

1. Qualitative Information on the Consolidated Business Results for the Nine Months Ended June 30, 2021

(1) Consolidated Operating Performance

In the first nine months of the fiscal year ending September 30, 2021 (October 1, 2020 - June 30, 2021), the Japanese economy continued to face adverse conditions stemming from the ongoing impact of the novel coronavirus. Despite progress with vaccinations, especially in more-developed nations, the economic outlook in overseas markets remains uncertain due to a resurgence in infections caused by the spread of more contagious novel coronavirus variants. The food industries related to the Yokohama Reito Group's business continue to be severely affected by further declarations of states of emergency and extensions to existing states of emergency.

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 ¥83,034 million, down 3.6% year on year. Operating income decreased 4.3% year on year to ¥2,394 million, while ordinary income was ¥3,161 million, up 11.6%. Profit attributable to owners of the parent totaled ¥2,079 million, a year-on-year increase of 18.5%.

(Results by business segment)

Refrigerated Warehousing Business

The Refrigerated Warehousing Business posted year-on-year declines in sales and profit in the first nine months of the fiscal year. Loading/unloading fees increased during the period as inbound and outbound cargo volumes, especially for frozen foods, have been rebounding since April. Inventory volume also is recovering, but profit fell as storage fees declined from the level seen a year earlier, when sluggish cargo movement caused by the pandemic led to extremely high inventory levels. Consolidated subsidiary Thai Yokorei Co., Ltd., benefited from a recovery in outbound cargo volumes of its core livestock products, but profit fell as inventory levels were pushed down by pandemic-induced labor shortages and the continued decline in inbound cargo volumes caused by maker inventory adjustments.

As a result, overall segment sales came to ¥21,057 million, down 1.0% year on year, and operating income was ¥4,688 million, down 6.9%.

Food Sales Business

The Food Sales Business posted lower sales but improved profitability in the first nine months of the fiscal year. Amid the pandemic, the Food Sales Business continued with its profit-focused sales approach, achieving solid sales of marine products, livestock products, and agricultural products, while also thoroughly controlling inventories. The Norway trout cultivation business saw its profit depressed by low trout product unit prices and a sharp rise in production costs associated with the removal of sea lice (parasites).

As a result, segment sales came to ¥61,933 million, down 4.5% year on year, and the segment posted an operating loss of ¥24 million (compared with an operating loss of ¥492 million posted in the same period of the previous fiscal year).

At a July 28 meeting, the Board of Directors resolved to begin deliberations on the restructuring of the company's Norwegian aquaculture business with the aim of expanding and strengthening the Norway salmon business, a core pillar of the Food Sales Business.

(2) Consolidated Financial Position

Assets, Liabilities, and Net Assets

Total assets as of June 30, 2021, amounted to ¥189,587 million, an increase of ¥9,652 million from the previous fiscal year-end (September 30, 2020). This change was mainly attributable to a ¥9,428 million increase in investment securities.

Total liabilities amounted to ¥105,619 million, an increase of ¥5,659 million from the previous fiscal year-end. This change is mainly attributable to a ¥4,150 million increase in loans payable.

Total net assets amounted to ¥83,968 million, an increase of ¥3,993 million from the previous fiscal year-end.

Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the period amounted to ¥3,447 million, a decrease of ¥674 million from the previous fiscal year-end (September 30, 2020). 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 ¥7,398 million compared with ¥9,825 million provided in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥3,178 million in income before income taxes, and depreciation and amortization of ¥4,949 million, which offset the negative impact from a ¥928 million increase in accounts receivable.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥10,806 million, compared with ¥13,305 million used in the same period of the previous fiscal year. The main investment outflows were ¥11,141 million used for the purchase of property, plant and equipment, and ¥3,257 million in payments of loans receivable, which offset an inflow of ¥3,501 million from the collection of loans receivable.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥2,457 million, compared with ¥3,600 million provided in the previous fiscal year. This net inflow was mainly derived from a net increase in loans payable from financial institutions of ¥4,141 million, which was partly offset by dividends paid to shareholders of ¥1,358 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 June 30, 2021 Amount
Assets		
Current assets		
Cash and deposits	4,131	3,457
Notes and accounts receivable - trade	14,527	15,739
Merchandise	12,215	12,213
Advance payments	267	276
Short-term loans receivable, net	20,684	13,592
Other	785	1,676
Allowance for doubtful accounts	(16)	(13)
Total current assets	52,594	46,943
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	51,764	57,992
Machinery, equipment and vehicles, net	8,192	9,508
Land	29,946	29,863
Leased assets, net	1,460	1,640
Construction in progress	4,176	1,162
Other, net	1,163	1,167
Total property, plant and equipment	96,704	101,333
Intangible fixed assets		
Goodwill	4,871	4,900
Overseas aquaculture business license	5,993	6,972
Other	2,175	2,149
Total intangible fixed assets	13,040	14,021
Investments and other assets		
Investment securities	13,615	23,044
Long-term loans receivable	3,590	3,804
Deferred tax assets	0	-
Other	811	843
Allowance for doubtful accounts	(421)	(403)
Total investments and other assets	17,595	27,289
Total noncurrent assets	127,340	142,644
Total assets	179,935	189,587

