

1. Qualitative Information on the Consolidated Business Results for the Three Months Ended December 31, 2020

(1) Consolidated Operating Performance

In the first three months of the fiscal year ending September 30, 2021 (October 1, 2020 – December 31, 2020), the Japanese economy continued to face adverse conditions stemming from the spread of the novel coronavirus (COVID-19). Overseas, the prolonged friction between the US and China, and a new wave of coronavirus infections that saw lockdowns and stay-at-home orders being imposed once again in major cities around the world, have had an enormous impact on economic activity worldwide.

The food industries related to the Yokohama Reito Group's business, and in particular the restaurant industry, have been severely affected by the COVID-19 pandemic, with factors such as the halting of government's Go To Travel and Go To Eat campaigns meaning that conditions remain difficult.

In this environment, the Yokohama Reito Group has formulated two new visions to guide its direction over the longer term to 2030—the Yokohama Reito Business Vision 2030 and the Yokohama Reito Sustainability Vision 2030. Yokohama Reito Business Vision 2030 establishes a vision for how each of our businesses aspires to be 10 years from now. The Refrigerated Warehousing Business “commits to providing smart cold services combining tradition and innovation” and the Food Sales Business will strive “to create distinctive food value together with customers, protect producers and build close relationships with them, and help add to the richness of the world's dining tables”. As the first stage toward realization of these longer-term visions, we have formulated the new Medium-Term Management Plan (Phase I) “The Power to Create”, which covers the period through September 2023. During this period, the Refrigerated Warehousing Business will work on creating new business models while the Food Sales Business will focus on creating new food value. Each business will implement various key strategies to achieve the quantitative targets of consolidated net sales of ¥131 billion, operating income of ¥6 billion, and EBITDA of ¥12 billion in the final year of the plan (the fiscal year ending September 30, 2023).

As a result of the above, the Group recorded consolidated net sales of ¥28,313 million, a 10.6% year-on-year decline. Operating income however increased 4.0% year on year to ¥1,202 million, and ordinary income reached ¥1,407 million, up 5.6%. Profit attributable to owners of the parent totaled ¥831 million, a year-on-year increase of 8.8%.

Refrigerated Warehousing Business

The Refrigerated Warehousing Business posted year-on-year decreases in sales and profit in the first three months. Cargo movement stagnated due to COVID-19, and temporarily overstocked cargo owners prioritized inventory reductions, mainly for livestock products. As a result, inbound cargo volumes and inventory volumes both fell, causing slight declines in loading/unloading fees and storage fees. Consolidated subsidiary Thai Yokorei Co., Ltd., also saw profits decline due to decreases in inbound cargo volumes and inventory volumes as production levels of livestock products for markets outside Thailand were adjusted.

As a result, segment sales came to ¥7,321 million, down 1.8% year on year, and operating income was ¥1,818 million, a year-on-year decline of 6.8%.

Food Sales Business

The Food Sales Business posted lower sales but increased profit in the first three months of the fiscal year.

Thorough inventory controls following the absorption-type merger of consolidated subsidiaries in the previous fiscal year and sales focused on profitability enabled the business to achieve profit growth despite lower sales of its marine products, livestock products, and agricultural products.

The Norway trout cultivation business posted declines in sales and profits as haul volume was decreased with production adjustments made as a measure to counter sea lice (parasites), and unit prices also declined due to COVID-19.

As a result, segment sales amounted to ¥20,980 million, down 13.3% year on year, while operating

income totaled ¥188 million (compared with an operating loss of ¥84 million posted in the first quarter of the previous fiscal year).

(2) Consolidated Financial Position

Assets, Liabilities, and Net Assets

Total assets as of December 31, 2020, amounted to ¥181,848 million, an increase of ¥1,913 million from the previous fiscal year-end (September 30, 2020). This change was mainly attributable to increases of ¥1,761 million in merchandise and ¥1,527 million in notes and accounts receivable – trade, partially offset by decreases of ¥619 million in loans receivable and ¥466 million in cash and deposits.

Total liabilities amounted to ¥101,163 million, an increase of ¥1,203 million from the previous fiscal year-end. This change was mainly attributable to an increase of ¥1,557 million in loans payable.

