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

## Corporate Information

Exchange	TSE Prime Market
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	<a href="http://y-food-h.com">http://y-food-h.com</a>

## Stock Information

Share price	Shares Outstanding		Total Market Cap	ROE (Actual)	Trading Unit
¥479	23,810,944 shares		¥11,405 million	8.5%	100 shares
DPS (Estimate)	Dividend Yield (Estimate)	EPS (Estimate)	PER (Estimate)	BPS (Actual)	PBR (Actual)
¥0.00	-	¥19.72	24.3x	¥265.39	1.8x

\*The share price is the closing price on November 7. Shares Outstanding, DPS, EPS were taken from the brief report on results of the second quarter of the fiscal year ending Feb. 2023. 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 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	523	787	417	18.59	0.00
February 2022 (Actual)	29,283	655	993	500	21.03	0.00
February 2023 (Estimate)	30,526	835	783	468	19.72	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 2023 and earnings forecasts.

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## Key Points

- In the second quarter of the term ending February 2023, sales increased 10.5% year on year to 16,349 billion yen. Sales increased both in the domestic and overseas businesses. The domestic business for supermarkets struggled due to price revisions, etc., however the business for industrial catering services has recovered. Junido Co., Ltd., which was added to the corporate group this fiscal year, has also contributed. Overseas business has been recovering significantly due to the easing of the regulations against COVID-19. Operating income declined 54.8% year on year to 193 million yen. In the domestic business, some companies struggled due to soaring raw material prices. Profit decreased only slightly thanks to the contribution of Junido. The overseas business recorded a decline in profit due to the impact of soaring raw material prices and logistics costs. Ordinary income increased 28.1% year on year to 747 million yen. Foreign exchange gains increased approximately 350 million yen year on year. EBITDA fell 15.1% year on year to 742 million yen.
- There is no change in the earnings forecast. For the term ending February 2023, sales are expected to increase 4.2% year on year to 30,526 million yen. Assuming that the current conditions will continue in the domestic business, sales are expected to increase with the addition of Junido Co., Ltd., and the overseas business is expected to recover moderately. Operating income is forecast to increase 22.2% year on year to 800 million yen. The domestic business is projected to increase profit due to price revisions and production efficiency improvement, and the overseas business is expected to grow profit due to sales recovery. However, the estimates do not include the growth through new M&A.
- We interviewed the CEO Yoshimura about their current situation, future actions, progress of their growth strategies, and his message to shareholders and investors. With regard to M&A, which is the company's core strategy, he believes that the company can build a strong competitive advantage no other company can imitate, by retaining the know-how it has accumulated in the process so far as a company asset, rather than just keeping it in the minds of themselves and related parties. "We will continue to build a solid foundation to expand sales and profit to meet your expectation, and we will strive to realize our mission 'Working toward a society where we can enjoy this "delicious taste" forever - achieving affluence that allows consumers to enjoy diverse food culture,' and we hope that you will continue to support us," said Mr. Yoshimura.
- The company experienced difficulty in the first half of the fiscal year due to soaring raw material prices and the rapid yen depreciation. Some believes that the yen depreciation may be an overshooting as well, but this must be recognized as an uncertain factor going forward, and we will continue to monitor their earnings trend from the third quarter onward.
- On the other hand, the economic hardship caused by the coronavirus pandemic and Russia's invasion of Ukraine has led to the increase in the number and size of M&A transactions, and then the number of good transactions. The company also announced two successful M&A transactions in September and November respectively. Furthermore, concrete projects for their alliance with KOKUBU GROUP are in the works. Thus, we would like to keep an eye on the progress of their growth strategies to see how they will contribute to sales and profit.

## 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 October 2022, there are 25 major group companies.

### 【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.

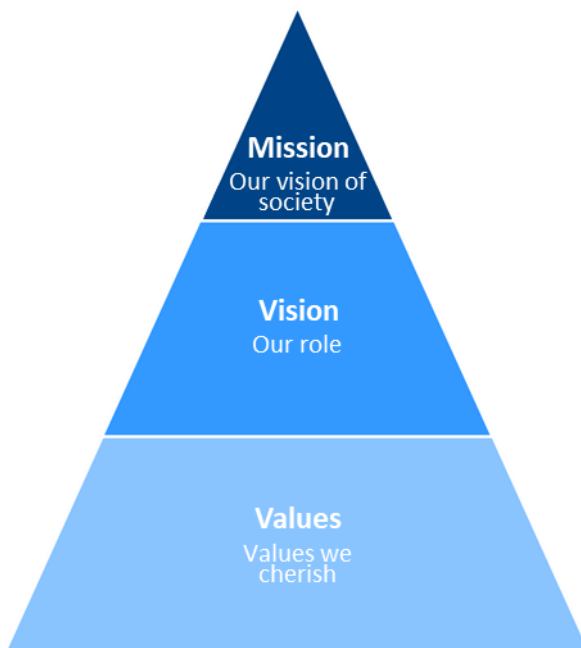
Many food SMEs started seeking help from Mr. Yoshimura upon learning about his reputation. He thought that it was possible to efficiently achieve results if the companies complemented each other in various functions, such as product development, production, and sales under a holding company system, instead 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 Inc. (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. In April 2022, it was transited to the Prime Market 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><b>Mission</b> 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><b>Vision</b> 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><b>Values</b> 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), SME 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 25 group companies in October 2022.

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 develops 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.

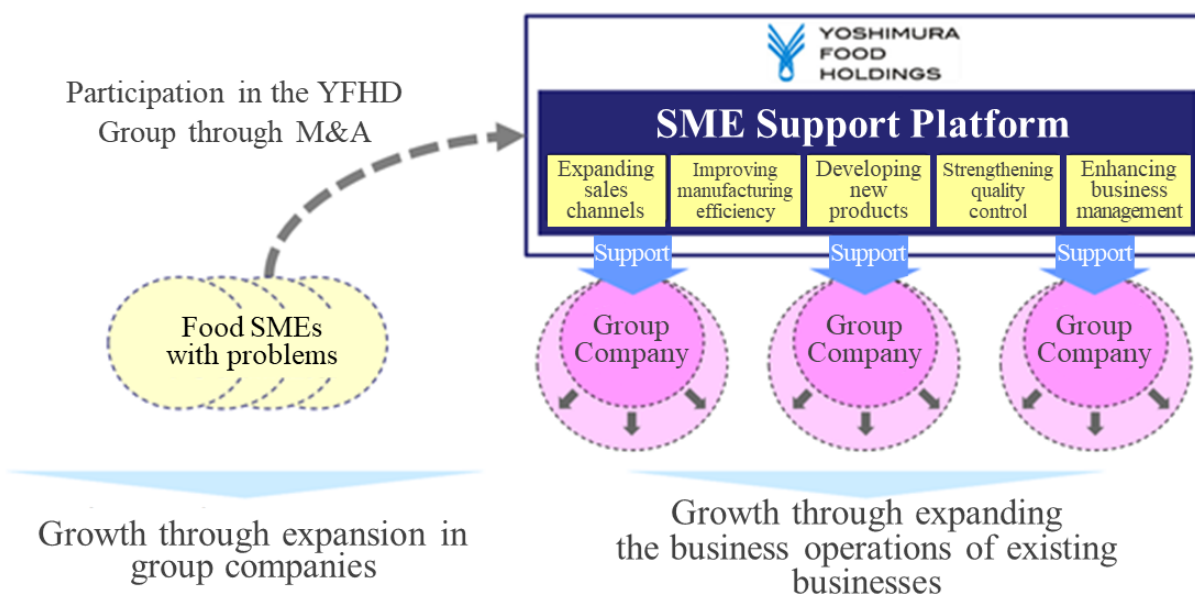
As of October, 2022, the company has 25 group companies. It is recently focusing on adding not only Japanese companies to the group, but also overseas ones.

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 distribution, product development, quality control, business management, and securing personnel) in a manner that goes beyond the company barriers and by building organic relations between subsidiary companies.

