

1. Qualitative Information on the Consolidated Business Results for the Nine Months Ended June 30, 2020

(1) Consolidated Operating Performance

In the first nine months of the fiscal year ending September 30, 2020 (October 1, 2019 – June 30, 2020), the Japanese economy deteriorated rapidly due to the impacts of the novel coronavirus outbreak, including government requests for companies to suspend operations, and people refraining from outings.

Overseas as well, lockdowns and stay-at-home orders were imposed in major cities around the world, resulting in sharp economic deceleration.

The Yokohama Reito Group's Food Sales Business has also been significantly affected by the novel coronavirus outbreak, with the state of emergency declared in April forcing eating and drinking establishments to refrain from operations or shorten their opening hours. Even after the lifting of the state of emergency in June the shift toward recovery has been slow and the situation remains extremely uncertain.

In this environment, the Yokohama Reito Group has entered the final year of its Sixth Medium-Term Management Plan (three-year plan), "Growing Value 2020." Under this plan, the Refrigerated Warehousing Business is aiming for innovation and advancement reflective of market needs. The Food Sales Business is aiming to establish a stable food supply structure through the development of food resources and food production. The Group executed various initiatives during the period on the basis of these business operational policies.

As a result, the Group's consolidated net sales for the first nine months of the fiscal year totaled ¥86,167 million, a 19.3% decrease compared to the same period of the previous fiscal year. Operating income totaled ¥2,503 million, down 33.1% year on year, and ordinary income totaled ¥2,833 million, down 31.5%. Profit attributable to owners of the parent totaled ¥1,755 million, a year-on-year decline of 31.2%.

(Results by business segment)

Refrigerated Warehousing Business

The Refrigerated Warehousing Business posted year-on-year increases in sales and profit in the first nine months of the fiscal year. Following the declaration of the state of emergency in April, the slowdown in cargo movement became more pronounced and incoming and outgoing cargo volumes fell. Revenue from storage fees grew as inventory levels, which were already high at the end of March, increased further, offsetting the decline in loading/unloading fee revenue and contributing to the segment's profit growth.

Consolidated subsidiary Thai Yokorei Co., Ltd., saw profits decline as inventory levels, which had remained high from the previous quarter, began to return to normal for some items.

As a result, overall segment sales came to ¥21,273 million, an increase of 0.4% compared with the same period of the previous fiscal year, and operating income totaled ¥5,037 million, a year-on-year increase of 1.3%.

Food Sales Business

The Food Sales Business posted lower sales and profit in the first nine months of the fiscal year. The business was heavily impacted by the novel coronavirus outbreak with a drop in handling volume due to sluggish cargo movement and a decline in profits due to falling market prices.

The marine products category posted lower sales and profit despite a recovery in the gross margin ratio compared with the second quarter. Although profits were up for Atka mackerel and squid, the

profit margins of which have recovered, profits were down for salmon and trout on lower handling volume, for eel, due to an abundant catch of young glass eels that caused a drop in market prices, and for mackerel on lower handling volume due to a poor catch.

The livestock product category posted lower sales and profit. With the spread of the novel coronavirus, cargo movement to hotels and restaurants, our main customers for pork, beef, and chicken, was sluggish, leading to a drop in handling volume and profit margins deteriorated due to declines in market prices.

In the agricultural products category, profits were unchanged despite decreased sales, due to profit-focused selling of potatoes, a mainstay product for the category.

The Norway trout cultivation business posted lower revenues and profits due to lower haul volumes and higher production costs.

As a result, segment sales amounted to ¥64,855 million, 24.2% less than in the same period of the previous fiscal year. Operating loss totaled ¥492 million (compared with an operating income of ¥746 million in the same period of the previous fiscal year).

(2) Consolidated Financial Position

Assets, Liabilities, and Net Assets

Total assets as of June 30, 2020 amounted to ¥179,920 million, an increase of ¥673 million compared with the previous fiscal year-end (September 30, 2019). The main changes are increases of ¥5,146 million in property, plant and equipment and ¥2,840 million in short-term loans receivable, partially offset by decreases of ¥2,850 million in intangible fixed assets, ¥2,674 million in merchandise, and ¥2,044 million in notes and accounts receivable - trade.

Total liabilities amounted to ¥101,756 million, an increase of ¥3,089 million compared with the previous fiscal year-end. This change was mainly attributable to an increase of ¥4,643 million in loans payable and a decrease of ¥1,291 million in income taxes payable.

Total net assets amounted to ¥78,164 million, a decrease of ¥2,416 million compared with the previous fiscal year-end.

Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the period amounted to ¥3,246 million, a decrease of ¥130 million compared with the previous fiscal year-end (September 30, 2019). The main factors affecting cash flows during the first nine months of the fiscal year are summarized as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥9,825 million compared with ¥19,187 million provided in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥2,833 million in income before income taxes, depreciation and amortization of ¥4,346 million, and a decrease of ¥2,260 million in inventories.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥13,305 million, compared with ¥18,115 million used in the same period of the previous fiscal year. The main investment outflows were ¥10,653 million used for the purchase of property, plant and equipment and ¥4,642 million in payments of loans receivable, which offset ¥2,030 million from the collection of loans receivable.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥3,600 million, compared with ¥290 million used in the same period of the previous fiscal year. This net inflow was mainly derived from a net

increase in loans payable from financial institutions of ¥5,193 million, which was partly offset by dividends paid to shareholders of ¥1,357 million.

(3) Consolidated Earnings Forecast

Owing to the difficulty in adequately and reasonably calculating forecast figures due to the novel coronavirus pandemic, the Company left its earnings forecast for the fiscal year ending September 30, 2020 undetermined, but has now calculated forecast figures based on currently available information and predictions.

For further details, please refer to the “Notice Concerning Revision of Consolidated Earnings Forecast” published (in Japanese only) on July 31, 2020.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of September 30, 2019 Amount	(Millions of yen) As of June 30, 2020 Amount
Assets		
Current assets		
Cash and deposits	3,387	3,256
Notes and accounts receivable - trade	17,284	15,239
Merchandise	17,888	15,213
Advance payments	974	240
Short-term loans receivable, net	17,734	20,574
Other	945	1,343
Allowance for doubtful accounts	(19)	(48)
Total current assets	58,195	55,821
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	46,738	52,024
Machinery, equipment and vehicles, net	7,003	8,332
Land	29,017	29,685
Leased assets, net	1,419	1,409
Construction in progress	3,418	1,251
Other, net	1,117	1,158
Total property, plant and equipment	88,715	93,862
Intangible fixed assets		
Goodwill	6,060	4,605
Overseas aquaculture business license	6,816	5,519
Other	2,317	2,218
Total intangible fixed assets	15,194	12,344
Investments and other assets		
Investment securities	12,790	13,803
Long-term loans receivable	3,951	3,713
Deferred tax assets	24	0
Other	778	804
Allowance for doubtful accounts	(403)	(428)
Total investments and other assets	17,141	17,892
Total noncurrent assets	121,052	124,099
Total assets	179,247	179,920

	As of September 30, 2019 Amount	(Millions of yen) As of June 30, 2020 Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,011	4,374
Short-term loans payable	16,238	24,433
Current portion of long-term loans payable	4,640	5,597
Lease obligations	226	263
Income taxes payable	1,373	82
Accrued employees' bonuses	757	211
Accrued bonuses for directors and corporate auditors	32	23
Other	6,109	6,554
Total current liabilities	34,389	41,539
Noncurrent liabilities		
Bonds	20,000	20,000
Long-term loans payable	39,071	34,562
Lease obligations	889	846
Deferred tax liabilities	2,592	3,089
Provision for Executive Compensation BIP Trust	221	143
Net defined benefit liability	829	762
Asset retirement obligations	91	91
Other	580	720
Total noncurrent liabilities	64,277	60,217
Total liabilities	98,666	101,756
Net assets		
Shareholders' equity		
Common stock	14,303	14,303
Capital surplus	14,370	14,387
Retained earnings	45,956	46,356
Treasury stock	(507)	(382)
Total shareholders' equity	74,122	74,664
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	3,697	4,372
Deferred gain (loss) on derivatives under hedge accounting	75	160
Foreign currency translation adjustments	489	(3,303)
Remeasurements of defined benefit plans	(74)	16
Total accumulated other comprehensive income	4,187	1,245
Non-controlling interests	2,269	2,253
Total net assets	80,580	78,164
Total liabilities and net assets	179,247	179,920

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

(Millions of yen)

	Nine months ended June 30, 2019	Nine months ended June 30, 2020
	Amount	Amount
Net sales	106,779	86,167
Cost of sales	95,188	76,020
Gross profit	11,591	10,146
Selling, general and administrative expenses	7,847	7,643
Operating income	3,743	2,503
Other income		
Interest income	531	695
Dividend income	196	131
Insurance dividends	39	31
Purchase discounts	238	44
Other	471	518
Total other income	1,476	1,421
Other expenses		
Interest expense	595	491
Loss on valuation of derivatives	-	241
Commission fee	2	2
Other	484	356
Total other expenses	1,082	1,092
Ordinary income	4,137	2,833
Income before income taxes	4,137	2,833
Income taxes—Current	798	495
Income taxes—Deferred	395	540
Total income taxes	1,193	1,035
Profit	2,943	1,797
Profit attributable to non-controlling interests	393	41
Profit attributable to owners of the parent	2,550	1,755