Total net assets amounted to ¥80,685 million, an increase of ¥710 million from the previous fiscal year-end.

Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the period amounted to ¥3,655 million, a decrease of ¥466 million from the previous fiscal year-end (September 30, 2020). The main factors affecting cash flows during the fiscal year are summarized as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥1,644 million compared with ¥2,847 million provided in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥1,407 million in income before income taxes, depreciation and amortization of ¥1,555 million, and an increase of ¥1,749 million in accounts payable – trade, which offset cash outflow mainly attributable to increases of ¥1,525 million in accounts receivable – trade and ¥1,720 million in inventories.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥3,014 million, compared with ¥4,418 million used in the same period of the previous fiscal year. The main investment outflows were ¥3,368 million used for the purchase of property, plant and equipment and ¥1,018 million in payments of loans receivable, which offset an inflow of ¥1,388 million from the collection of loans receivable.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥901 million, compared with ¥1,976 million provided 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 ¥1,650 million, which was partly offset by dividends paid to shareholders of ¥680 million.

(3) Consolidated Earnings Forecast

There is no change to the earnings forecast for the fiscal year ending September 30, 2021, announced on November 13, 2020, with the financial results for the fiscal year ended September 30, 2020.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of September 30, 2020 Amount	(Millions of yen) As of December 31, 2020 Amount
Assets		
Current assets		
Cash and deposits	4,131	3,665
Notes and accounts receivable - trade	14,527	16,054
Merchandise	12,215	13,977
Advance payments	267	171
Short-term loans receivable	20,684	19,932
Other	785	588
Allowance for doubtful accounts	(16)	(16)
Total current assets	52,594	54,372
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	51,764	50,740
Machinery, equipment and vehicles, net	8,192	7,957
Land	29,946	29,960
Leased assets, net	1,460	1,422
Construction in progress	4,176	4,807
Other, net	1,163	1,104
Total property, plant and equipment	96,704	95,993
Intangible fixed assets		
Goodwill	4,871	4,780
Overseas aquaculture business license	5,993	6,041
Other	2,175	2,163
Total intangible fixed assets	13,040	12,985
Investments and other assets		
Investment securities	13,615	14,342
Long-term loans receivable	3,590	3,723
Deferred tax assets	0	-
Other	811	818
Allowance for doubtful accounts	(421)	(387)
Total investments and other assets	17,595	18,497
Total noncurrent assets	127,340	127,475
Total assets	179,935	181,848

	As of September 30, 2020 Amount	(Millions of yen) As of December 31, 2020 Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,983	5,738
Short-term loans payable	16,478	20,209
Current portion of long-term loans payable	5,969	4,623
Lease obligations	274	260
Income taxes payable	483	485
Accrued employees' bonuses	754	149
Accrued bonuses for directors and corporate auditors	18	6
Other	6,435	4,712
Total current liabilities	34,398	36,185
Noncurrent liabilities		
Bonds	20,000	20,000
Long-term loans payable	39,898	39,071
Lease obligations	860	835
Deferred tax liabilities	3,003	3,465
Provision for Executive Compensation BIP Trust	143	143
Net defined benefit liability	904	799
Asset retirement obligations	91	91
Other	658	569
Total noncurrent liabilities	65,561	64,977
Total liabilities	99,960	101,163
Net assets		
Shareholders' equity		
Common stock	14,303	14,303
Capital surplus	14,387	14,387
Retained earnings	46,941	47,093
Treasury stock	(382)	(382)
Total shareholders' equity	75,248	75,401
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,334	4,833
Deferred gain (loss) on derivatives under hedge accounting	(20)	(10)
Foreign currency translation adjustments	(1,824)	(1,837)
Remeasurements of defined benefit plans	(82)	7
Total accumulated other comprehensive income	2,406	2,994
Non-controlling interests	2,319	2,289
Total net assets	79,975	80,685
Total liabilities and net assets	179,935	181,848