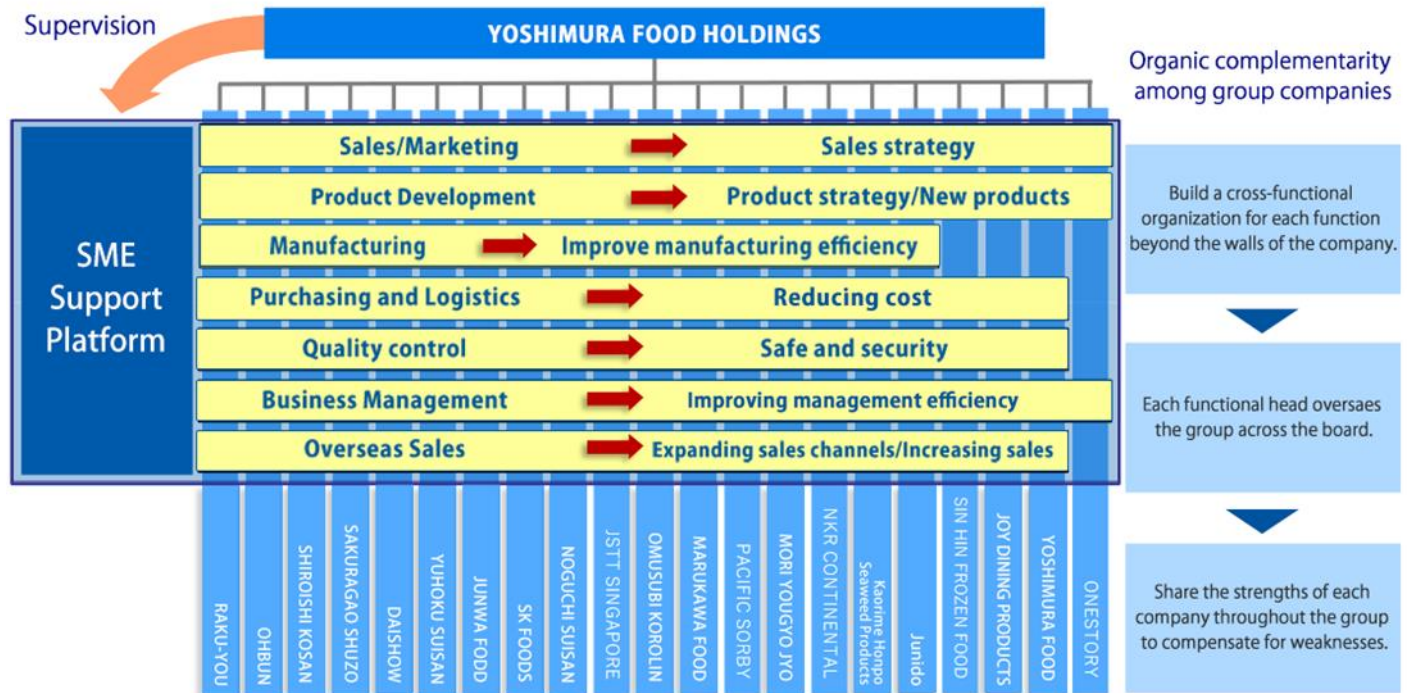
For example, Company A which has an excellent product but is worried about sales growth can use the sales channels and sales know-how of Company B that has a nationwide sales network. Also, it can achieve a stable financial position by using the creditworthiness of Yoshimura Food Holdings which is listed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

“SME Support Platform” 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.

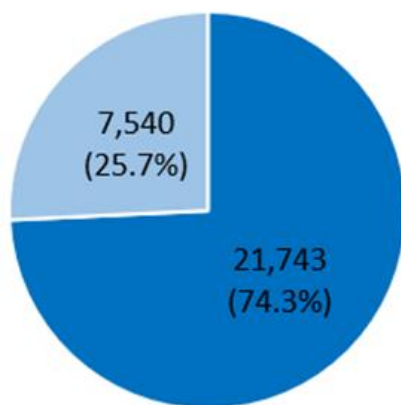


(Taken from the reference material of the company)

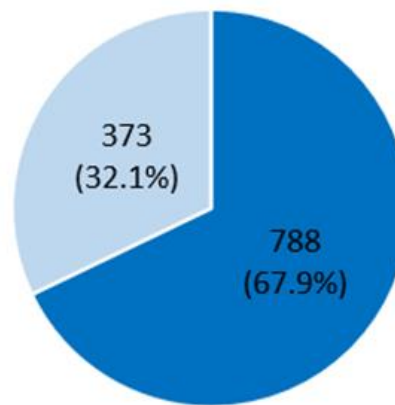
② Segments

The company has two main segments: “manufacturing business segment” and “sales business segment.” In the term ending February 2023, “Other Businesses” including rental income from real estate leasing was added.

Sales composition of each segment



Operating income composition of each segment



■ Manufacturing business ■ Sales business

■ Manufacturing business ■ Sales business

\*The term ended Feb 2022. 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 October 2022, there are 20 group companies as tabulated below. The company plans to acquire Maruta Tahei Kobayashi Seimen, Co., Ltd. as a subsidiary on December 1, 2022.

#### (Group Companies within the Manufacturing Business Segment)

Company Name	Features
RAKU-YOU INC. (Adachi-ku, 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, Ashigarakami-gun, 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)	Brews and sells delicious sake with clean and smooth taste, using the famous water of Bandai. (Shareholding ratio of Yoshimura Food Holdings, K.K. is 19%)
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 Co.,Ltd. (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.
Omusubikororin 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.
Junido Co., Ltd. (Dazaifu City, Fukuoka Prefecture)	It manufactures and sells soft furikake (rice seasoning) such as Umenomi-hijiki. It has many fans all over the country and is very popular.
K.K. ODAKISHOUTEN (Kasama-shi, Ibaraki Prefecture)	This company manufactures and sells products, mainly Iwama Chestnuts from Ibaraki Prefecture.
HOSOKAWA FOODS, CO., LTD. (Kanonji-shi, Kagawa Prefecture)	Manufactures and sells frozen delicatessen products such as kakiage and chijimi using domestic vegetables, as well as frozen rice products such as sekihan (red bean rice).
Maruta Tahei Kobayashi Seimen, Co., Ltd. (Sapporo-shi, Hokkaido)	Mainly engaged in producing and selling fresh noodles (ramen), producing gyoza (dumpling) skins, and selling seasonings including sauce.

### ◎ 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 October 2022, group companies are the following three.

(Group Companies within the Sales Business Segment)

Company Name	Features
Yoshimura Food Co., Ltd. (Koshigaya City, Saitama Prefecture)	It 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.

### ◎ Other segments

Company	Characteristics
ONE STORY Inc. (Shibuya-ku, Tokyo)	It conducts events. It rediscovers and restructures the food and culture hidden in the local region and produces them as premium content.
SHARIKAT NATIONAL FOOD PTE .LTD. (Singapore)	It owns a food factory and a constant-temperature warehouse for food in Singapore and is engaged in the real estate leasing business.

\* ONESTORY Inc. became a subsidiary on April 1, 2022.

## **【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.

### **③Contribution to regional vitalization**

The company has actively implemented the business succession, etc. of local food SMEs, 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 SME Support Platform, 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 <sup>st</sup> of August of every year)	Products worth 4,000 yen from the group companies each time

