
 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
¥952	23,810,944 shares		¥22,668 million	8.9%	100 shares
DPS (Estimate)	Dividend Yield (Estimate)	EPS (Estimate)	PER (Estimate)	BPS (Actual)	PBR (Actual)
¥0.00	-	¥31.48	30.2x	¥314.11	3.0x

\*The share price is the closing price on May 8. Each value is taken from the brief report on results of the fiscal year ended Feb. 2023.

## Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 (Actual)	34,937	678	1,323	613	25.77	0.00
February 2024 (Estimate)	46,679	1,574	1,575	749	31.48	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 Fiscal Year ending February 2023.

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## Key Points

- In term ended February 2023, sales increased 19.3% year on year to 34,937 million yen. Both domestic and overseas sales grew. Operating income increased 3.6% year on year to 678 million yen. Although some companies in the domestic business struggled due to soaring raw material prices, the contribution of newly acquired companies and the recovery of the overseas business led to an increase in profit. Although operating income on accounting basis increased slightly, adjusted operating income and EBITDA, which include costs of 230 million yen for M&A, rose 31.9% and 26.4% year on year respectively, resulting in a significant increase in profit.
- For term ending February 2024, the company forecasts sales of 46,679 million yen, up 33.6% year on year; an operating income of 1,574 million yen, up 131.9% year on year; and an EBITDA of 2,718 million yen, up 36.3% year on year. In addition to organic growth of existing companies, they will start posting profits from newly acquired group companies (Kobayashi Noodle Co., Ltd., Hayashi-Kyuemon-Shouten Co., Ltd., and MARUKICHI Co., Ltd.), and a decrease in M&A-related expenses will also contribute. In response to cost increases due to soaring raw material and distribution costs, the company will work to further improve production efficiency and cut costs, while implementing price and standard revisions for customers in order to secure appropriate profits.
- The CEO Yoshimura was asked about the current situation, future actions, the progress of the M&A strategy, and his message to shareholders and investors. He responded, “The average pace of M&A closings is one deal per year in the first eight years after the company's founding, then two deals per year in the following five or six years, and in the last fiscal year we were able to close five projects. We have so far dealt mainly with companies that were large yet had profitability problems or profitable yet small companies, but by having a large and profitable company like MARUKICHI Co., Ltd., choose our company from a list of potential partners, including several large listed companies, we believe that we were able to move up to a higher stage. We will continue to aggressively pursue our growth strategy on a higher stage to enhance our corporate value and solve social issues, and we hope you will continue to support us.”
- Despite a difficult business environment due to soaring raw material prices and the rapid depreciation of the yen, sales and profit both increased significantly in the second half of the year thanks to price revisions, contribution from newly acquired companies, etc. M&As also increased in number and size, as well as in the quality of contracts, due to the economic hardship caused by the COVID-19 pandemic and the Russian invasion of Ukraine, as well as the structural factors in Japan such as the difficulty in finding successors. In the current fiscal year, we expect to see the release of large-scale, high-quality M&A projects similar to that for MARUKICHI Co., Ltd. In addition, we would like to pay attention to the kinds of synergies through alliances with companies such as KOKUBU GROUP CORP.

## 1. Company Overview

Yoshimura Food Holdings conducts M&A of food-related small and medium-sized enterprises that, regardless of their quality products or unique manufacturing techniques, are facing various issues such as the difficulty in finding successors. 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 or large companies and the high barrier to entry. The company aims to accelerate its growth through alliances. As of the end of February 2023, there are 27 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.

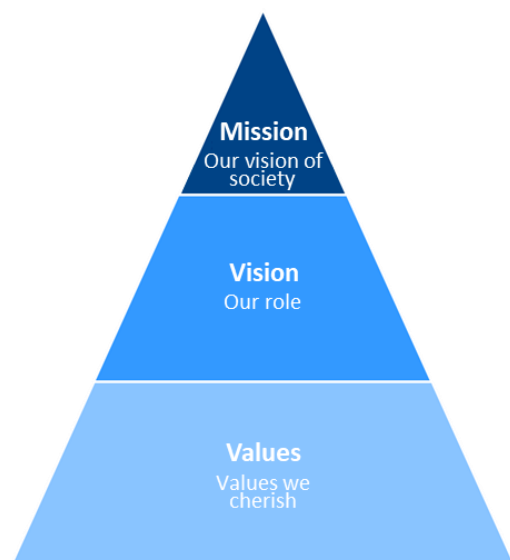
Many food SMEs started seeking help from Mr. Yoshimura upon learning about his reputation. He thought that it was possible to efficiently achieve results if the companies complemented each other in various functions, such as product development, production, and sales under a holding company system, instead 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 invigoration 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 63.02, and it is expected that around 50% of the managers will reach the average retirement age in the upcoming 7 years as the average retirement age of managers is around 70.

\*Meanwhile, 57.2%, 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 33% 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” (2023 Edition), Teikoku Databank, Ltd. “Analysis of the age of company presidents in Japan (2022),” Teikoku Databank, Ltd. “Survey of Trends on ‘Companies without a Successor’ in Japan” (2022), SME Agency “Basic Survey on the Actual Situation of SMEs” (Report in FY 2022 [Financial results in FY 2021])

**(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 27 group companies in February 2023. 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.

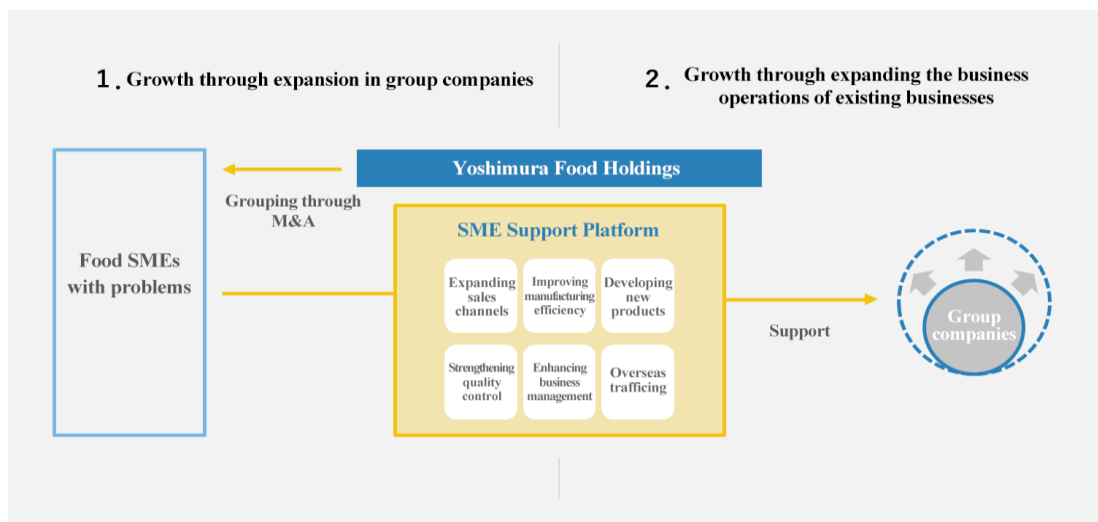
Since its establishment in 2008, the company prevented food SMEs that had business succession and financial problems from shutting down or facing business suspension by acquiring them. Thus, it has managed to solve their problems.

It is recently focusing on adding not only Japanese companies to the group, but also overseas ones.

Projects have been so far found (discovered) mainly with an "indirect approach" through introductions from M&A brokerage firms, regional financial institutions (mainly local banks), lawyers, and accountants. In order to speed up the process, the company intends to strengthen its “direct approach” to build relationship for future M&A and to more proactively and aggressively seek out new projects, which is planned to be done by creating a target list and approaching the companies on its own as well as by utilizing the network of KOKUBU GROUP CORP.

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.

