONS, INC. and KOKUBU GROUP CORP., and work toward growth while also utilizing resources outside the company. Furthermore, they will strive to find new alliance partners that will play a part in enhancing corporate value.

(2) Partnership strategy

The company will aim for further growth based on cooperation with optimal partners in each value chain.

ii) Partnership Strategy



(Taken from the reference material of the company)

The company thinks that they should focus on discovering alliance partners in the field of marketing, product development and e-commerce in the value chain in addition to P&E DIRECTIONS, INC. and KOKUBU GROUP CORP.

Furthermore, they engage in industry-academic cooperation.

In collaboration with Graduate School of Agricultural and Life Sciences, Faculty of Agriculture, The University of Tokyo (the Yagi Lab.) regarding the cultivation of ayu (sweetfish) at the Mori Yougyojou fish farm, they conducted an analysis based on data in regard to the relationship between the staff’s experience, know-how and cultivation technologies, and the actual number of cultivated fish. They are considering the introduction of a growth management system for improving the cultivation technologies and, in step with this, increasing the production through making the knowledge concerning “the cultivation of ayu (sweetfish)” explicit, not tacit.

(3) Cooperation with alliance partners

① KOKUBU GROUP CORP.

The growth of Yoshimura Food Holdings as well as group companies will be accelerated by utilizing tangible and intangible assets belonging to KOKUBU GROUP CORP., such as the know-how fostered through business spanning over more than 300 years in addition to 35,000 client companies, 10,000 partner manufacturers, 54 group companies and the product lineup including approximately 600,000 items.

As for KOKUBU GROUP CORP., they expect the increase of transactions with Yoshimura Food Holdings as well as the acquisition of know-how concerning the management of small and medium-sized food companies which Yoshimura Food Holdings has nurtured until now (business management, production streamlining, governance reinforcement, etc.), the acquisition of M&A opportunities and know-how, and the development of management personnel (the development of executive candidates and management personnel based on temporary employee placement).

In regard to M&A and business, following initiatives are in progress based on the alliance.

◎M&A

Challenge	Promotion of the cooperation	Goal to be achieved
Discovery of business opportunities	Sourcing which utilizes the network of KOKUBU (10,000 partner manufacturers)	Approaching an even greater number of small and medium-sized food companies facing problems with business succession or surviving on their own, discovering M&A opportunities
Consideration of business opportunities/ execution of investment	Collaborative consideration of growth strategy utilizing the resources and know-how of KOKUBU	Implementing M&A of an even greater number of companies by taking into account synergy with KOKUBU, it will become possible to handle opportunities which were difficult for Yoshimura Food Holdings to handle on their own
PMI	PMI implementation in collaboration with KOKUBU (expansion of sales channels, reduction of procurement costs, product development, streamlining of logistics, etc. based on the resources of KOKUBU)	Achieving a more rapid growth and securing stable business performance by utilizing the resources of KOKUBU and providing collaborative growth support

◎Business

Challenge	Promotion of the cooperation	Goal to be achieved
Sales	Promotion of sales based on the resources owned by KOKUBU (sales channels, human resources, sales capabilities)	<ul style="list-style-type: none"> * Expanding sales channels to cover the whole country/increasing sales * Building a robust sales system and sales network
Purchase	<ul style="list-style-type: none"> * Increase of channels for procurement with KOKUBU as the point of contact * Review of conditions for bulk purchases of consumable goods 	<ul style="list-style-type: none"> * Increasing gross profit through the reduction of procurement costs * Maintaining procurement costs when the prices of raw materials sharply rise
Product development	Product development as part of marketing, utilizing the expertise and know-how of KOKUBU	<ul style="list-style-type: none"> * Developing long-selling products * Joint development of new products and KOKUBU's private brand products (such as the Kantsuma canned appetizers), manufacturing in Yoshimura Food Holdings
Logistics	Review of the logistics network utilizing the logistics know-how, company warehouses, etc. of KOKUBU	<ul style="list-style-type: none"> * Increasing gross profit through the reduction of logistics costs * Expanding the area for product supply (sales)
Other	<ul style="list-style-type: none"> * Promotion of sales based on the resources of KOKUBU * Review of the logistics network 	Improving the business performance of overseas subsidiaries

② P&E DIRECTIONS, INC.

An alliance with P&E DIRECTIONS, INC. was formed in August 2020 and a management plan as well as M&A strategy were formulated through the cooperation with them until now.

From now on, the company will achieve growth by receiving support in implementing the formulated plan.

*See the previous report in regard to the alliance with P&E DIRECTIONS, INC.

Bridge report: (2884) Yoshimura Food Holdings; Financial results for the second quarter of the term ending February 2021

https://www.bridge-salon.jp/report_bridge/archives/eng/2884/20210127.html

Challenge	Growth based on the plan implementation (future initiatives)
Business strategy	<ul style="list-style-type: none"> * Implementation of management strategy Management of the progress of numerical goals (KGI/KPI), PDCA * Enhancement of the operation of the Holdings Support for operation in a new organization
M&A	<ul style="list-style-type: none"> * Implementation of M&A strategy Target approach * Enhancement of support after M&A Pursuit of synergy effects Support based on manpower, goods and funds

【1-4 Strategy 4: To establish overseas sales channels】

(1) Basic policy

One of the functions of the platform for supporting SMEs is to promote the products of Japanese group companies via the subsidiary in Singapore in overseas markets.

Products have been sold mainly in Singapore, but the sales channels will be expanded also in Southeast Asia and China.

In addition, the company will pursue growth while utilizing the resources of alliance partners, such as KOKUBU GROUP.

(2) Actual cases

JSTT Singapore, which produces and sells sushi, etc. in Singapore, has enhanced the sale of products of Japanese group companies at the sushi section of each supermarket.

② Development of private brand products of jelly

Junwa Food developed private brand products for Bread Talk, which operates the bakery chain in Asia based in Singapore, and released them at about 46 Singaporean stores.

<Reference 2: Regarding Corporate Governance>

◎Organization type, and the composition of directors and auditors

Organization type	Company with internal auditors
Directors	5 directors, including 2 outside ones
Auditors	3 auditors, including 3 outside ones

◎Corporate Governance Report

The latest update: May 31, 2021

<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 4-11>	The board of directors of our company is composed of 5 directors and 3 auditors (who are all male Japanese nationals). These members have excellent personalities, knowledge, abilities, plenty of experience, and a high sense of ethics, and manage the board appropriately. However, we recognize that gender diversity and internationality are still to be improved. From now on, we will have discussions to secure female directors and non-Japanese directors eagerly.
<Principle 5-2>	Our company has disclosed our mid/long-term growth strategies via the reference material for briefing financial results, etc. We will discuss methods for giving understandable explanations on concrete goals, execution measures, etc. to 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>	In order to conduct constructive dialogue and communication with shareholders and investors, our company will develop a system with the management department being in charge of IR. If shareholders and investors request an interview, mainly our representative director and CEO will attend to them within a reasonable range, hold a session for briefing financial results every quarter, and distribute contents via videos. The opinions, etc. received in the dialogue with shareholders and investors are reported to directors and other executives every time.

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