**【1-7 ESG Management】**

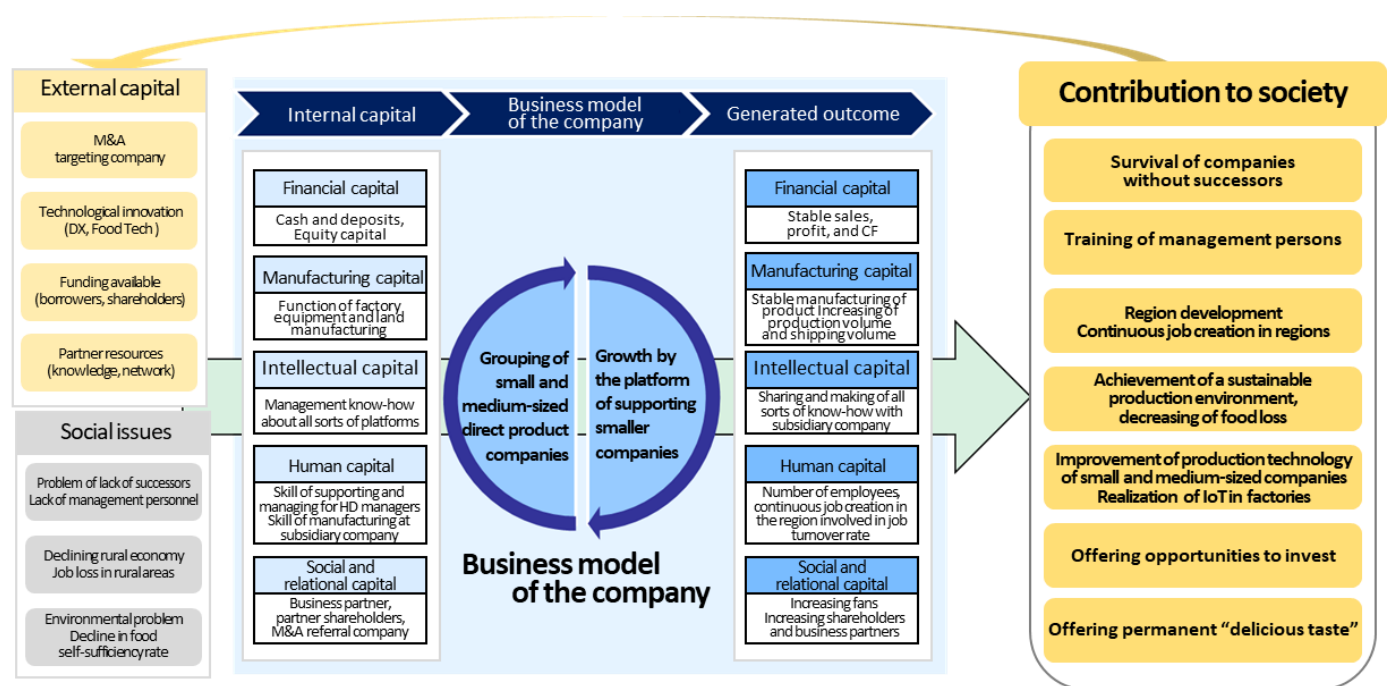
The company is working on its ESG management based on the goal mentioned above, “working towards a society where we can enjoy this ‘delicious taste’ forever—achieving affluence that allows consumers to enjoy diverse food cultures.”

Items	Main Initiatives
E (Environment)	<p><b>Production of environmentally friendly, sustainable products</b></p> <ul style="list-style-type: none"> <li>*To hold the technology and know-how to produce sustainable products that do not depend on environmental changes or produce environmental burdens</li> <li>*To utilize a limited amount of food resources and conduct efficient production</li> </ul> <p>Mori Yougyojou: 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.</p> <p>Yamani Noguchi Suisan: It helps reduce food loss by developing products using residue and food that do not satisfy size specs.</p> <p>Yuhoku Seafood Processing: It produces and sells negitoro (minced tuna and green onion) and nakauchi (tuna meat scraped from the backbone) efficiently, by effectively utilizing ingredients.</p> <p><b>Recycling of industrial waste from the manufacturing process</b></p> <ul style="list-style-type: none"> <li>*Group companies: To utilize food waste by offering the waste produced during the manufacturing process to local livestock breeders and others</li> </ul> <p><b>Reduction of power consumption</b></p> <ul style="list-style-type: none"> <li>*Group companies: To install LED lighting, highly efficient boilers, etc. for reducing power consumption at factories</li> </ul>
S (Society)	<p><b>Contribution to the business continuity by involving enterprises that have loyal fans in each region</b></p> <p><b>Contribution to the diversity of food in local communities</b></p> <ul style="list-style-type: none"> <li>*To develop products with rigorously selected ingredients and recipes, which are strongly demanded by local consumers</li> </ul> <p>Kaorime Honpo: It has a lion's share in the rice seasoning market in the Chugoku region.</p> <p>Marukawa Shokuhin: It uses rigorously selected ingredients, such as fresh pork and locally grown cabbage, and secret recipes</p> <p>Omusubikororin Honpo: It develops local specialties by taking advantage of the location of Shinshu-azumino and the freeze-drying technology</p> <p>Eisen Shuzou: It produces refined sake from “Ryugasawa Spring Water” boasted by the local community and selected as one of the 100 best waters of Japan</p> <p>Daishow: It does not use preservatives or colorants. Smooth texture and taste you will never get tired of.</p> <p>Ohbun: It procures oysters harvested in the clean sea areas of Hiroshima and conditional clean sea areas</p>

	<p>* Participating in a free lunch support project for students (Omusubikororin Honpo) and providing field trips for elementary school students and gifts (Mori Yougyojou and Junwa Food)</p> <p><b>Diversity of employees</b></p> <p>*Group companies: To prepare opportunities for female employees to flourish, and take measures for recruiting disabled and foreign workers</p>
G (Governance)	<p><b>Support with the SME Support Platform</b></p> <p>*To design business plans and get involved in progress management according to situations while securing the autonomy of each group company</p> <p>*To establish the control section for each function, support business and manage progress as a corporate group</p> <p><b>Support for managerial resources</b></p> <p>*To support the management of group companies, by procuring funds and training next-generation employers for them</p>

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.



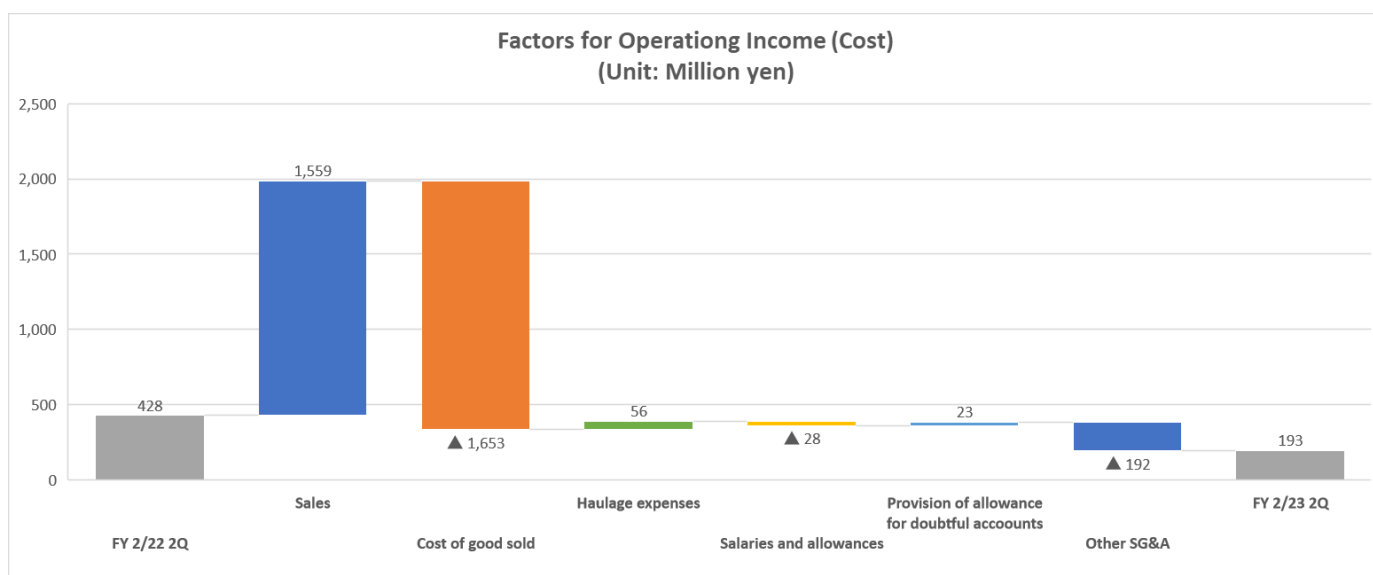
(Taken from the reference material of the company)

## 2. Second quarter of Fiscal Year ending February 2023 Earnings Results

### 【2-1 Consolidated results】

	2Q of FY 2/22	Ratio to sales	2Q of FY 2/23	Ratio to sales	YoY
Net sales	14,790	100.0%	16,349	100.0%	+10.5%
Gross profit	3,310	22.4%	3,216	19.7%	-2.8%
SG&A expenses	2,882	19.5%	3,023	18.5%	+4.9%
Operating income	428	2.9%	193	1.2%	-54.8%
Ordinary income	583	3.9%	747	4.6%	+28.1%
Net income	338	2.3%	406	2.5%	+20.1%
EBITDA	873	5.9%	742	4.5%	-15.1%

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



\*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

\*▲ of expense account indicates that the expense has increased.