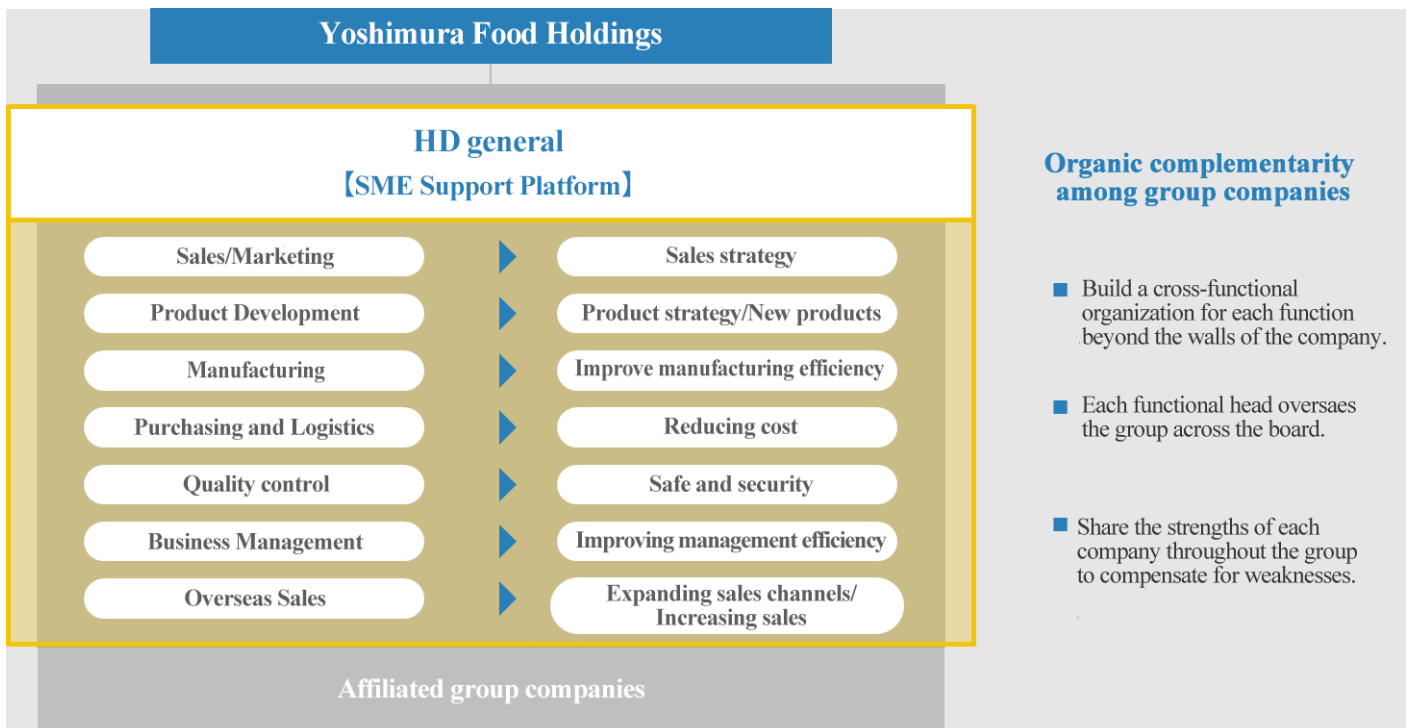
For example, Company A which has an excellent product but is worried about sales growth can use the sales channels and sales know-how of Company B that has a nationwide sales network. Also, it can achieve a stable financial position by using the creditworthiness of Yoshimura Food Holdings which is listed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

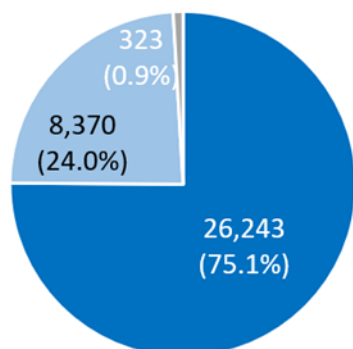


(Taken from the reference material of the company)

## ② Segments

The company has two main segments: “manufacturing business segment” and “sales business segment.” From FY 2/2023, “Other Businesses,” consisting of real estate leasing and management businesses, as well as event, media, and marketing businesses, have been reported.

### Sales composition of each segment



■ Manufacturing business ■ Sales business ■ Other business

\*The term ended Feb 2023. Unit: Million yen. The Sales are the sales to external customers.

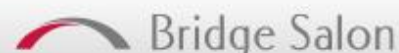
## ③ Manufacturing Business Segment

Each company develops and manufactures its original products, domestic enterprises sell products to supermarkets, convenience stores, and drug stores around Japan via mainly wholesalers, and overseas enterprises sell products to hotels, restaurants, supermarkets, etc. in Singapore and Malaysia. As of the end of March 2023, there are 23 group companies as tabulated below.

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

Company Name	Features
Raku-you Food Co., Ltd. (Adachi-ku, Tokyo)	Having five factories in Japan, the company manufactures and sells 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)	The company 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)	The company 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)	The company was established in 1973 as a collective of 10 local breweries in Iwate Prefecture. The sake is brewed using the skills of the biggest Toji (head brewers) group in Japan, Nanbu Toji, and has a high reputation for its fruity taste.
Ohbun Co., Ltd. (Shikokuchuo City, Ehime Prefecture)	The company 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)	The company manufactures and sells jellies. It has constructed a perfect quality control system, including having acquired the Saitama Prefecture HACCP. Although it is still a start-up company in jelly production, 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)	The company 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%)

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SK Foods Co., Ltd. (Yorii-machi, Osato-gun, Saitama Prefecture)	The company mainly manufactures and sells chilled and frozen pork cutlet and makes products that meet customer needs. It also 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 with unique manufacturing techniques.
JSTT SINGAPORE PTE. LTD. (Singapore)	Located in Singapore, the company manufactures and sells sushi, makimono, rice balls, etc.
Omusubikororin Honpo K.K. (Azumino City, Nagano Prefecture)	Using its own freeze-dry device, the company manufactures ingredients for confectionery, emergency food, etc. Its "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. The company manufactures and sells dumplings at the store, using carefully selected ingredients and a secret recipe the company has been following since its establishment.
PACIFIC SORBY PTE. LTD. (Singapore)	The company 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, the company manufactures, imports, sells, designs, installs, and maintains kitchen equipment.
Kaorime Honpo Co., Ltd. (Izumo City, Shimane Prefecture)	The company 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)	The company 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)	The company manufactures and sells products, mainly Iwama Chestnuts from Ibaraki Prefecture.
HOSOKAWA FOODS, CO., LTD. (Kanonji-shi, Kagawa Prefecture)	The company 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).
Kobayashi Noodle CO.,LTD. (Sapporo-shi, Hokkaido)	The company is mainly engaged in producing and selling fresh noodles (ramen), producing gyoza (dumpling) skins, and selling seasonings including sauce.
Hayashi-Kyuemon-Shoten Co.,Ltd. (Fukuoka City, Fukuoka Prefecture)	The company produces, processes, and sells flaked bonito and broth, with its main product being Monaka Osuimono (lightly seasoned broth placed inside rice wafers), which was originally developed by the company.
Marukichi Co., Ltd. (Abashiri City, Hokkaido)	The company produces, processes, and sells scallops, salmon, salmon roe, crab, and other products.

### ◎ 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 March 2023, group companies are the following three.

(Group Companies within the Sales Business Segment)

Company Name	Features
Yoshimura Food Co., Ltd. (Koshigaya City, Saitama Prefecture)	The company 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)	The company conducts the planning and sales of frozen foods. It also 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)	The company 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. (Minato-ku, Tokyo)	The company conducts event businesses. 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)	The company owns a food factory and a constant-cold temperature warehouse for food in Singapore and is engaged in the real estate leasing business.

**【1-5 Characteristics and Strengths】****① The Advantage in Business Succession through Acquisition**

There are the leading strong buyers in M&A in the food industry, 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.”

