

1. Qualitative Information on the Consolidated Business Results for the Six Months Ended March 31, 2021

(1) Consolidated Operating Performance

In the first six months of the fiscal year ending September 30, 2021 (October 1, 2020 - March 31, 2021), the Japanese economy continued to face adverse conditions stemming from the spread of the novel coronavirus (COVID-19). Although overseas governments have begun rolling out vaccines, the economic outlook is uncertain due to fears of a resurgence in the number of infections from novel coronavirus variants.

The food industries related to the Yokohama Reito Group's business continue to be severely affected, with the declaration of a further state of emergency in January.

In this environment, the Yokohama Reito Group has formulated the 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 of the Group 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 as well as their sustainability targets in the final year of the plan (the fiscal year ending September 30, 2023).

As a result, the Group recorded consolidated net sales of ¥53,675 million, an 8.1% year-on-year decline. Operating income decreased 3.1% year on year to ¥1,854 million, while ordinary income was ¥2,348 million, up 7.3%. Profit attributable to owners of the parent totaled ¥1,345 million, a year-on-year increase of 4.9%.

In addition, the Group recorded an extraordinary loss of ¥227 million owing to the closure of the aging Hakozaki Logistics Center at the end of the second quarter of the current fiscal year.

(Results by business segment)

Refrigerated Warehousing Business

The Refrigerated Warehousing Business posted year-on-year decreases in sales and profit in the first six months of the fiscal year. Although inventory levels remained extremely high owing to sluggish cargo movements in the previous fiscal year due to COVID-19, profit declined this quarter due to a decrease in inventory volume owing to inventory adjustments by trading companies, manufacturers, and other business partners and delays in the arrival of cargo ships caused by the shortage of shipping containers. Consolidated subsidiary Thai Yokorei Co., Ltd. saw profits fall on a decrease in inventory levels as the production volume of mainly livestock products, its primary storage item, declined owing to labor shortages and production adjustments due to COVID-19.

As a result, overall segment sales came to ¥13,944 million, down 2.1% year on year, and operating income was ¥3,198 million, a year-on-year decrease of 9.6%.

Food Sales Business

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

The marine products category posted increased profit amid the COVID-19 pandemic, supported by profit from core products, such as salmon, trout, scallops, and eels, reflecting continued solid sales focused on profitability and inventory control.

In the livestock product category, despite the decline in the handling volume of livestock products for restaurants, profit on chicken and beef increased owing to continued profit-focused sales and inventory control. Profit on pork increased slightly due to improved profitability.

In the agricultural products category, strong sales of potatoes to major retailers and potatoes for processing led to increased profits.

The Norway trout cultivation business posted a decline in profit on lower unit prices owing to decreased demand in North America and Europe due to COVID-19 as well as higher production costs

stemming from expenses relating to the removal of sea lice (parasites).

As a result, segment sales amounted to ¥39,705 million, down 10.0% year on year, while operating income totaled ¥143 million (compared with an operating loss of ¥277 million posted in the same period of the previous fiscal year).

(2) Consolidated Financial Position

Assets, Liabilities, and Net Assets

Total assets as of March 31, 2021, amounted to ¥186,745 million, an increase of ¥6,810 million from the previous fiscal year-end (September 30, 2020). This change was mainly attributable to increases of ¥9,495 million in investment securities, ¥2,406 million in property, plant and equipment, as well as ¥1,108 million in merchandise, partially offset by a ¥7,218 million decrease in loans receivable.

Total liabilities amounted to ¥103,328 million, an increase of ¥3,368 million compared with the previous fiscal year-end. This change was mainly attributable to an increase of ¥4,346 million in “other” (notes payable-facilities).

Total net assets amounted to ¥83,416 million, an increase of ¥3,441 million from the previous fiscal year-end.

Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the period amounted to ¥4,098 million, a decrease of ¥22 million from the previous fiscal year-end (September 30, 2020). The main factors affecting cash flows during the first six months of the fiscal year are summarized as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥5,551 million compared with ¥8,263 million provided in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥2,121 million in income before income taxes, depreciation and amortization of ¥3,248 million, and a decrease of ¥1,021 million in accounts receivable – trade.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥4,553 million, compared with ¥8,333 million used in the same period of the previous fiscal year. The main investment outflows were ¥5,033 million used for the purchase of property, plant and equipment and ¥1,769 million in payments of loans receivable, which offset an inflow of ¥2,356 million from the collection of loans receivable.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥1,111 million, compared with ¥184 million provided in the same period of the previous fiscal year. This net outflow was mainly derived from a net decrease in loans payable from financial institutions of ¥287 million and dividends paid to shareholders of ¥677 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 March 31, 2021 Amount
Assets		
Current assets		
Cash and deposits	4,131	4,108
Notes and accounts receivable - trade	14,527	13,638
Merchandise	12,215	13,324
Advance payments	267	271
Short-term loans receivable	20,684	13,173
Other	785	2,395
Allowance for doubtful accounts	(16)	(13)
Total current assets	52,594	46,898
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	51,764	53,576
Machinery, equipment and vehicles, net	8,192	8,826
Land	29,946	29,837
Leased assets, net	1,460	1,505
Construction in progress	4,176	4,187
Other, net	1,163	1,176
Total property, plant and equipment	96,704	99,110
Intangible fixed assets		
Goodwill	4,871	4,675
Overseas aquaculture business license	5,993	6,477
Other	2,175	2,150
Total intangible fixed assets	13,040	13,302
Investments and other assets		
Investment securities	13,615	23,111
Long-term loans receivable	3,590	3,883
Deferred tax assets	0	-
Other	811	842
Allowance for doubtful accounts	(421)	(403)
Total investments and other assets	17,595	27,433
Total noncurrent assets	127,340	139,846
Total assets	179,935	186,745

	As of September 30, 2020 Amount	(Millions of yen) As of March 31, 2021 Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,983	4,240
Short-term loans payable	16,478	19,702
Current portion of long-term loans payable	5,969	4,252
Lease obligations	274	280
Income taxes payable	483	1,004
Accrued employees' bonuses	754	542
Accrued bonuses for directors and corporate auditors	18	12
Other	6,435	9,433
Total current liabilities	34,398	39,469
Noncurrent liabilities		
Bonds	20,000	20,000
Long-term loans payable	39,898	37,922
Lease obligations	860	864
Deferred tax liabilities	3,003	3,375
Provision for Executive Compensation BIP Trust	143	143
Net defined benefit liability	904	798
Asset retirement obligations	91	91
Other	658	663
Total noncurrent liabilities	65,561	63,859
Total liabilities	99,960	103,328
Net assets		
Shareholders' equity		
Common stock	14,303	14,303
Capital surplus	14,387	14,394
Retained earnings	46,941	47,849
Treasury stock	(382)	(335)
Total shareholders' equity	75,248	76,211
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,334	4,964
Deferred gain (loss) on derivatives under hedge accounting	(20)	74
Foreign currency translation adjustments	(1,824)	(182)
Remeasurements of defined benefit plans	(82)	15
Total accumulated other comprehensive income	2,406	4,872
Non-controlling interests	2,319	2,332
Total net assets	79,975	83,416
Total liabilities and net assets	179,935	186,745

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

	(Millions of yen)	
	Six months ended March 31, 2020	Six months ended March 31, 2021
	Amount	Amount
Net sales	58,375	53,675
Cost of sales	51,157	46,429
Gross profit	7,218	7,246
Selling, general and administrative expenses	5,304	5,392
Operating income	1,914	1,854
Other income		
Interest income	530	310
Dividend income	56	52
Insurance dividends	31	31
Purchase discounts	44	-
Foreign exchange gains	-	198
Other	353	294
Total other income	1,016	887
Other expenses		
Interest expenses	356	301
Loss on valuation of derivatives	209	36
Commission fee	2	2
Other	172	51
Total other expenses	741	392
Ordinary income	2,189	2,348
Extraordinary losses		
Loss on removal of refrigerated warehouses	-	227
Total extraordinary losses	-	227
Income before income taxes	2,189	2,121
Income taxes - Current	270	898
Income taxes - Deferred	503	(149)
Total income taxes	774	749
Profit	1,415	1,371
Profit attributable to non-controlling interests	132	26
Profit attributable to owners of the parent	1,282	1,345