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

	(Millions of yen)	
	Three months ended December 31, 2019	Three months ended December 31, 2020
	Amount	Amount
Net sales	31,667	28,313
Cost of sales	27,886	24,405
Gross profit	3,781	3,908
Selling, general and administrative expenses	2,624	2,706
Operating income	1,156	1,202
Other income		
Interest income	264	158
Dividend income	44	40
Insurance dividends	31	31
Purchase discounts	57	-
Other	86	229
Total other income	484	460
Other expenses		
Interest expenses	164	136
Foreign exchange losses	14	100
Other	128	17
Total other expenses	308	254
Ordinary income	1,333	1,407
Income before income taxes	1,333	1,407
Income taxes - Current	304	384
Income taxes - Deferred	189	174
Total income taxes	493	559
Profit	839	848
Profit attributable to non-controlling interests	74	17
Profit attributable to owners of the parent	764	831

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended December 31, 2019	Three months ended December 31, 2020
	Amount	Amount
Profit	839	848
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	1,365	499
Deferred gain (loss) on derivatives under hedge accounting	(38)	10
Foreign currency translation adjustments	(1,188)	(60)
Remeasurements of defined benefit plans	79	90
Total other comprehensive income	217	540
Comprehensive income	1,056	1,388
Breakdown:		
Comprehensive income attributable to owners of the parent	1,002	1,418
Comprehensive income attributable to non-controlling interests	54	(30)

(3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Three months ended December 31, 2019	Three months ended December 31, 2020
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	1,333	1,407
Depreciation and amortization	1,389	1,555
Amortization of goodwill	139	123
Increase (decrease) in accrued employees' bonuses	(598)	(605)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(24)	(12)
Increase (decrease) in allowance for doubtful accounts	(5)	(34)
Increase (decrease) in net defined benefit liability	(13)	(11)
Interest and dividends income	(308)	(199)
Interest expenses	164	136
Loss (gain) on valuation of derivatives	47	(65)
Decrease (increase) in accounts receivable - trade	(1,545)	(1,525)
Decrease (increase) in inventories	414	(1,720)
Decrease (increase) in advance payments	774	132
Increase (decrease) in accounts payable - trade	993	1,749
Increase (decrease) in accrued expenses	383	82
Other - net	282	883
Sub total	3,424	1,897
Interest and dividend income received	307	226
Interest paid	(110)	(52)
Income taxes paid	(774)	(427)
Net cash provided by (used in) operating activities	2,847	1,644
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,837)	(3,368)
Proceeds from sales of property, plant and equipment	0	10
Purchase of intangible fixed assets	(14)	(13)
Purchase of investment securities	(101)	(2)
Payments of loans receivable	(1,938)	(1,018)
Collection of loans receivable	481	1,388
Other - net	(7)	(11)
Net cash provided by (used in) investing activities	(4,418)	(3,014)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,522	3,803
Repayments of long-term loans payable	(805)	(2,153)
Purchase of treasury stock	(0)	(0)
Dividends paid to shareholders	(679)	(680)
Other - net	(60)	(68)
Net cash provided by (used in) financing activities	1,976	901
Effect of exchange rate changes on cash and cash equivalents	(79)	2
Net increase (decrease) in cash and cash equivalents	326	(466)
Cash and cash equivalents, beginning of period	3,377	4,121
Cash and cash equivalents, end of period	3,703	3,655

(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. Three months ended December 31, 2019 (October 1, 2019 – December 31, 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	Total		
Net sales						
Sales to outside customers	7,452	24,201	14	31,667	-	31,667
Intersegment sales or transfers	343	-	7	351	(351)	-
Total	7,795	24,201	21	32,019	(351)	31,667
Segment profit (loss)	1,951	(84)	12	1,879	(722)	1,156

- Notes: 1. The minus 722 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. Three months ended December 31, 2020 (October 1, 2020 – December 31, 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	Total		
Net sales						
Sales to outside customers	7,321	20,980	12	28,313	-	28,313
Intersegment sales or transfers	399	-	13	413	(413)	-
Total	7,721	20,980	25	28,727	(413)	28,313
Segment profit (loss)	1,818	188	15	2,022	(820)	1,202

- Notes: 1. The minus 820 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.