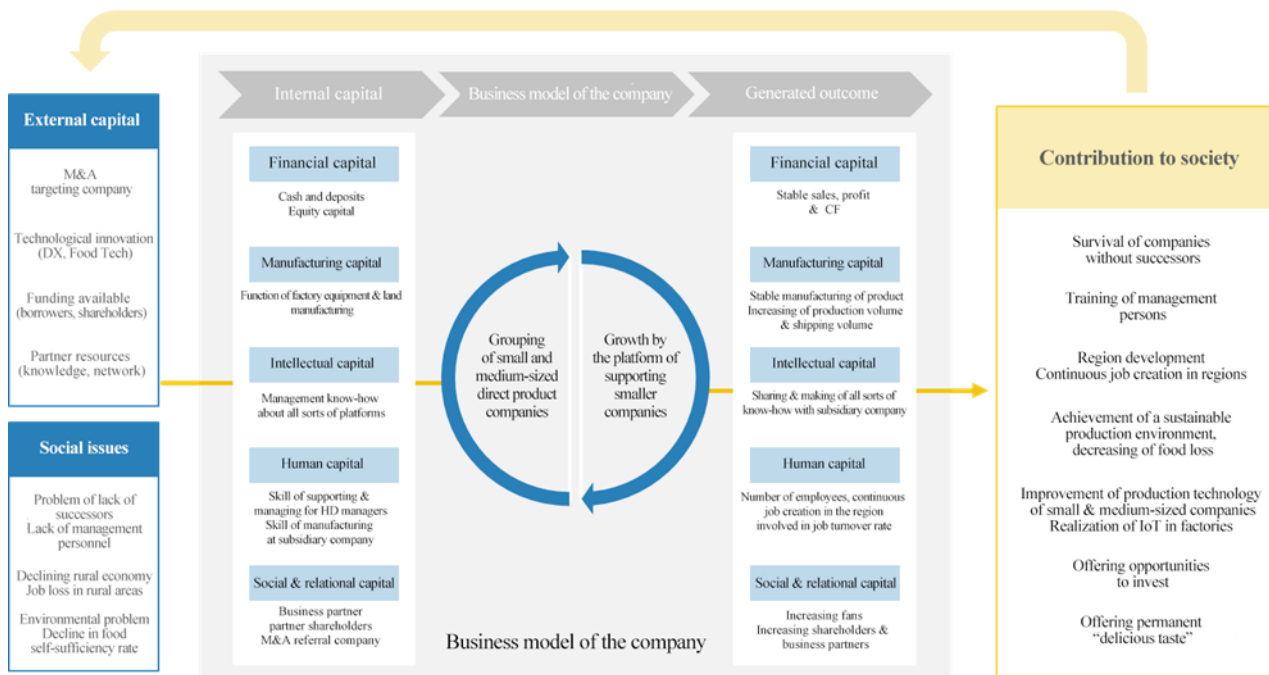
Items	Main Initiatives
E (Environment)	<p><b>Production of environmentally friendly, sustainable products</b></p> <ul style="list-style-type: none"> <li>*To hold the technology and know-how to produce sustainable products that do not depend on environmental changes or produce environmental burdens</li> <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>

<p>S(Society)</p>	<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>                  *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: It uses rigorously selected ingredients, such as fresh pork and locally grown cabbage, and secret recipes                  Omusubikororin Honpo: It develops local specialties by taking advantage of the location of Shinshu-azumino and the freeze-drying technology                  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                  Daishow: It does not use preservatives or colorants. Smooth texture and taste you will never get tired of.                  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>                  *Group companies: To prepare opportunities for female employees to flourish, and take measures for recruiting disabled and foreign workers</p>
<p>G(Governance)</p>	<p><b>Support with the SME Support Platform</b>                  *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> <p><b>Support for managerial resources</b>                  *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.

Promote sustainable ESG management by leveraging social capital to turn the business model around, creating corporate value and increasing empathy with the Group among stakeholders, while at the same time continuing to return value to society through contributions to the local community, etc.



(Taken from the reference material of the company)

## 2. Fiscal Year ending February 2023 Earnings Results

### [2-1 Consolidated results]

	FY 2/22	Ratio to sales	FY 2/23	Ratio to sales	YoY	Expected ratio
Net sales	29,283	100.0%	34,937	100.0%	+19.3%	+14.5%
Gross profit	6,343	21.7%	6,964	19.9%	+9.8%	-
SG&A expenses	5,687	19.4%	6,285	18.0%	+10.5%	-
Operating income	655	2.2%	678	1.9%	+3.6%	-18.7%
Ordinary income	993	3.4%	1,323	3.8%	+33.1%	+69.0%
Current Net income	500	1.7%	613	1.8%	+22.7%	+31.1%
EBITDA	1,577	5.4%	1,994	5.7%	+26.4%	+20.1%

\*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.

### Sales increased, adjusted operating income and EBITDA increased significantly

Sales increased 19.3% year on year to 349.37 billion yen. Sales increased both in the domestic and overseas businesses.

Operating income increased 3.6% year on year to 678 million yen. The domestic business for supermarkets struggled due to price revisions, etc., however profit increased due to contributions from new M&A companies and recovery of overseas business. Although operating income for accounting purposes increased slightly, adjusted operating income and EBITDA, which include acquisition costs of 230 million yen related to M&A, rose sharply, up 31.9% and 26.4%, respectively.

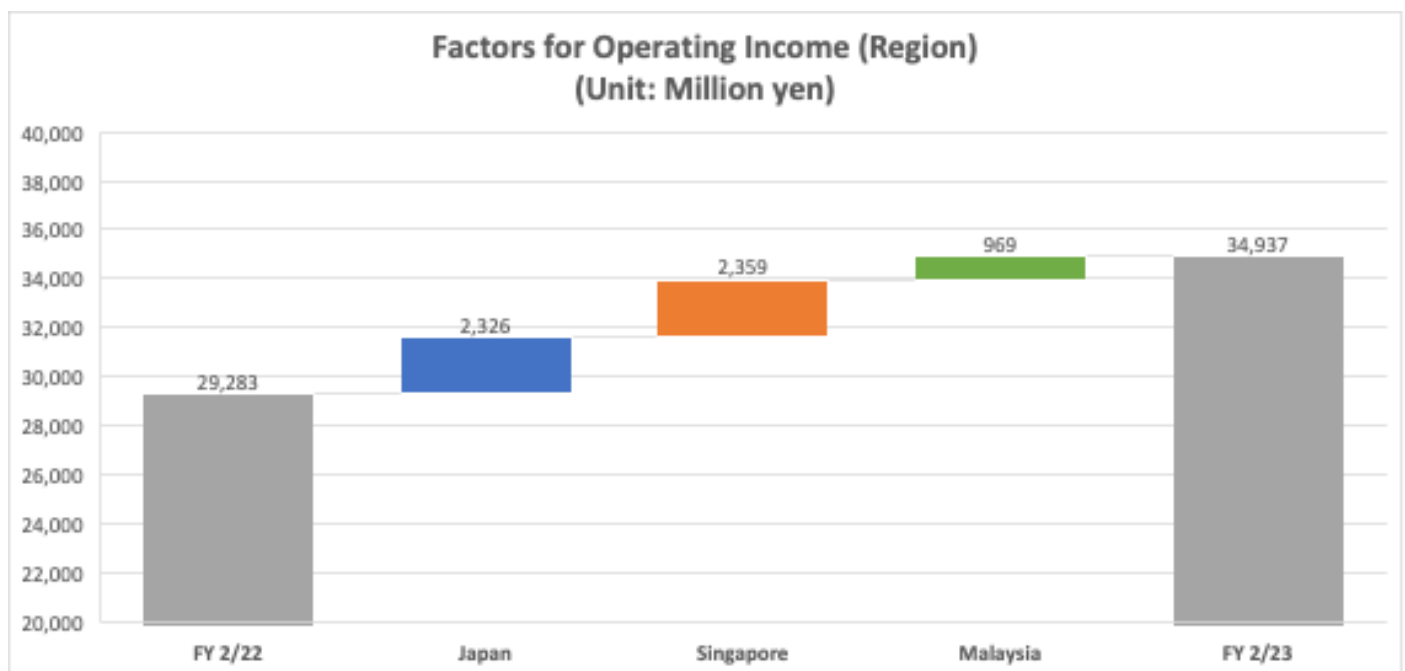
## BRIDGE REPORT



## 【2-2 Results of each region】

	FY 2/22	Composition ratio	FY 2/23	Composition ratio	YoY
Japan	22,830	78.0%	25,156	72.0%	+10.2%
Overseas	6,453	22.0%	9,781	28.0%	+51.6%
Singapore	5,175	17.7%	7,534	21.6%	+45.6%
Malaysia	1,278	4.4%	2,247	6.4%	+75.9%
Total	29,283	100.0%	34,937	100.0%	+19.3%

\*Unit: Million yen. Source: "Related Information: Information by Region", p. 15 of the Financial Results.