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended June 30, 2019	Nine months ended June 30, 2020
	Amount	Amount
Profit	2,943	1,797
Other comprehensive income		
Unrealized gain on available-for-sale securities	(1,114)	674
Deferred gain (loss) on derivatives under hedge accounting	89	84
Foreign currency translation adjustments	(800)	(3,848)
Remeasurements of defined benefit plans	14	90
Total other comprehensive income	(1,811)	(2,998)
Comprehensive income	1,132	(1,201)
Breakdown:		
Comprehensive income attributable to owners of the parent	700	(1,186)
Comprehensive income attributable to non-controlling interests	432	(15)

(3) Consolidated Statements of Cash Flows

	Nine months ended June 30, 2019	Nine months ended June 30, 2020
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	4,137	2,833
Depreciation and amortization	4,230	4,346
Amortization of goodwill	419	349
Increase (decrease) in accrued employees' bonuses	(546)	(546)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(8)	(8)
Increase (decrease) in allowance for doubtful accounts	(4)	54
Increase (decrease) in net defined benefit liability	78	25
Increase (decrease) in provision for Executive Compensation BIP Trust	40	-
Interest and dividend income	(727)	(826)
Interest expenses	595	491
Loss (gain) on valuation of derivatives	-	241
Decrease (increase) in accounts receivable - trade	2,716	1,602
Decrease (increase) in inventories	3,050	2,260
Decrease (increase) in advance payments	4,545	732
Increase (decrease) in accounts payable - trade	1,095	(512)
Increase (decrease) in accrued expenses	(343)	(392)
Other - net	965	332
Sub total	<u>20,243</u>	<u>10,982</u>
Interest and dividend income received	691	848
Interest paid	(498)	(403)
Income taxes paid	(1,248)	(1,603)
Net cash provided by (used in) operating activities	<u>19,187</u>	<u>9,825</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,224)	(10,653)
Proceeds from sales of property, plant and equipment	5	4
Purchase of intangible fixed assets	(732)	(57)
Purchase of investment securities	(4)	(103)
Proceeds from sales of investment securities	-	178
Payments of loans receivable	(7,495)	(4,642)
Collection of loans receivable	1,361	2,030
Other - net	(24)	(61)
Net cash provided by (used in) investing activities	<u>(18,115)</u>	<u>(13,305)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,558	8,269
Proceeds from long-term loans payable	2,065	-
Repayments of long-term loans payable	(4,281)	(3,076)
Purchase of treasury stock	(0)	(0)
Dividends paid to shareholders	(1,444)	(1,357)
Other - net	(188)	(235)
Net cash provided by (used in) financing activities	<u>(290)</u>	<u>3,600</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(24)</u>	<u>(251)</u>
Net increase (decrease) in cash and cash equivalents	<u>757</u>	<u>(130)</u>
Cash and cash equivalents, beginning of period	<u>2,907</u>	<u>3,377</u>
Cash and cash equivalents, end of period	<u>3,665</u>	<u>3,246</u>

(4) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

Segment Information

I. Nine months ended June 30, 2019 (October 1, 2018 – June 30, 2019)

1. Net sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment				Adjustments *1	Amounts reported on consolidated statements of income*2
	Refrigerated Warehousing	Food Sales	Other Businesses	Total		
Net sales						
Sales to outside customers	21,189	85,547	42	106,779	-	106,779
Intersegment sales or transfers	1,297	-	31	1,328	(1,328)	-
Total	22,486	85,547	74	108,108	(1,328)	106,779
Segment profit (loss)	4,971	746	43	5,762	(2,019)	3,743

- Notes: 1. The minus 2,019 million yen adjustment for segment profit (loss) was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.
2. Segment profit (loss) was adjusted based on operating income reported on the consolidated statements of income for the corresponding period.

II. Nine months ended June 30, 2020 (October 1, 2019 – June 30, 2020)

1. Net sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment				Adjustments *1	Amounts reported on consolidated statements of income*2
	Refrigerated Warehousing	Food Sales	Other Businesses	Total		
Net sales						
Sales to outside customers	21,273	64,855	38	86,167	-	86,167
Intersegment sales or transfers	1,090	-	36	1,126	(1,126)	-
Total	22,363	64,855	74	87,293	(1,126)	86,167
Segment profit (loss)	5,037	(492)	41	4,586	(2,083)	2,503

- Notes: 1. The minus 2,083 million yen adjustment for segment profit (loss) was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.
2. Segment profit (loss) was adjusted based on operating income reported on the consolidated statements of income for the corresponding period.