	As of September 30, 2020 Amount	(Millions of yen) As of June 30, 2021 Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,983	4,587
Short-term loans payable	16,478	24,785
Current portion of long-term loans payable	5,969	4,215
Lease obligations	274	304
Income taxes payable	483	625
Accrued employees' bonuses	754	215
Accrued bonuses for directors and corporate auditors	18	18
Other	6,435	7,344
Total current liabilities	34,398	42,094
Noncurrent liabilities		
Bonds	20,000	20,000
Long-term loans payable	39,898	37,496
Lease obligations	860	921
Deferred tax liabilities	3,003	3,357
Provision for Executive Compensation BIP Trust	143	143
Net defined benefit liability	904	830
Asset retirement obligations	91	91
Other	658	684
Total noncurrent liabilities	65,561	63,524
Total liabilities	99,960	105,619
Net assets		
Shareholders' equity		
Common stock	14,303	14,303
Capital surplus	14,387	14,394
Retained earnings	46,941	47,663
Treasury stock	(382)	(336)
Total shareholders' equity	75,248	76,025
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,334	4,418
Deferred gain (loss) on derivatives under hedge accounting	(20)	33
Foreign currency translation adjustments	(1,824)	1,084
Remeasurements of defined benefit plans	(82)	23
Total accumulated other comprehensive income	2,406	5,560
Non-controlling interests	2,319	2,382
Total net assets	79,975	83,968
Total liabilities and net assets	179,935	189,587

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

(Millions of yen)

	Nine months ended June 30, 2020	Nine months ended June 30, 2021
	Amount	Amount
Net sales	86,167	83,034
Cost of sales	76,020	72,276
Gross profit	10,146	10,758
Selling, general and administrative expenses	7,643	8,363
Operating income	2,503	2,394
Other income		
Interest income	695	445
Dividend income	131	232
Insurance dividends	31	31
Purchase discounts	44	-
Foreign exchange gains	-	309
Other	518	400
Total other income	1,421	1,419
Other expenses		
Interest expense	491	468
Loss on valuation of derivatives	241	77
Commission fee	2	2
Other	356	105
Total other expenses	1,092	653
Ordinary income	2,833	3,161
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	-	243
Total extraordinary income	-	243
Extraordinary losses		
Loss on removal of refrigerated warehouses	-	227
Total extraordinary losses	-	227
Income before income taxes	2,833	3,178
Income taxes—Current	495	1,058
Income taxes—Deferred	540	(2)
Total income taxes	1,035	1,056
Profit	1,797	2,121
Profit attributable to non-controlling interests	41	41
Profit attributable to owners of the parent	1,755	2,079

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended	Nine months ended
	June 30, 2020	June 30, 2021
	Amount	Amount
Profit	1,797	2,121
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	674	84
Deferred gain (loss) on derivatives under hedge accounting	84	53
Foreign currency translation adjustments	(3,848)	2,930
Remeasurements of defined benefit plans	90	106
Total other comprehensive income	(2,998)	3,175
Comprehensive income	(1,201)	5,297
Breakdown:		
Comprehensive income attributable to owners of the parent	(1,186)	5,233
Comprehensive income attributable to non-controlling interests	(15)	63

(3) Consolidated Statements of Cash Flows

	Nine months ended June 30, 2020	Nine months ended June 30, 2021
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	2,833	3,178
Depreciation and amortization	4,346	4,949
Amortization of goodwill	349	408
Increase (decrease) in accrued employees' bonuses	(546)	(539)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(8)	(0)
Increase (decrease) in allowance for doubtful accounts	54	(21)
Increase (decrease) in net defined benefit liability	25	31
Loss on removal of refrigerated warehouses	-	227
Interest and dividend income	(826)	(678)
Interest expenses	491	468
Loss (gain) on valuation of derivatives	241	77
Loss (gain) on sales of shares of subsidiaries and associates	-	(243)
Decrease (increase) in accounts receivable - trade	1,602	(928)
Decrease (increase) in inventories	2,260	421
Decrease (increase) in advance payments	732	8
Increase (decrease) in accounts payable - trade	(512)	496
Increase (decrease) in accrued expenses	(392)	257
Other - net	332	(178)
Sub total	<u>10,982</u>	<u>7,933</u>
Interest and dividend income received	848	708
Interest paid	(403)	(362)
Income taxes paid	<u>(1,603)</u>	<u>(880)</u>
Net cash provided by (used in) operating activities	<u>9,825</u>	<u>7,398</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,653)	(11,141)
Proceeds from sales of property, plant and equipment	4	16
Purchase of intangible fixed assets	(57)	(94)
Proceeds from sales of investment securities	178	5
Purchase of shares of subsidiaries and associates	(103)	(729)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	998
Payments of loans receivable	(4,642)	(3,257)
Collection of loans receivable	2,030	3,501
Other - net	(61)	(104)
Net cash provided by (used in) investing activities	<u>(13,305)</u>	<u>(10,806)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	8,269	8,282
Proceeds from long-term loans payable	-	522
Repayments of long-term loans payable	(3,076)	(4,663)
Purchase of treasury stock	(0)	(0)
Dividends paid to shareholders	(1,357)	(1,358)
Other - net	(235)	(235)
Net cash provided by (used in) financing activities	<u>3,600</u>	<u>2,547</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(251)</u>	<u>185</u>
Net increase (decrease) in cash and cash equivalents	<u>(130)</u>	<u>(674)</u>
Cash and cash equivalents, beginning of period	<u>3,377</u>	<u>4,121</u>
Cash and cash equivalents, end of period	<u>3,246</u>	<u>3,447</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, 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	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.

II. Nine months ended June 30, 2021 (October 1, 2020 – June 30, 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	21,057	61,933	43	83,034	-	83,034
Intersegment sales or transfers	1,201	-	40	1,241	(1,241)	-
Total	22,258	61,933	84	84,276	(1,241)	83,034
Segment profit (loss)	4,688	(24)	50	4,715	(2,320)	2,394

Notes: 1. The minus 2,320 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.