\* Produced by Investment Bridge Co, Ltd with reference to the reference material of the company.

### ◎ Domestic Business

Sales in the product sale business increased significantly due to the enhancement of marketing targeted at existing customers. In the manufacturing business, sales increased due to contribution from the following companies newly added through M&A, despite a decrease in sales at some companies due to price revisions and other factors.

ONESTORY was included in Q1, ODAKISHOUTEN in Q3, and Hosokawa Shokuhin in Q4.

### ◎Overseas Business

The impact of COVID-19 has subsided, and sales increased in both the product sale and manufacturing businesses. In particular, the demand from hotels in Singapore increased due to a recovery in the number of tourists. As a result, Pacific Sorby, which sells processed marine products to hotels, reported a significant increase in sales. NKR, which manufactures and sells kitchen equipment, also reported a significant increase in sales due to a recovery in sales to hotels and restaurants following an economic recovery in Malaysia.

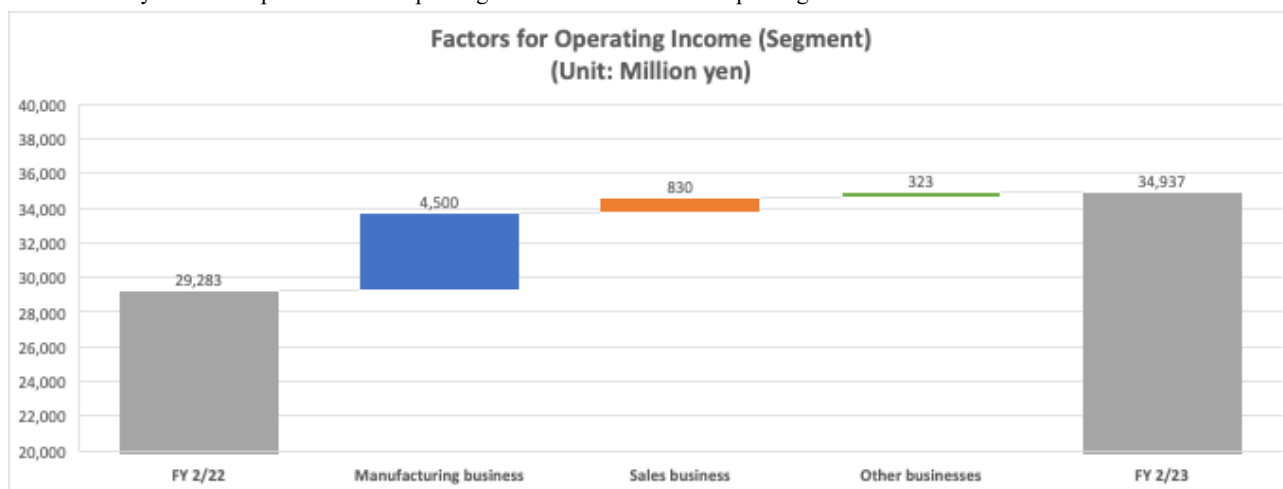
## BRIDGE REPORT



## 【2-3 Results of each segment】

	FY 2/22	Composition ratio	FY 2/23	Composition ratio	YoY
Net sales					
Manufacturing business	21,743	74.3%	26,243	75.1%	+20.7%
Sales business	7,540	25.7%	8,370	24.0%	+11.0%
Other businesses	-	-	323	0.9%	-
Total	29,283	100.0%	34,937	100.0%	+19.3%
Operating income					
Manufacturing business	788	3.6%	910	3.4%	+15.5%
Sales business	373	5.0%	373	4.5%	+0.0%
Other businesses	-	-	-95	-	-
Adjusted amount	-506	-	-510	-	-
Total	655	2.2%	678	1.9%	+3.6%

\*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 and profit increased.

Domestic manufacturing subsidiaries increased sales and profits by adding new companies through mergers and acquisitions, implementing price revisions for some companies, and promoting the optimization of production systems.

For overseas manufacturing subsidiaries, sales and profit increased 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, Operating income was unchanged from the previous year.

Domestic marketing subsidiaries posted higher sales and profits, mainly due to increased sales to industrial food service industry as a result of aggressive sales activities.

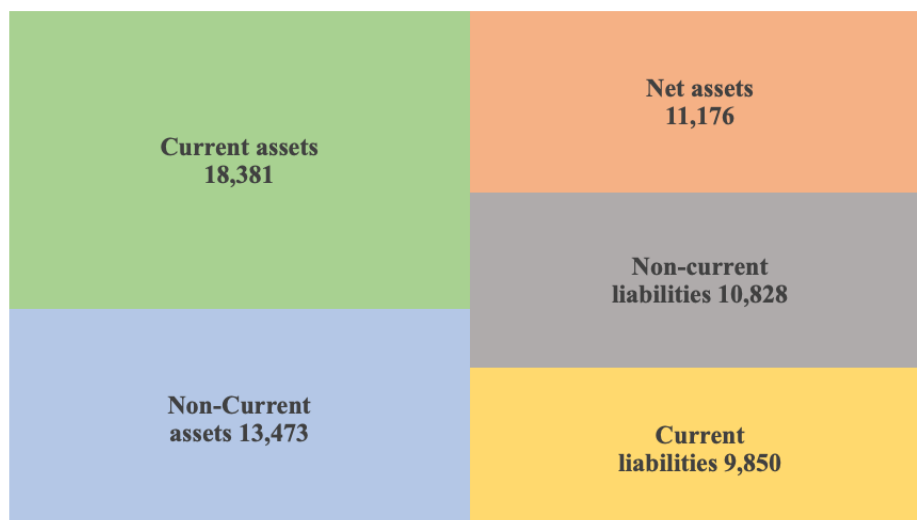
Overseas marketing subsidiaries increased sales by increasing new customers, but suffered from soaring raw material prices, resulting in higher sales and lower profit.

## 【2-4 Financial conditions and cash flow】

## ◎Main balance sheet

	End of 2/22	End of 2/23	Increase/ Decrease		End of 2/22	End of 2/23	Increase/ Decrease
Current assets	12,545	18,381	+5,835	Current liabilities	6,367	11,176	+4,808
Cash and deposits	3,293	5,000	+1,707	Notes and accounts payable - trade	2,338	3,890	+1,551
Notes and accounts receivable - trade	4,347	5,493	+1,145	Short term interest-bearing liabilities	2,208	4,966	+2,758
Inventories	4,503	7,314	+2,810	Non-current liabilities	9,132	10,828	+1,695
Non-current assets	11,269	13,473	+2,204	Long term interest-bearing liabilities	8,354	9,918	+1,563
Property, plant and equipment	5,672	6,917	+1,244	Liabilities	15,500	22,005	+6,504
Intangible assets	4,232	5,103	+871	Net assets	8,314	9,850	+1,535
Investments and other assets	1,365	1,453	+87	Retained earnings	3,115	3,728	+613
Total assets	23,815	31,855	+8,040	Total liabilities and net assets	23,815	31,855	+8,040
				Total interest-bearing liabilities	10,562	14,885	+4,322

\*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 8.0 billion yen from the end of the previous term to 31.8 billion yen.

Total liabilities increased 6.5 billion yen to 22.0 billion yen due to an increase in interest-bearing debt.