Consolidated Statements of Comprehensive Income

	Six months ended March 31, 2020	(Millions of yen) Six months ended March 31, 2021
	Amount	Amount
Profit	1,415	1,371
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(436)	630
Deferred gain (loss) on derivatives under hedge accounting	(92)	94
Foreign currency translation adjustments	(177)	1,629
Remeasurements of defined benefit plans	84	98
Total other comprehensive income	(621)	2,452
Comprehensive income	793	3,824
Breakdown:		
Comprehensive income attributable to owners of the parent	623	3,810
Comprehensive income attributable to non-controlling interests	170	13

(3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Six months ended March 31, 2020	Six months ended March 31, 2021
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	2,189	2,121
Depreciation and amortization	2,873	3,248
Amortization of goodwill	282	264
Increase (decrease) in accrued employees' bonuses	(217)	(212)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(16)	(6)
Increase (decrease) in allowance for doubtful accounts	80	(21)
Increase (decrease) in net defined benefit liability	(9)	(6)
Loss on removal of refrigerated warehouses	-	227
Interest and dividends income	(586)	(362)
Interest expenses	356	301
Loss (gain) on valuation of derivatives	209	36
Decrease (increase) in accounts receivable - trade	2,917	1,021
Decrease (increase) in inventories	1,050	(928)
Decrease (increase) in advance payments	734	6
Increase (decrease) in accounts payable - trade	(198)	203
Increase (decrease) in accrued expenses	(900)	(272)
Other - net	69	294
Sub total	8,833	5,915
Interest and dividend income received	549	301
Interest paid	(371)	(295)
Income taxes paid	(747)	(371)
Net cash provided by (used in) operating activities	8,263	5,551
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,982)	(5,033)
Proceeds from sales of property, plant and equipment	0	15
Purchase of intangible fixed assets	(53)	(67)
Purchase of investment securities	(102)	(3)
Proceeds from sales of investment securities	153	-
Payments of loans receivable	(3,201)	(1,769)
Collection of loans receivable	879	2,356
Other - net	(28)	(51)
Net cash provided by (used in) investing activities	(8,333)	(4,553)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,339	3,248
Proceeds from long-term loans payable	-	256
Repayments of long-term loans payable	(2,321)	(3,791)
Purchase of treasury stock	(0)	(0)
Dividends paid to shareholders	(676)	(677)
Other - net	(157)	(146)
Net cash provided by (used in) financing activities	184	(1,111)
Effect of exchange rate changes on cash and cash equivalents	(18)	90
Net increase (decrease) in cash and cash equivalents	96	(22)
Cash and cash equivalents, beginning of period	3,377	4,121
Cash and cash equivalents, end of period	3,473	4,098

(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. Six months ended March 31, 2020 (October 1, 2019 – March 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	14,249	44,097	28	58,375	-	58,375
Intersegment sales or transfers	697	-	23	720	(720)	-
Total	14,947	44,097	52	59,096	(720)	58,375
Segment profit (loss)	3,536	(277)	30	3,289	(1,375)	1,914

- Notes:
1. The minus 1,375 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. Six months ended March 31, 2021 (October 1, 2020 – March 31, 2021)

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	13,944	39,705	25	53,675	-	53,675
Intersegment sales or transfers	797	-	26	824	(824)	-
Total	14,741	39,705	52	54,499	(824)	53,675
Segment profit (loss)	3,198	143	32	3,373	(1,519)	1,854

- Notes:
1. The minus 1,519 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.