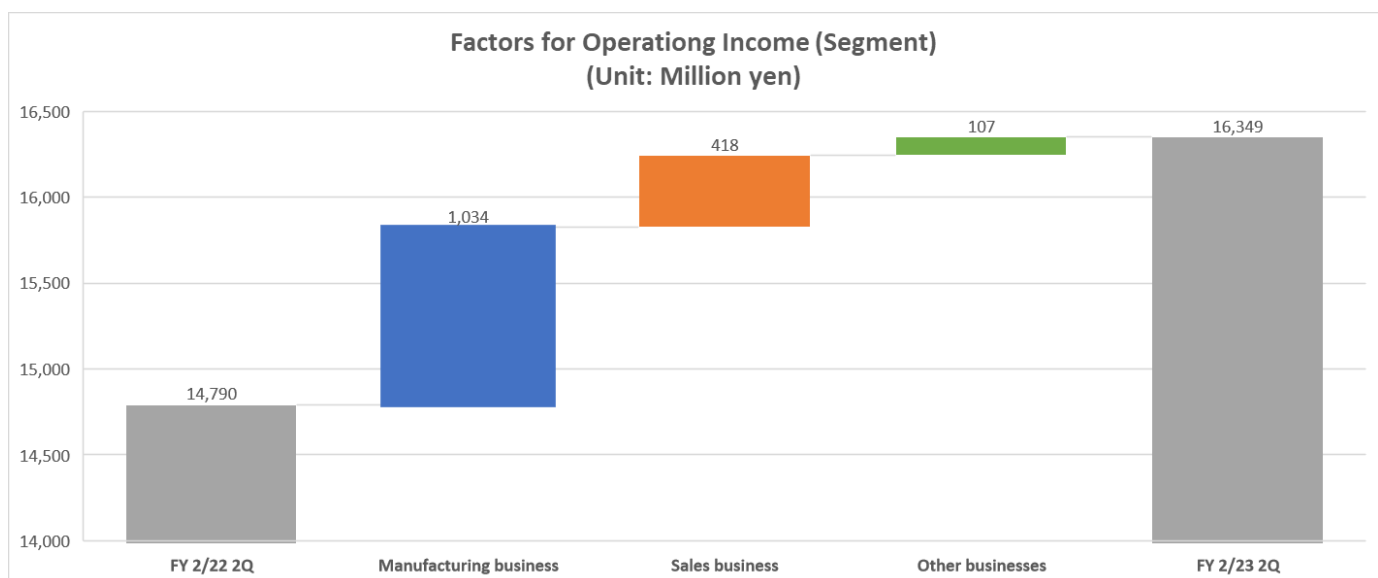
### Sales increased but profit decreased.

Sales increased 10.5% year on year to 16.349 billion yen. Sales increased both in the domestic and overseas businesses. The domestic business for supermarkets struggled due to price revisions, etc., however the business for industrial catering services has recovered. Junido Co., Ltd., which was added to the corporate group this fiscal year, has also contributed. Overseas business has been recovering significantly due to the easing of the regulations against COVID-19. Operating income declined 54.8% year on year to 193 million yen. In the domestic business, some companies struggled due to soaring raw material prices. Profit decreased only slightly thanks to the contribution of Junido. The overseas business recorded a decline in profit due to the impact of soaring raw material prices and logistics costs. Ordinary income increased 28.1% year on year to 747 million yen. Foreign exchange gains increased approximately 350 million yen year on year. EBITDA fell 15.1% year on year to 742 million yen.

## 【2-2 Results of each segment】

	2Q of FY 2/22	Composition ratio	2Q of FY 2/23	Composition ratio	YoY
Net sales					
Manufacturing business	11,064	74.8%	12,098	74.0%	+9.3%
Sales business	3,725	25.2%	4,143	25.3%	+11.2%
Other businesses	-	-	107	0.7%	-
Total	14,790	100.0%	16,349	100.0%	+10.5%
Operating income					
Manufacturing business	463	4.2%	371	3.1%	-19.9%
Sales business	212	5.7%	173	4.2%	-18.5%
Other businesses	-	-	-77	-	-
Adjusted amount	-247	-	-273	-	-
Total	428	2.9%	193	1.2%	-54.8%

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



\*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

## \*Manufacturing business segment

Sales increased and profit decreased.

For domestic manufacturing subsidiaries, both sales and profit increased as a result of promotion of production efficiency improvement and reduction of logistics and other expenses, on top of positive factors generated by adding Junido, Co., Ltd. to the corporate group, even though sales toward supermarkets and other retailers began to struggle.

For overseas manufacturing subsidiaries, sales increased and profit decreased due to the impact of soaring raw material prices and other factors, while sales toward hotels and restaurants began to recover due to the easing of restrictions on socio-economic activities caused by the novel coronavirus infection.

## \*Sales business segment

Sales increased and profit decreased.

For domestic sales subsidiaries, both sales and profit grew as sales toward Co-ops remained strong, in addition to a recovery in sales toward industrial catering services.

For overseas sales subsidiaries, sales increased and profit dropped, as prices of some raw materials have increased, even though sales are in a recovery trend.

## BRIDGE REPORT

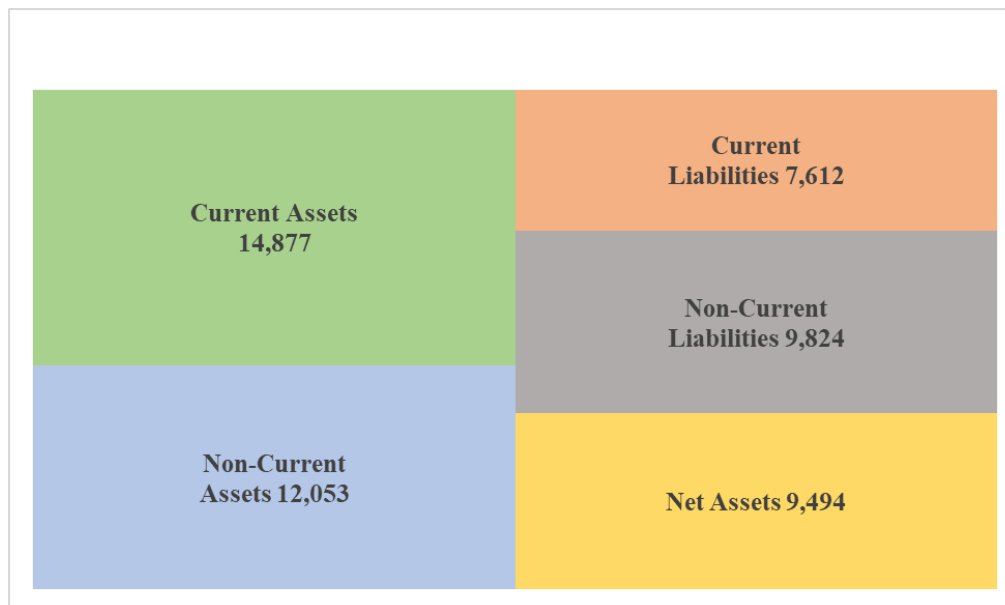


## 【2-3 Financial conditions and cash flow】

## ◎Main balance sheet

	End of 2/22	End of 8/22	Y to Y		End of 2/22	End of 8/22	Y to Y
Current assets	12,545	14,877	+2,331	Current liabilities	6,367	7,612	+1,244
Cash and deposits	3,293	3,881	+588	Notes and accounts payable - trade	2,338	2,658	+319
Notes and accounts receivable - trade	4,347	4,943	+596	Short term interest-bearing liabilities	2,208	2,882	+674
Inventories	4,503	5,229	+725	Non-current liabilities	9,060	9,824	+763
Non-current assets	11,197	12,053	+855	Long term interest-bearing liabilities	8,354	9,002	+647
Property, plant and equipment	5,672	6,148	+476	Liabilities	15,428	17,436	+2,007
Intangible assets	4,160	4,569	+409	Net assets	8,314	9,494	+1,179
Investments and other assets	1,365	1,335	-30	Retained earnings	3,115	3,552	+406
Total assets	23,743	26,930	+3,187	Total liabilities and net assets	23,743	26,930	+3,187
				Total interest-bearing liabilities	10,562	11,884	+1,321

\*Unit: Million yen



\*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

Cash and deposits, notes and accounts receivable, and inventories increased, and total assets increased 3.1 billion yen from the end of the previous term to 26.9 billion yen.