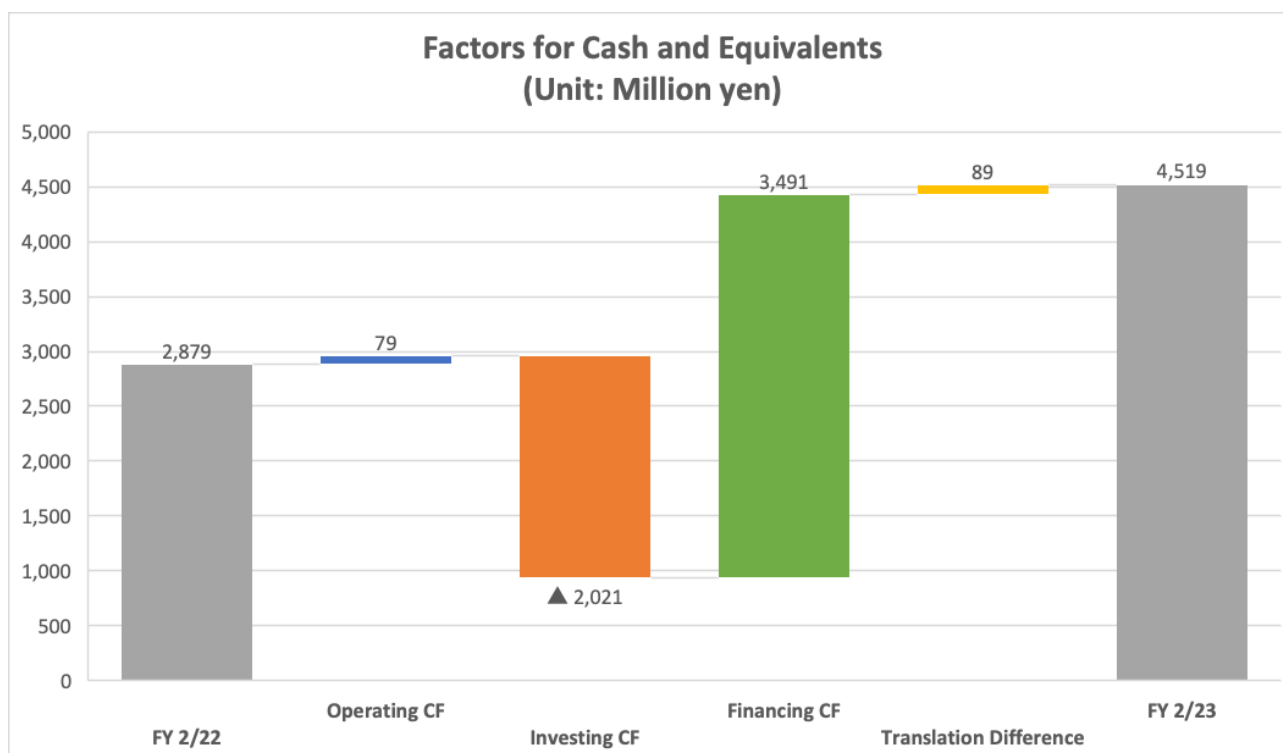
Net assets increased 1.5 billion yen to 9.8 billion yen due to an increase in retained earnings.

The equity ratio decreased by 3.0 points from the previous fiscal year to 23.5%.

## ◎Cash flows

	FY 2/22	FY 2/23	Increase/Decrease
Operating CF	1,320	79	-1,240
Investing CF	-1,168	-2,021	-852
Free CF	151	-1,941	-2,092
Financing CF	-1,938	3,491	+5,430
Balance of cash and cash equivalents	2,879	4,519	+1,639

\*Unit: Million yen



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

The cash inflow from operating activities decreased due to an increase in trades receivables, while the cash outflow from investing activities augmented due to an increase in purchase of shares of subsidiaries resulting in change in scope of consolidation. Free CF turned negative.

Financing CF turned positive due to an increase in long- and short-term borrowings, and the cash position improved.

**【2-5 Topics】****(1) Marukichi Co., Ltd. became a subsidiary.**

In March 2023, the company acquired 70% of the outstanding shares of Marukichi Co., Ltd., which has its headquarters and factory in Abashiri, Hokkaido, and produces, processes, and sells scallops along with salmon, salmon roe, crab, etc., making it a subsidiary.

**(Outline of Marukichi Co., Ltd.)**

Marukichi Co., Ltd. procures fresh, high-quality ingredients such as scallops grown in the Sea of Okhotsk through bottom culture, and processes and sells them while maintaining their freshness and quality through its unique processing technology and advanced freshness management that preserves the freshness of freshly caught scallops at its own factories facing the Sea of Okhotsk. All four of the company's plants are HACCP-certified, and because they are one of the few facilities in the industry that handle seafood for export to EU, they have a reputation for hygiene control and are actively marketing their products overseas, where demand for Japanese scallops is growing.



## \*Marukichi Co., Ltd.: Overview of Financial Results and Financial Situation

	FY 12/20	FY 12/21
Net sales	3,934	6,900
Operating income	-173	571
Total assets	6,630	4,549
Net assets	966	1,117

\*Unit: Million yen

**(Reason for share acquisition)**

The company decided to acquire the shares of Marukichi Co., Ltd. mainly for the following two reasons.

(1) To obtain facilities capable of securing and processing Japanese scallops, for which demand is increasing overseas

Japanese scallops are highly valued in terms of taste, size, and quality compared to those from other countries, and demand for scallops has been increasing in Europe, the U.S., and Asia in recent years.

According to the "Export Value of Agricultural, Forestry, and Fishery Products and Food Products (2021 [preliminary figures])" published by the Ministry of Agriculture, Forestry, and Fisheries, scallop exports in 2021 ranked first in the "export value of agricultural, forestry, and fishery products" as well as first in the "main items with large export value growth" in terms of monetary value.

In particular, scallops grown in the Sea of Okhotsk in Hokkaido using the bottom culture method are grown in the sea where plankton have increased due to the rich nutrients contained in the ice floes, and compared to the scallops caught using the hanging culture method in other regions, they have more momentum, grow larger and thicker, store more nutrients, and have a condensed umami component, making them rare and highly valued globally.

Marukichi Co., Ltd. holds purchasing rights to five Hokkaido fishing cooperatives, which enables the company to secure a stable supply of high-quality scallops caught in the Sea of Okhotsk. In addition, the location advantage of the plant facing the Sea of Okhotsk enables the company to speedily process fresh ingredients on the same day to maintain the freshness and quality of freshly caught scallops, and to produce high-quality products using proprietary manufacturing technologies and advanced processing techniques cultivated over many years.

In addition, while scallop exports require HACCP certification in each partner country, Marukichi Co., Ltd. has acquired HACCP certification in seven countries around the world, including the U.S. and EU, where it is considered difficult to obtain certification due to its thorough hygiene management. In particular, for the EU market, all five facilities, which include four manufacturing plants and a raw material storage facility, are certified as facilities for handling exported marine products, enabling sales to overseas markets where demand is increasing.

(2) Synergies with group companies

Sin Hin Frozen Food Private Limited, a Singapore-based wholesaler of seafood products, purchases more than 170 tons of scallops annually as one of its main products and sells them under the Emerald brand to major local supermarkets. The Emerald brand has a certain level of name recognition in Singapore, which will enable it to take advantage of Marukichi Co., Ltd.'s stable scallop supply to expand sales, while Marukichi Co., Ltd. will be able to strengthen its overseas sales channels, potentially improving the performance of both companies.

PACIFIC SORBY PTE. LTD., which is also engaged in processing and sales of marine products in Singapore, may be able to offer Marukichi Co., Ltd.'s marine products and expand sales by utilizing the company's sales channels in Asia.

The company decided to acquire shares in Marukichi Co., Ltd. because it believed that it could further expand their business performance by incorporating Marukichi Co., Ltd., which has the rights to purchase Hokkaido scallops, for which demand overseas is expected to continue to grow, the technology and production facilities to process them, and quality certification necessary for their export, and combining it with the company's management and financial capabilities, along with its overseas sales channels and network centered around Singapore.

The company will acquire 70% of Marukichi Co., Ltd. 's outstanding shares, and Mr. Toshiaki Neda, president of Marukichi Co., Ltd., will hold 30% of the shares and continue his tenure as president. By building a cooperative relationship and creating synergies, the two companies will work together to improve Marukichi Co., Ltd. 's performance and expand its food business in Hokkaido.

The funds required for this M&A were provided by bank loans.

## (2) Hayashi-Kyuemon-Shoten Co.,Ltd. becomes a subsidiary

In December 2022, the company acquired 100% of the shares of Hayashi-Kyuemon-Shoten Co.,Ltd.. Hayashi Kyuemon Shouten has its headquarters and factory in Fukuoka City, Fukuoka Prefecture, and produces, processes, and sells flaked bonito and broth, with its main product being Monaka Osuimono (lightly seasoned broth placed inside rice wafers), which was originally developed by the company.

### (Outline of Hayashi-Kyuemon-Shoten Co.,Ltd.)

Since its establishment in 1885, the company has established its brand as a katsuobushi specialty store, focusing on high quality katsuobushi caught in Makurazaki, Kagoshima Prefecture, one of Japan's leading katsuobushi producing areas. The company sources carefully selected high-quality ingredients such as Makurazaki katsuobushi, which is considered to be the finest katsuobushi, natural mackerel, sardines, tuna etc. and uses its own traditional manufacturing method to produce a variety of products such as flaked bonito, domestic additive-free dashi packets, Monaka Osuimono, and ochazuke. The company's gift products, which fully leverage the company's high product quality, are highly valued as gifts by major department stores throughout the country, mainly in the Kanto and Kansai regions, and have been purchased as gifts for many years.

The strength of the company is in-house product development know-how to develop characteristic products, such as flaked bonito and dashi packets with authentic taste made of selected ingredients and Monaka Osuimono, and stable business performance established by its high brand power that is high quality and has long support from the consumers as a gift.

### Hayashi-Kyuemon-Shoten Co.,Ltd.: Overview of Financial Results and Financial Situation

	FY 8/21	FY 8/22
Net sales	1,174	1,185
Operating income	35	58
Total assets	1,059	924
Net assets	535	600

\*Unit: Million yen

### (Reason for share acquisition)

The company decided to acquire the shares of Hayashi Kyuemon Shouten because of their product development capabilities and expertise in manufacturing high-value-added products, the solid brand power they have established, and the firm business foundation they have built up over the 130 years since their establishment.

Monaka Osuimono, which accounts for more than 50% of sales with about 3 million pieces produced per year, uses broth soup that has been freeze-dried, making it possible for Omusubi Kororin Honpo Co., Ltd., a group company, which has advanced freeze-drying technology, to undertake the production of Monaka Osuimono. The joint development of new products may also improve the performance of both companies.

In recent years, as Japanese food has become more popular overseas, demand for authentic Japanese food has been increasing. Hayashi Kyuemon Shouten's products, such as dashi packets and Monaka Osuimono, are highly valued overseas, and the company expects to further expand its business by utilizing its network of overseas sales channels. The company intends to leverage Hayashi Kyuemon Shouten's strengths while sharing its management expertise and building a support system based on an SME support platform to achieve further growth for both companies.

The funds required for this M&A were financed by bank loans.

### 3. Fiscal Year ending February 2024 Earnings Estimates

#### 【Earnings estimates】

	FY 2/23	Ratio to sales	FY 2/24 (Estimate)	Ratio to sales	YoY
Net sales	34,937	100.0%	46,679	100.0%	+33.6%
Operating income	678	1.9%	1,574	3.4%	+131.9%
Ordinary income	1,323	3.8%	1,575	3.4%	+19.0%
Net income	613	1.8%	749	1.6%	+22.2%
EBITDA	1,994	5.7%	2,718	5.8%	+36.3%

\*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.

#### Substantial growth in sales and income again this fiscal year

Sales are expected to increase 33.6% YoY to 46,679 million yen, operating income to increase 131.9% YoY to 1,574 million yen, and EBITDA to increase 36.3% YoY to 2,718 million yen.

In addition to organic growth of existing companies, new M&As will start to bring in profits from group companies (Kobayashi Noodle, Hayashi Kyuemon Shoten, and Marukichi), and a decrease in M&A acquisition-related expenses will also contribute.

In response to cost increases due to soaring raw material and distribution costs, the company will work to further improve production efficiency and cut costs, and at the same time, implement price and standard revisions for customers in order to secure appropriate profits.

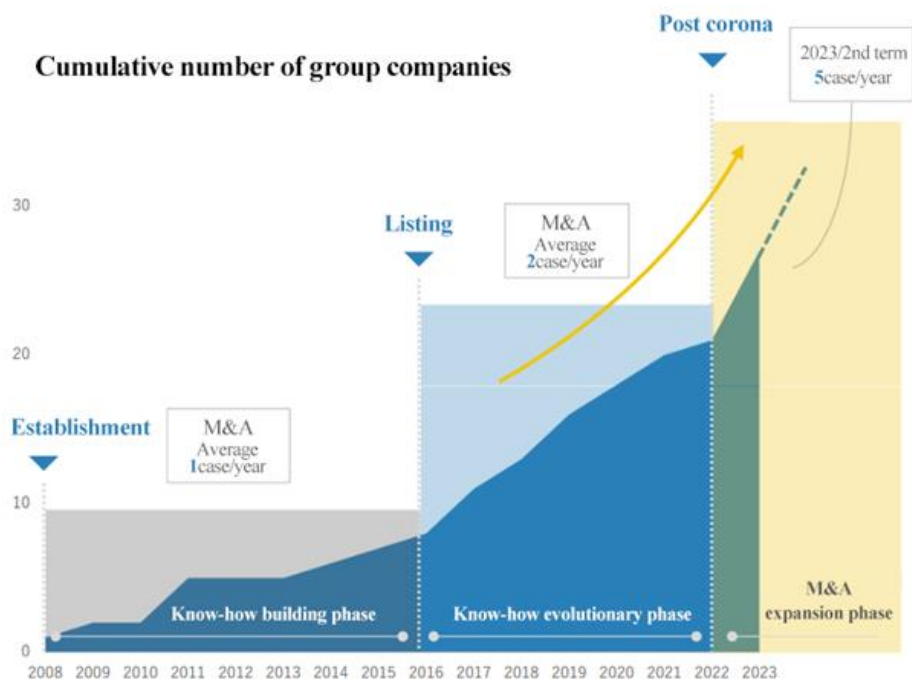
### 4. Growth Strategies

#### 【4-1 Background and Results in the Previous Fiscal Year】

The company's mission is "Working toward a society where we can enjoy this "delicious taste" forever - achieving affluence that allows consumers to enjoy diverse food culture," its vision is "To protect and nurture the "delicious foods" in each region, and distribute them around the world," and its value is "To cherish individuality." In the food industry, the company is creating its own unique business model centered on an SME support platform. Since its establishment, the company has pursued growth through two engines: "growth through the expansion of the number of group companies through M&A" and "growth through expansion of the business of existing group companies."

In the first eight years since its establishment, the company closed an average of one M&A project per year, and two projects per year in the following six years, but in FY 2/2023 it closed a record high five projects. This increase in the number of M&A projects was due to the accumulation of M&A experience, expertise, and trust, and in FY 2/2024, the company has already acquired its largest-ever shareholding in Marukichi Co., Ltd.

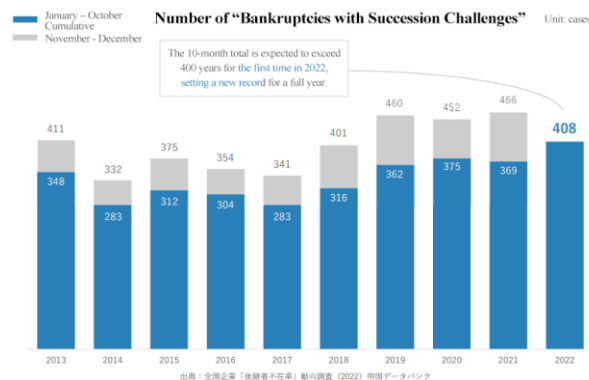
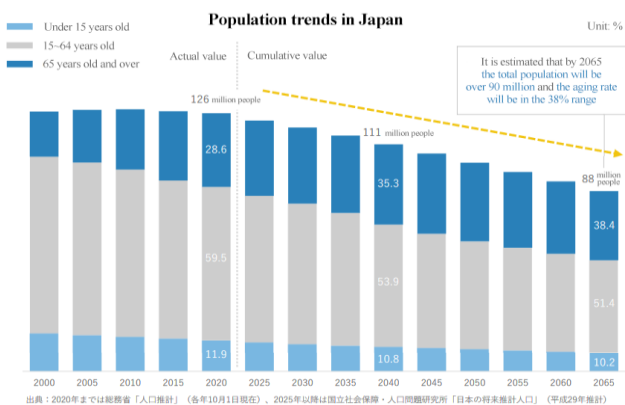
M&A has moved into a new phase, as the company accepting structure that the company built over the years has started to stabilize, with the stabilization of the company's management base, expansion of its team, improvement of its fund-raising capabilities, and expansion of its overseas sales channels.