Total liabilities increased 2.0 billion yen to 17.4 billion yen due to an increase in interest-bearing debt.

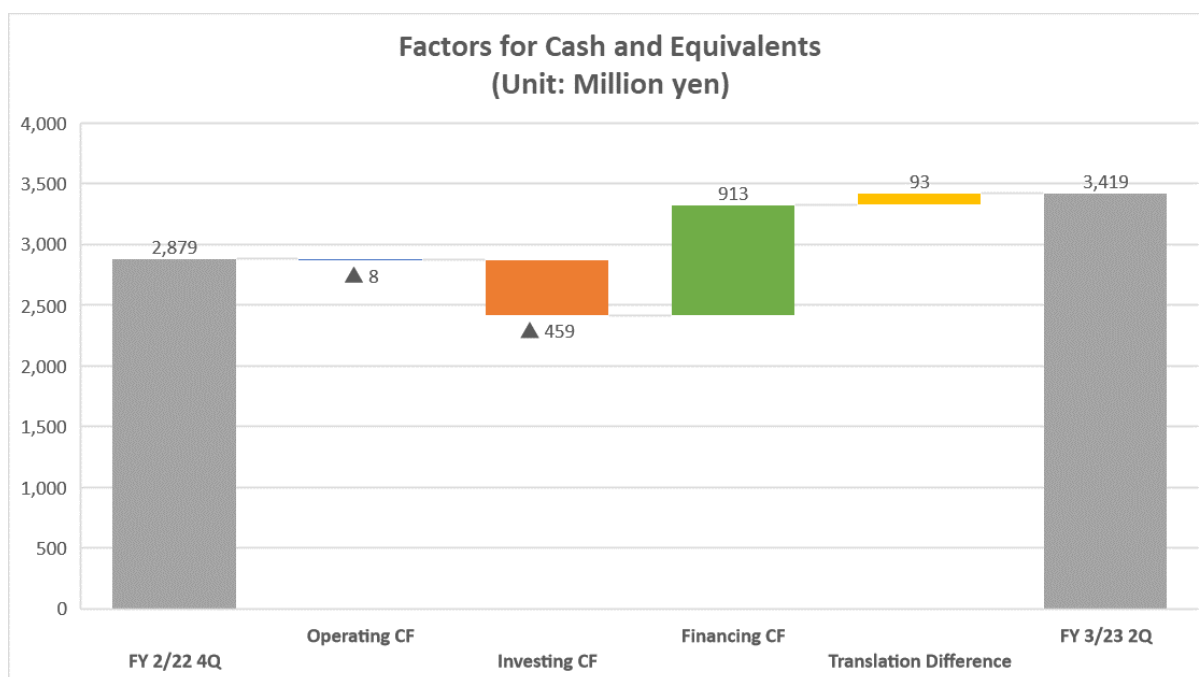
Net assets increased 1.1 billion yen to 9.4 billion yen due to an increase in retained earnings.

The equity ratio increased by 0.2 points from the previous fiscal year to 26.8%.

## ◎Cash flows

	2Q of FY 2/22	2Q of FY 2/23	Y to Y
Operating CF	964	-8	-973
Investing CF	-309	-459	-149
Free CF	655	-467	-1,123
Financing CF	-1,129	913	2,043
Balance of cash and cash equivalents	4,162	3,419	-743

\*Unit: Million yen



\*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

Operating CF and free CF turned negative.  
Cash position decreased.

## 【2-4 Topics】

**(1) Acquired HOSOKAWA FOODS, CO., LTD. and HOSOKAWA FOODS, LTD. as subsidiaries.**

In September 2022, the company purchased shares of HOSOKAWA FOODS, CO., LTD. and HOSOKAWA FOODS, LTD., which manufacture frozen delicatessen products including kakiage and chijimi using domestic vegetables, frozen rice products such as red bean rice, and process vegetables and sell vegetable ingredients, and acquired them as subsidiaries.

**(Overview of HOSOKAWA FOODS, CO., LTD. and HOSOKAWA FOODS, LTD.)**

HOSOKAWA FOODS, CO., LTD. was founded in April 1963, and HOSOKAWA FOODS, LTD. was established in September 2004. HOSOKAWA FOODS, CO., LTD. has a factory in Mitoyo-shi, Kagawa Prefecture, which is engaged in manufacturing frozen delicatessen products using domestic vegetables such as kakiage and chijimi, as well as frozen rice products such as red bean rice. Their three main strengths are its “stable procurement channels,” “technologies,” and “distribution channels.”

**Stable procurement channels**

These companies have a long-standing relationship with the Kanonji Regional Wholesale Market, their vegetable supplier, and have built a deep relationship with the market by holding 36% of their shares. Since the market is located near the head office and their factory, they can procure fresh domestic vegetables. As the factory has their own vegetable processing building, production can be carried out while maintaining freshness.



### Technologies

The advanced manufacturing technology they developed over many years allows them to produce kakiage in a stable shape that makes the most of the original deliciousness of vegetables. In addition, they own a kakiage production line with a steamer, and continuously receive a steady stream of orders from existing clients.

### Distribution channels

The high-quality products they manufacture have been highly evaluated, and they are entrusted by major food manufacturers including Table Mark with manufacturing their private brand (PB) products.

### **(Purpose of making them subsidiaries)**

The company made the decision to acquire their shares because HOSOAKWA FOODS has high product competitiveness, ability to stably procure high quality vegetables, advanced manufacturing technology and manufacturing facilities including a kakiage production line with a steamer, and because the company was attracted by their stable business foundation brought by these factors.

OHBUN CO., LTD., a group company of Yoshimura Food Holdings, which manufactures products such as frozen oyster fries in Shikoku Chuo-shi, Ehime Prefecture, has been purchasing frozen kakiage manufactured by HOSOKAWA FOODS for some time. Moving forward, Yoshimura Food Holdings aims to increase sales by utilizing the distribution channels of OHBUN CO., LTD. and those of the corporate group, and aims for further growth of both companies by sharing management know-how Yoshimura Food Holdings owns and by establishing a support system through a small and medium business platform, while leveraging the strengths of HOSOKAWA FOODS, by utilizing the corporate group's know-how on manufacturing efficiency, etc. In addition, the funds required for this share acquisition will be financed by bank loans.

### **(2) Acquired Maruta Tahei Kobayashi Seimen, Co., Ltd. as a subsidiary**

In November 2022, the company announced its plan to acquire shares of Maruta Tahei Kobayashi Seimen, Co., Ltd., which is mainly engaged in producing and selling fresh noodles (ramen), producing gyoza (dumpling) skins, and selling seasonings including sauce, to make it a subsidiary.

The acquisition of shares is scheduled on December 1, 2022.

### **(Overview of Maruta Tahei Kobayashi Seimen, Co., Ltd)**

It was founded in March 1982, with the headquarters and factories in Sapporo-shi, Hokkaido, and is mainly engaged in producing and selling fresh noodles (ramen), producing gyoza (dumpling) skins, and selling seasonings including sauce.

Its main customers are ramen shops inside and outside Hokkaido, and its noodles are used in popular restaurants where people always wait in long lines, and it has a certain level of name recognition in the ramen industry inside and outside Hokkaido.

This company's three main strengths are its "technologies and know-how for noodle-making," "brand power," and "well-maintained factory lines."

### Technologies and know-how for noodle-making

Kobayashi Seimen's advanced manufacturing technology developed over many years has enabled it to create distinctive products, and its commitment to taste and quality is highly supported by existing clients, giving it a competitive advantage over its competitors.

It maintains stable profit margins by manufacturing value-added products, including producing custom-made noodles, in response to customers' requests.

### Brand power

It has gained a certain level of recognition in the ramen industry in Hokkaido for its production of high-quality, flavorful noodles. Its name has become a brand, and the name of this company is sometimes placed on the restaurant curtain of its clients' ramen restaurants. It is difficult to change the design of the curtain once it is made. The taste of ramen can completely change through the change of noodles, which are considered main ingredients following soup. Therefore, the relationship with existing clients has been deep, resulting in stable and continuous transactions.

Well-maintained factory lines

Its factories are thoroughly sanitized, and their production capacity is sufficient.