(Taken from the reference material of the company)

### 【4-2 Challenges in the Domestic Food Industry】

In the domestic food industry, as the domestic market inevitably shrinks due to the declining population, an aging society and falling birth rate, companies are also facing the challenges of an aging population and an increasing number of companies are going out of business due to the lack of successors.



(Taken from the reference material of the company)

The company's five projects in the previous fiscal year and the Marukichi Co., Ltd. project in the current fiscal year all faced challenges regarding succession.

### 【4-3 The Company's Business Model】

The company is pursuing growth through two engines: "1. expansion of group companies" by executing new M&A projects, and "2. expansion of existing businesses" by utilizing its SME support platform.

### 【4-4 The Company's Competitive Advantages】

Unlike investment funds, the company does not assume sale, making it easier to gain the trust of target company owners. In addition, the company has a wealth of M&A expertise compared to other large food companies and also has a significant advantage in terms of growth support through its SME support platform.

The company believes that it is uniquely positioned to conduct M&A of companies with superior products, technologies and brands, regardless of size or industry, and is uniquely capable of conducting M&A of small- and medium-sized food companies that other strong buyers have difficulty targeting.

	Subject	Plan	Synergistic growth	M&A know-how
<b>Our company</b>	○ Food manufacturers of any size that produce excellent local products	○ M&A owners who do not intend to sell can rest assured that their company is in good hands	○ Supporting Growth through SME Support Platforms	○ A wealth of M&A experience, discerning ability, and M&A execution capabilities
<b>Major food company</b>	△ Parent company must have a certain level of sales and profits mainly related companies	△ affiliated with a large company	△ Synergies are possible if the business is the same as that of the parent company	△ Companies with many M&A achievements are rare.
<b>Investment funds</b>	× Sales and profits must be above a certain size and growth potential is required to qualify.	× Scale of sale	× Independent growth	○ A wealth of M&A experience, discerning ability, and M&A execution capabilities

(Taken from the reference material of the company)

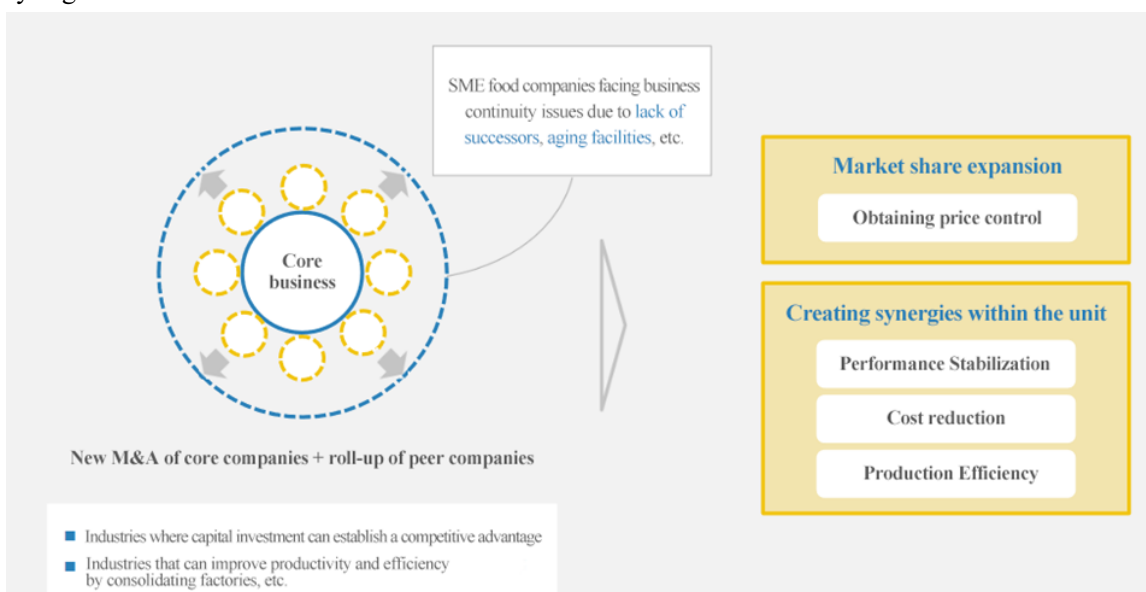
**【4-5 Strategy】**

The company aims to achieve medium to long-term growth by pursuing a "Roll-Up Strategy" and "Niche Market Strategy" with respect to new M&A projects and an "Organic Growth Strategy" with respect to existing companies.

**(1) Strategy 1: Roll-up strategy**

After incorporating the core companies in a particular industry into a group, incorporate other companies in the same industry as the core companies into the group.

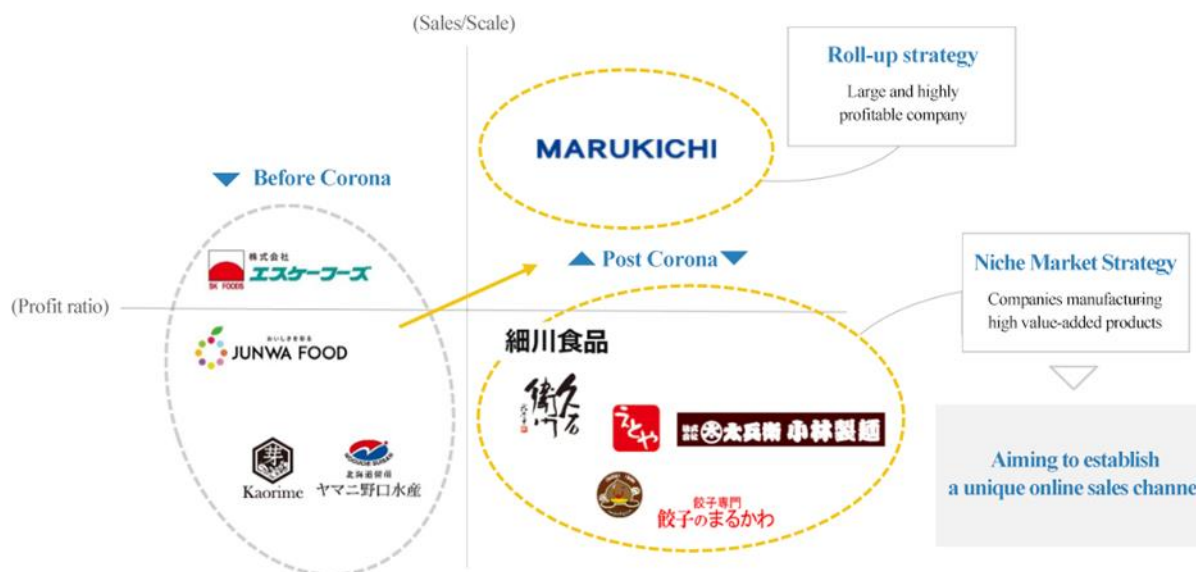
To roll up the companies in the same industry around the core companies to increase market share and improve performance through synergies.



(Taken from the reference material of the company)

## (2) Strategy 2: Niche Market Strategy

To group together companies that have a certain share of niche markets or companies that have high profit margins with unique products, and improve their profit margins by improving their overseas sales and B2C businesses.



(Taken from the reference material of the company)

## (3) Strategy 3: Organic Growth Strategy

### \*Management Support

To hire personnel with extensive management experience and assign them as presidents of group companies.

To hire talented young personnel and have them gain management experience in group companies, and achieve management reform.

### \*Function-based support

To provide support by utilizing the SME support platform.

To hire personnel specializing in each function and improve the platform.

## 5. Interview with CEO Yoshimura

We interviewed the CEO Motohisa Yoshimura about their current situation, future action, the status of M&A strategies, and his message to shareholders and investors.

### ◎Regarding the Financial Results for the Fiscal Year Ended February 2023

In Japan, we tried to offset the significant impact of soaring raw material prices and the depreciation of the yen through price revision, but we were forced to struggle in the first half of the fiscal year as our measures could not penetrate the market. However, we were able to recover well comparatively in the second half of the fiscal year.

If standard prices are revised, sales quantities will be impacted, but the majority of companies did not experience a decrease in sales quantity, which gave us a lot of confidence.

For example, Marukawa Shokuhin, which manufactures and sells Hamamatsu dumplings, was affected slightly immediately after the price hike, but returned to normal in about a month and has grown further. The company sells dumplings only in a unique way. Namely, they sell them in front of its manufacturing factory, and local customers come to buy them even if it takes an hour by car; some even travel from Tokyo to buy them. In addition to such retail, the company wholesales products to two or three local supermarkets, who come to pick them up by themselves. The company also offers a limited mail-order service, but the product is sold out instantly as soon as it is launched. In other words, Marukawa Shokuhin has an extremely efficient business model that focuses on manufacturing only one product, highly branded dumplings, and selling them at zero freight cost, and it believes that these strengths of the company have supported its performance despite the challenging external environment.

Outside Japan, Singapore, which is the main market, has been entirely open since last summer, after the COVID-19 pandemic subsided. Reservations for restaurants and hotels have been difficult to make, and prices have risen significantly. In our corporate group, which mainly handles products for commercial use, prices have almost returned to pre-COVID-19 levels, which has made a significant positive contribution.

Adjusted operating income (operating income including M&A expenses) increased by more than 30% due to the inclusion of the performance of Odaki Shouten, which was acquired through M&A from the second half of the fiscal year.

#### ◎Regarding the Fiscal Year Ending February 2024

In overseas markets, NKR, which manufactures kitchen equipment, is expected to grow. The company supplies and maintains kitchen equipment made in-house and by other companies, with global restaurant chains as its customers, and generates most of its revenue in Malaysia, but since the second half of last year, we have already received a high level of orders from the restaurant chains as they plan to rapidly accelerate the opening of stores, which had been suppressed due to the pandemic.

Each company plans to double the number of stores in three years, which they believe will allow them to take full advantage of Malaysia's growth potential.

Although we expect the impact of raw material prices in both Japan and overseas markets to remain in the current fiscal year, our company is expected to achieve double-digit increases in both sales and profit in the current fiscal year as we will start posting profits and losses from companies (Kobayashi Noodle, Hayashi Kyuemon Shouten, Marukichi) acquired through new M&A and M&A acquisition-related expenses will decrease.

#### ◎About M&A Strategy

In the fiscal year ended February 2023, we were able to close five M&A deals, which I think would have been impossible a few years ago, and even if they had been closed, there would have been a lot of uncertainty.

As we continued M&A activities for over a decade, our personnel have grown, and when we went public, excellent people started to join us, and our business speed has increased as we have gained experience.

In addition, with the full participation of professionals with long experience at major food companies, we are building a better support system that will enable us to firmly increase sales and profits after M&A.

Another significant step forward is the fact that we are now able to raise funds quickly from megabanks in recognition of our accumulated achievements and track records to date.

We cannot overlook the fact that our company's popularity and recognition level has changed significantly.

A few years ago, people considered, "What is Yoshimura Food?" However, as a result of more than a decade of business activities and steady promotional activities, the name has become known to many owners of small and medium-sized food companies without successors.

Another major advantage is that, in contrast to funds, we do not assume the sale of a company, so owners feel secure in considering our proposals.

In this way, our system for accepting enterprises has been developed over many years, and M&A in our group has entered a new phase where it is possible to expand both in quality and quantity. We believe that the M&A deal concluded by Marukichi Co., Ltd. is proof of the fact that the size of the company's sales far exceeds that of previous deals.

◎Message to Shareholders and Investors

The average pace of making M&A deals was one deal per year for the first eight years after establishment of our business and two deals per year for the following five or six years, but we were able to close five deals in the previous fiscal year. In the past, we have dealt mainly with companies that were large yet had profitability problems or companies that are profitable yet small in size. However, we believe that we were able to move to a higher level because a large and profitable company like Marukichi chose our company from a list of potential competitors that included several large publicly listed companies. In addition to the achievements to this date, we have been able to set 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 vision "To protect and nurture the delicious food in each region and distribute them around the world." I believe that this is one of the main reasons why many of our stakeholders, including owner-managers, embrace the company's philosophy.

We will continue to actively promote our growth strategy at a higher level to enhance our corporate value and solve social issues, and we would like to ask for your continued support in this endeavor.

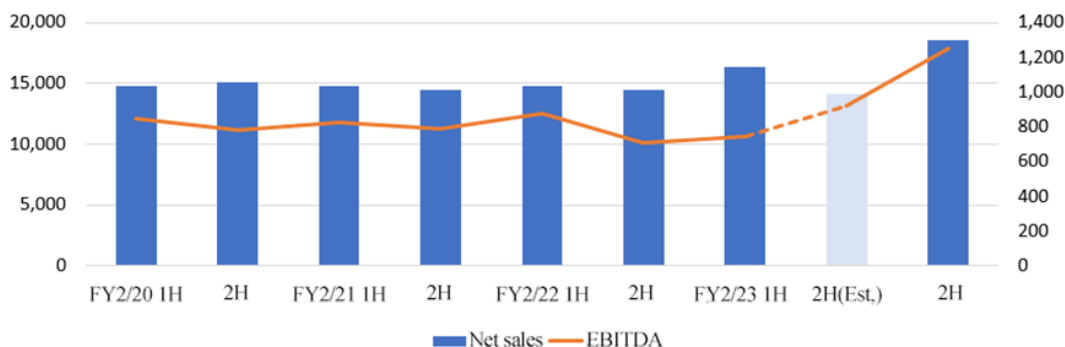
6. Conclusions

Although the business environment was difficult due to soaring raw material prices and the rapid depreciation of the yen, the Company was able to achieve significant growth in both sales and profits in the second half of the year due to price revisions and the contribution of new M&A partners.

In terms of M&A, in addition to an increase in the number and scale of deals, the number of quality deals is also increasing due to the economic hardship caused by the Corona disaster and Russia's invasion of Ukraine, as well as structural factors in Japan such as the difficulty of finding successors to the company. In the current fiscal year, we expect to see the release of large-scale, blue-chip M&A deals, such as Marukichi Co.

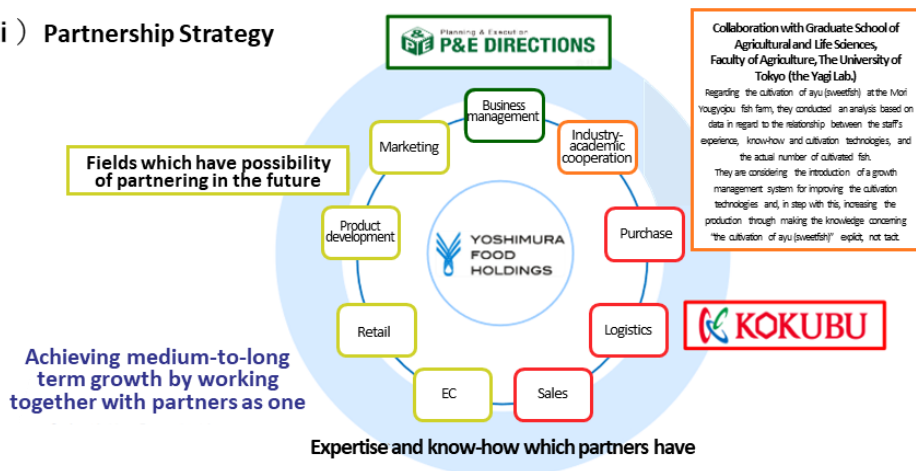
In addition, it will be interesting to see what kind of synergies are created in relation to alliances, including those with the Kokubu Group.

Net sales and EBITDA (in millions of yen)



<Reference 1: Collaborating with Business Partners >

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>

## <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. Regarding interviews with shareholders and investors, the Administrative Division discusses the best way to carry them out with the CEO, CFO, and others, and conducts them up to a reasonable extent, and also holds quarterly briefing sessions on financial results, which are distributed in a video format. The opinions, etc. received in the dialogue with shareholders and investors are reported to directors and other executives every time.

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