#### **(Purpose of making it a subsidiary)**

The decision to acquire the shares of Maruta Tahei Kobayashi Seimen, Co., Ltd. was made because of its unique business model it has built, the advanced manufacturing technology and know-how to produce distinctive products, and because the company was attracted by the Kobayashi Seimen brand and its high name recognition, which has been built up over many years in Hokkaido.

While utilizing the strengths of Maruta Tahei Kobayashi Seimen, Yoshimura Food Holdings will leverage its own management know-how and a support platform for small and medium businesses to create synergies with food manufacturers in the corporate group, aiming for further growth for both companies.

In particular, the company believes that sharing suppliers and sales outlets, as well as product development in collaboration with the RAKU-YOU INC. located nearby, will generate significant synergies.

In addition, this share acquisition will be financed by bank loans.

### **3. Fiscal Year ending February 2023 Earnings Estimates**

#### **【3-1 Full-year earnings forecasts】**

	FY 2/22	Ratio to sales	FY 2/23 (Estimate)	Ratio to sales	YOY	Progress Rate
Net sales	29,283	100.0%	30,526	100.0%	+4.2%	53.6%
Operating income	655	2.2%	835	2.7%	+27.5%	23.2%
Ordinary income	993	3.4%	783	2.6%	-21.2%	95.5%
Net income	500	1.7%	468	1.5%	-6.2%	87.0%
EBITDA	1,577	5.4%	1,660	5.4%	+5.3%	44.7%

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

#### **No change in the earnings forecast. Sales and operating income increase.**

There is no change in the earnings forecast. Sales are projected to increase 4.2% year on year to 30,526 million yen.

The domestic business is expected to maintain the status quo, and with the new addition of Junido, sales are expected to increase, while the overseas business is expected to recover moderately. Operating income is expected to increase 27.5% year on year to 835 million yen.

The domestic business is expected to see an increase due to price revisions and production efficiency improvements, while the overseas business is expected to see an increase due to a recovery in sales. The forecast does not include growth through new M&A.

#### **【3-2 Impact of Soaring Raw Material Prices and Foreign Exchange】**

Food ingredient prices are soaring worldwide due to global supply chain disruptions, unseasonable weather, and rising energy costs. Group companies have been implementing price revisions (price increase) and standard revisions (content volume changes), but further actions are needed as the yen continues to depreciate due to exchange rate fluctuations. At the same time, they strive to maintain and improve profit margin by further rationalizing manufacturing and reducing costs.

In addition, the exchange rate has fluctuated significantly, and the company's valuation of loans to its Singapore subsidiary may fluctuate, resulting in foreign exchange gains or losses. To continue the business in Singapore, the company plans to avoid hedging through foreign exchange contracts.

## 4. Interview with CEO Yoshimura

We asked the CEO Yoshimura about the current state of affairs, actions to be taken, progress in growth strategies, and his message to shareholders and investors.

### ◎The current state of affairs and actions to be taken

The majority of our sales come from importing ingredients from overseas, then processing and selling them domestically. Ingredient prices have increased substantially, but it is not easy to pass these increases on to selling prices. In addition, the yen depreciated more rapidly than expected. These two factors are the main reasons for the significant decrease in operating income.

Under this situation, it is clear for us to do, namely price revision, standard revision, further rationalization of production, and overall cost reduction, and we will address each of these issues to the fullest extent possible.

As for price revision, it is still possible to raise prices for competitive products. In addition, since the price hike is a global trend, we believe that this is a good opportunity in a sense.

We will ascertain the unique characteristics and competitiveness of our products and respond with meticulous care.

The effects of the novel coronavirus still linger, but this will fade over time. On the other hand, the future of logistics, energy prices, and other costs associated with Russia's invasion of Ukraine are still uncertain, and we believe it is necessary to focus more than ever on developing new sales channels, in addition to addressing these issues.

### ◎Progress in growth strategies

Our growth strategies are "Strategy 1: Reinforcement of M&A," "Strategy 2: Re-strengthening of the business model," "Strategy 3: Collaborating with business partners and bringing functions that are lacking in-house," and "Strategy 4: Strengthening overseas sales channels."

#### "Strategy 1: Reinforcement of M&A"

In terms of improving the profitability of existing group companies, I would have to say that the current environment is unfavorable, but in terms of executing new M&A transactions, the past six months have seen an unprecedented increase in the number of opportunities. As expected, with the adverse circumstances stemming from the Ukraine problem following the novel coronavirus crisis, more and more owner-managers are losing heart, partly due to factors such as age and the absence of successors.

On the other hand, however, there are a growing number of outstanding companies and excellent projects. This is another big difference from that before the pandemic.

In addition, the number of large projects is increasing in terms of scale. While there are, of course, small, blue-chip deals, the M&A world is exceedingly active, with the sale of some of the largest companies in the current group of less than 30 companies in terms of sales.

#### "Strategy 2: Re-strengthening of the business model"

While we recognize the importance of training personnel within the company, we continue to hire highly capable personnel with specialized skills, as we do not always have the right people in house, not to mention that it takes time to train them.

Hiring individuals who are young and have positive energy and experiences in various fields has changed the circumstances at each of the group companies.

At the same time, however, we are finding it difficult to change the mindset of those responsible at each company.

The management of numerical values for each group company and the locus of responsibility for it were unclear, leaving room for both the management of the operating companies and the holding company's personnel who support them to excuse themselves if they failed to achieve their numerical targets. Last year, therefore, the organization was changed to one with clear numerical responsibilities. At the same time, we adopted a performance-based compensation system, whereby compensation fluctuates according to the degree of contribution to business performance.

The change in awareness is not progressing at the speed I had hoped, and I believe that we need to send repeated messages and work on shuffling personnel.

**"Strategy 3: Collaborating with business partners and developing functions that are lacking in house"**

Steady progress is also being made in collaboration with the KOKUBU GROUP, with which we have a capital and business alliance. For us, the strong sales channels and product development capabilities of KOKUBU are a major attraction, and as the first step, MORI YOGYO JO CO., LTD, which farms sweetfish, began producing and selling canned sweetfish in collaboration with KOKUBU this spring.

In addition, concrete steps are being taken, such as having dried noodles from Shiraiishi Kosan Co., Ltd. used as novelty items in KOKUBU's sales activities.

With the goal of securing the best partner for each link of the value chain, ONESTORY Inc. was acquired as a partner for our marketing division.

Now that we have established the framework, we will work to improve the content of the product in order to develop group synergies and strengthen the value chain.

**"Strategy 4: Strengthening overseas sales channels"**

Regrettably, no significant developments have been made due to the tight lockdown in Singapore resulting from the novel coronavirus crisis.

However, a meeting with customers in the neighboring Malaysia confirmed that prominent restaurant chains are planning dynamic new branch openings over the next few years, and that there are significant business opportunities for our company there.

We are planning to proceed with preparations.

**◎The Importance of the "Entry Point" in M&A**

We have been involved in numerous M&A transactions. In the process, we have been able to reaffirm the importance of the "entry point" of the transaction.

Of the many transactions, some companies did better than expected, while others did not do as well as expected.

One thing we can say with certainty, however, is that companies recognized by us as a "good company" have grown more significantly. Accordingly, it is extremely important to exercise due diligence at the "entry point," and have the skills to evaluate the business for this purpose, as well as the communication skills to negotiate with the owners of the company to ensure a smooth entry into the group.

Although we have actually acquired less than 30 companies, we have investigated hundreds of them, if document-based investigations are included.

By compiling the know-how accumulated through the process, including both successes and failures, into a manual and improving the ability to make assessments at the "entry point," the PMI can be conducted more efficiently and the accuracy of success can be further enhanced.

It is my belief that by preserving this know-how as a company asset, rather than keeping it in the minds of myself and others involved, we can build a strong competitive advantage that no other company can imitate.

**◎Message to shareholders and investors**

As a major shareholder myself, I am extremely dissatisfied with the results in the first half of this fiscal year. Although some things are beyond my control, I am reminded of the importance of doing the best we can, building a system that can generate profits rather than losses even if they differ from expectations, and diversifying our business domains.

We feel that by diversifying our business – commercial, supermarkets, retail, domestic and international - we have seen less volatility in our earnings than previously.

We also feel that the more difficult the environment becomes, the more we need to secure outstanding personnel as the driving force to overcome it, and we will actively hire capable people.

As we continue to build on this foundation and increase sales and profits to meet your expectations, we will strive to realize our mission, "working toward a society where we can enjoy this 'delicious taste' forever—achieving affluence that allows consumers to enjoy diverse food cultures," and for this, we would appreciate your continued support.

## 5. Conclusions

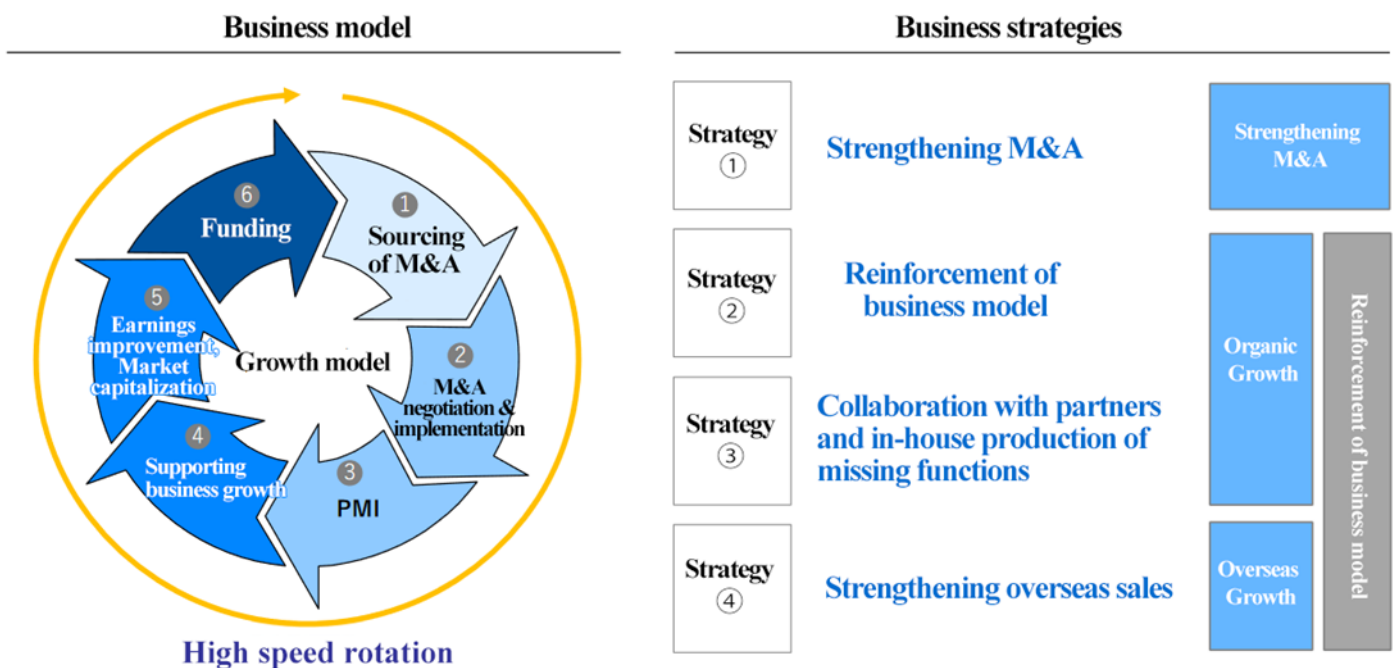
The company experienced difficulty in the first half of the fiscal year due to soaring raw material prices and the rapid yen depreciation. Some believes that the yen depreciation may be an overshooting as well, but this must be recognized as an uncertain factor going forward, and we will continue to monitor their earnings trend from the third quarter onward.

On the other hand, the economic hardship caused by the coronavirus pandemic and Russia’s invasion of Ukraine has led to the increase in the number and size of M&A transactions, and then the number of good transactions. The company also announced two successful M&A transactions in September and November respectively,. Furthermore, concrete projects for their alliance with KOKUBU GROUP are in the works. Thus, we would like to keep an eye on the progress of their growth strategies to see how they will contribute to sales and profit.

### <Referencel: Growth Strategies >

The company has built a unique business model centered on the SME Support Platform in the food industry and is pursuing growth by increasing the number of group companies through M&A and expanding the business of existing group companies.

There is no change in the basic strategies and routes. However, the company set up Strategy (1): strengthening M&A, Strategy (2): re-enhancing the business model, Strategy (3): collaborating with business partners and in-house production of missing functions, and Strategy (4): strengthening overseas sales channels, to speed up the processes from M&A to the PMI and business growth support, execute more M&A, implement growth support, and improve corporate value.

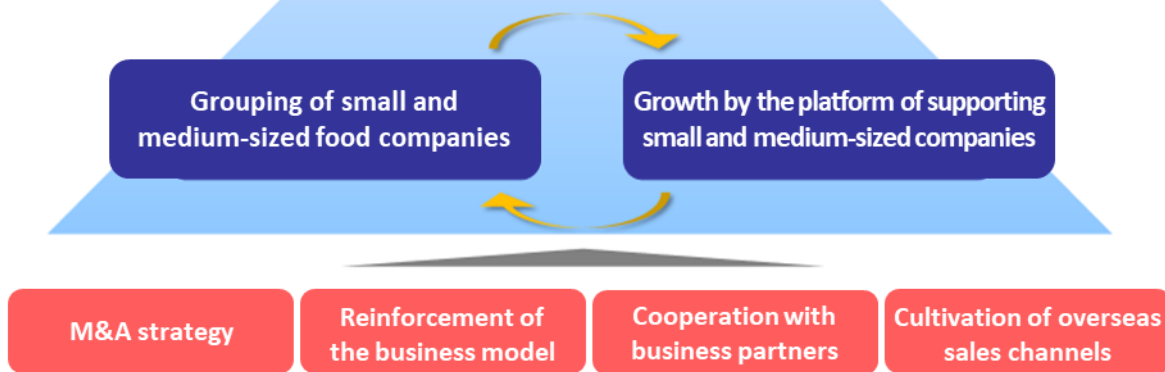


(Taken from the reference material of the company)

By organically linking each strategy, the company aims to realize its vision and achieve its mission.

**To a society where we can enjoy this “delicious taste” forever**  
 ~Achievement of abundance where consumers can enjoy various food cultures~

**Protecting and bringing up “delicious taste”  
 in the region and sharing it with the world**



(Taken from the reference material of the company)

**【1 Strategy 1: Strengthening M&A】**

The company will aggressively promote M&A through the three strategies: the business unit strategy, the community-based product and niche market strategy, and the platform strengthening strategy to effectively demonstrate synergistic effects and improve profitability.

**Business unit strategy**

The company will conduct M&A with companies with a certain degree of business scale and market share and will be a new pillar (core) of the business.

After that, the company will implement roll-up mergers (M&A) of companies in the same field to improve efficiency.

The company will also achieve synergies within the units and improve profitability.

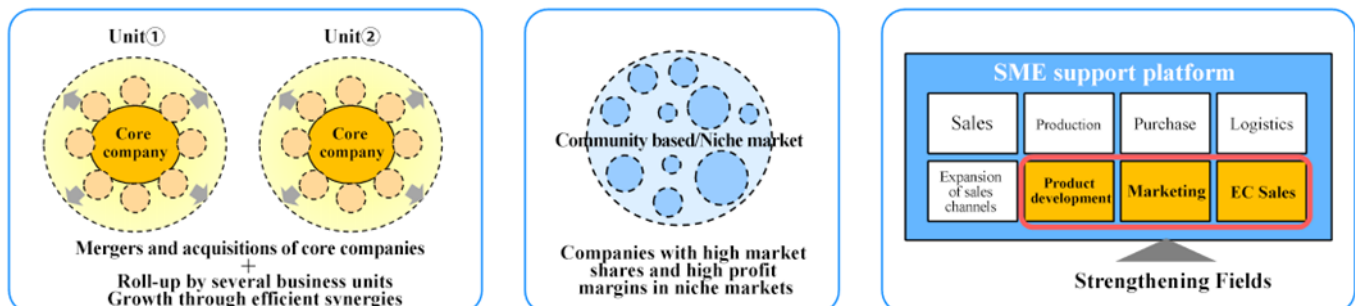
**Community-based product and niche market strategy**

The company will conduct M&A of companies with a high market share, product strength, and high-profit margins in niche markets. It will utilize the platform to grow profits by increasing sales.

**Platform strengthening strategy**

The company will conduct M&A of companies that will improve the SME Support Platform.

In particular, it will strengthen product development, marketing, and EC sales fields.



(Taken from the reference material of the company)

Although the number of M&A deals introduced and executed temporarily dropped due to the impact of the novel coronavirus, it has been on a recovery trend recently. In the future, the company will further expand earnings by accelerating M&A.

**【2 Strategy 2: Re-enhancing the Business Model】**

By hiring specialized human resources, the company aims to improve business performance by improving management support and support for each function.

In management support, the company will hire human resources with abundant management experience and appoint them as presidents of group companies.

In addition, the company will hire excellent young human resources and help them gain management experience in group companies to enhance management innovation.

In support for each function, it will provide support utilizing the SME Support Platform. It will also recruit specialized personnel in each function to strengthen the platform.

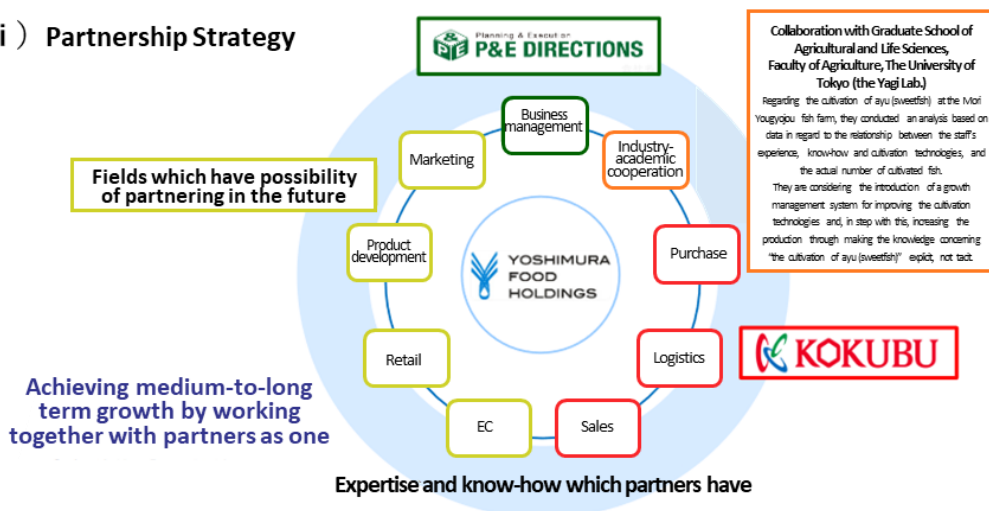


(Taken from the reference material of the company)

**【3 Strategy 3: Collaborating with Business Partners and In-house Production of Missing Functions】**

The company aims for further growth by forming alliances and conducting M&A with the most suitable partners for each value chain.

**ii ) Partnership Strategy**



(Taken from the reference material of the company)

### Cooperation with KOKUBU GROUP CORP.

The status of collaboration with the Kokubu Group Corp., which has about 35,000 customers, approximately 10,000 trading manufacturers, 54 group companies, almost 600,000 items in the product lineup, and know-how cultivated through over 300 years of business, is as follows.

	Promotion of the cooperation	Progress
Sales	<ul style="list-style-type: none"> <li>* Promotion of sales based on the resources owned by KOKUBU (sales channels, human resources, sales capabilities)</li> </ul>	<ul style="list-style-type: none"> <li>* Proposed Yoshimura Food Holdings' products to Kokubu's business partners (major supermarkets, etc.), and some of them decided to adopt the products</li> </ul>
Purchase	<ul style="list-style-type: none"> <li>* Increase of channels for procurement with KOKUBU as the point of contact</li> <li>* Increase in gross profit due to lower procurement costs</li> <li>* Review of conditions for bulk purchases of consumable goods</li> </ul>	<ul style="list-style-type: none"> <li>* Successfully reduced costs by switching to procurement of some raw materials through Kokubu</li> <li>* Reduced costs for the entire group by switching to a centralized purchasing system operated by Kokubu for the purchase of consumables</li> </ul>
Product development	<ul style="list-style-type: none"> <li>* Product development as part of marketing, utilizing the expertise and know-how of KOKUBU</li> </ul>	<ul style="list-style-type: none"> <li>* Commercialization of new products developed in cooperation with Kokubu, such as Kantsuma canned appetizers</li> <li>* Sharing of Kokubu's marketing information with Yoshimura Food Holdings Group and its use in sales and marketing</li> </ul>
Logistics	<ul style="list-style-type: none"> <li>* Review of the logistics network utilizing the logistics know-how, company warehouses, etc. of KOKUBU</li> <li>* Expansion of product supply (sales) area</li> </ul>	<ul style="list-style-type: none"> <li>* Holding discussions to reduce logistics costs, taking into account the regional characteristics of each Group subsidiary</li> </ul>
M&A	<ul style="list-style-type: none"> <li>* Identifying and reviewing M&amp;A projects in cooperation with Kokubu</li> <li>* PMI implementation in collaboration with KOKUBU</li> </ul>	<ul style="list-style-type: none"> <li>* Establishment of a system to collect M&amp;A needs in a timely manner by leveraging Kokubu's information network</li> <li>* Investigating projects that can be specifically considered by both companies, including joint PMI and value-up measures, as required</li> </ul>
Other	<ul style="list-style-type: none"> <li>* Promotion of company-to-company collaboration</li> <li>* Realization of mid- to long-term collaboration</li> </ul>	<ul style="list-style-type: none"> <li>* Introduction of Yoshimura Food Holdings Group to Kokubu Area Company and holding discussions for joint business</li> <li>* Receiving a permanent transfer from Kokubu and maintaining close ties with the company</li> </ul>

### 【4 Strategy 4: Strengthening Overseas Sales Channels】

As one of the functions of the SME Support Platform, the company will strengthen sales of domestic group company products through the Singapore subsidiary.

To that end, it will expand its sales channels to Southeast Asia and China, centering on Singapore. It is also necessary to hire human resources who can communicate in English.

In addition, the company will continue to study conducting M&A of companies that will lead to the group's growth as needed, mainly in Southeast Asia.

It will also aspire for growth by utilizing the resources of the company and partner companies such as Kokubu.

The company has set up its own sales booth at Jurong Point, the largest shopping mall in western Singapore, to improve Japanese group companies' product sales.



## <Reference2: Regarding Corporate Governance>

### ◎Organization type, and the composition of directors and auditors

Organization type	Company with internal auditors
Directors	4 directors, including 2 outside ones (Both are designated as independent executives)
Auditors	3 auditors, including 3 outside ones (All three are designated as independent executives)

### ◎Corporate Governance Report

The latest update: May 27, 2022

#### <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.

#### <Reason for not implementing the principles of the Corporate Governance Code (excerpt)>

Principle	Reason for not following the principle
(Supplementary Principle 2-4-1 Ensuring Diversity in Appointing Core Human Resources)	We believe securing and training diverse human resources will improve corporate value over the medium to long term. Thus, we will hire and promote human resources fairly and impartially, emphasizing ability and achievements regardless of gender, age, or nationality. At this time, we have not set measurable numerical targets for the promotion of women, foreigners, and mid-career hires to managerial positions, but we will continue to promote measures to ensure diversity and will also consider setting targets.
(Supplementary Principle 3-1-3 Sustainability Initiatives)	Our company discloses its sustainability initiatives on its website ( <a href="https://www.y-food-h.com/business/sustainability/">https://www.y-food-h.com/business/sustainability/</a> ), for your reference. We do not disclose the investment in human capital or intellectual property, but we will review disclosing it in consideration of its consistency with our management strategy and challenges. Regarding the impact of the risks and profit opportunities related to climate change on our business activities and profits, we will consider the disclosure method and framework after organizing the issues to be dealt with by analyzing the risks and opportunities related to our company.
(Supplementary Principle 4-2-2 Oversight of Sustainability)	Our company's Board of Directors has not formulated a basic policy for efforts regarding sustainability, but we will consider formulating and announcing a policy and management plans to improve our corporate value over the medium/long term.
(Principle 5-2 Formulation and Announcement of Management Strategies and Management Plans)	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 (excerpt)>

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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