

1. Qualitative Information on the Consolidated Business Results for the Nine Months Ended June 30, 2019

(1) Consolidated Operating Performance

In the first nine months of the fiscal year ending September 30, 2019 (October 1, 2018 – June 30, 2019), the Japanese economy continued to demonstrate a moderate recovery on the back of improved employment and income conditions and robust corporate earnings, although exports and manufacturing were affected by the slowdown in overseas economies.

However, the economic outlook remains opaque due to uncertainties such as the outlook for the Chinese economy amid prolonged U.S.-China trade frictions and the U.K.'s exit from the European Union, which are risk factors for business confidence.

In food industries related to the Yokohama Reito Group's business, conditions remained severe due to rising labor and distribution costs.

In this environment, the Yokohama Reito Group executed its Sixth Medium-Term Management Plan (three-year plan), "Growing Value 2020," which began in October 2017. 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 ¥106,779 million, a 17.8% decrease compared to the same period of the previous fiscal year. Operating income totaled ¥3,743 million, a year-on-year increase of 8.1%, and ordinary income totaled ¥4,137 million, a year-on-year increase of 10.5%. Profit attributable to owners of the parent totaled ¥2,550 million, a year-on-year increase of 8.3%.

(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. The Tokyo Haneda Logistics Center and the Meiko Logistics Center, which opened last year, both enjoyed steady operations, helping to increase the business's storage fees and loading/unloading fees.

Existing logistics centers also contributed to segment profit growth, as they continued to record high inventory levels and expanded value-added services, which is one of the priority measures of the Medium-Term Management Plan. Consolidated subsidiary Thai Yokorei Co., Ltd. continued to record high inventory levels in Thailand, which contributed to segment profit growth.

As a result, segment sales amounted to ¥21,189 million, an increase of 8.3% compared with the same period of the previous fiscal year, and operating income totaled ¥4,971 million, a year-on-year increase of 6.3%.

Food Sales Business

The Food Sales Business posted profit growth on lower sales in the first nine months.

The marine products category posted lower sales and profit. Even though positive earnings contributions came from mackerel for export, and prawn, whose profit margins recovered, and earnings recovered for squid, this was not enough to compensate for cumulative losses and profit declined as a result. As well, profit declined due to sales losses for Atka mackerel. The

sales decline owes to a change in accounting standard for the Norway salmon and trout export business to Europe and North America.

The livestock products category posted lower sales and flat profit due to a decline in earnings from pork resulting from sluggish cargo movement. Profit from chicken increased sharply, with improved profit margins due to a recovery from the previous year's market price declines.

The agricultural products category posted lower sales and profit due to a drop in handling volume of mainstay potatoes amid deterioration of the sales environment.

The Norway trout cultivation business posted higher sales and profit after domestic inventories were successfully reduced.

As a result, segment sales amounted to ¥85,547 million, a decrease of 22.5% compared with the same period of the previous fiscal year, and operating income totaled ¥746 million, a year-on-year increase of 7.7%.

(2) Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at June 30, 2019 amounted to ¥185,856 million, a decrease of ¥934 million compared with the previous fiscal year-end (September 30, 2018). This change was mainly attributable to an increase of ¥6,084 million in short-term loans receivable, and decreases of ¥3,153 million in merchandise, ¥2,771 million in notes and accounts receivable-trade, and ¥1,610 million in investment securities.

Total liabilities amounted to ¥107,310 million, a decrease of ¥621 million compared with the previous fiscal year-end. This change was mainly attributable to a decrease of ¥653 million in deferred tax liabilities.

Total net assets amounted to ¥78,546 million, a decrease of ¥312 million compared with the previous fiscal year-end.

Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the period amounted to ¥3,665 million, an increase of ¥757 million compared with the previous fiscal year-end (September 30, 2018). 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 ¥19,187 million compared with ¥5,299 million used in the same period of the previous fiscal year. Cash inflow was mainly attributable to ¥4,137 million in income before income taxes, depreciation and amortization of ¥4,230 million, and decreases of ¥2,716 million in accounts receivable, ¥3,050 million in inventories, and ¥4,545 million in advance payments.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥18,115 million, compared with ¥13,932 million used in the same period of the previous fiscal year. The main investment outflows were ¥11,224 million used for the purchase of property, plant and equipment and ¥7,495 million in payments of loans receivable.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥290 million, compared with ¥17,221 million provided in the same period of the previous fiscal year. This net outflow was mainly due to a

net increase in loans payable from financial institutions of ¥1,342 million, which partly offset dividends paid to shareholders of ¥1,444 million.

(3) Consolidated Earnings Forecast

There is no change to the earnings forecast for the fiscal year ending September 30, 2019 announced on November 14, 2018 with the financial results for the fiscal year ended September 30, 2018.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of September 30, 2018 Amount	(Millions of yen) As of June 30, 2019 Amount
Assets		
Current assets		
Cash and deposits	2,917	3,675
Notes and accounts receivable - trade	21,014	18,242
Merchandise	24,608	21,455
Advance payments	6,708	2,175
Short-term loans receivable, net	10,862	16,947
Other	1,179	1,210
Allowance for doubtful accounts	(19)	(17)
Total current assets	67,272	63,689
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	41,719	44,832
Machinery, equipment and vehicles, net	7,051	9,576
Land	28,157	29,999
Leased assets, net	1,062	1,475
Construction in progress	6,233	3,522
Other, net	1,014	1,176
Total property, plant and equipment	85,239	90,583
Intangible fixed assets		
Goodwill	7,032	6,283
Overseas aquaculture business license	7,263	6,913
Other	1,813	2,357
Total intangible fixed assets	16,109	15,555
Investments and other assets		
Investment securities	12,839	11,228
Long-term loans receivable	4,023	3,928
Deferred tax assets	634	214
Other	762	742
Allowance for doubtful accounts	(88)	(86)
Total investments and other assets	18,170	16,029
Total noncurrent assets	119,518	122,167
Total assets	186,791	185,856

	As of September 30, 2018 Amount	(Millions of yen) As of June 30, 2019 Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,158	5,227
Short-term loans payable	27,841	31,480
Current portion of long-term loans payable	8,152	7,328
Lease obligations	157	230
Income taxes payable	760	437
Accrued employees' bonuses	764	217
Accrued bonuses for directors and corporate auditors	32	24
Other	7,358	5,124
Total current liabilities	49,227	50,071
Noncurrent liabilities		
Bonds	10,000	10,000
Long-term loans payable	43,485	42,082
Lease obligations	584	931
Deferred tax liabilities	3,418	2,765
Provision for Executive Compensation BIP Trust	167	208
Net defined benefit liability	583	648
Asset retirement obligations	91	91
Other	373	512
Total noncurrent liabilities	58,705	57,239
Total liabilities	107,932	107,310
Net assets		
Shareholders' equity		
Common stock	14,303	14,303
Capital surplus	14,370	14,370
Retained earnings	44,014	45,121
Treasury stock	(507)	(507)
Total shareholders' equity	72,181	73,287
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	3,710	2,595
Deferred gain (loss) on derivatives under hedge accounting	(43)	46
Foreign currency translation adjustments	1,593	754
Remeasurements of defined benefit plans	33	47
Total accumulated other comprehensive income	5,294	3,444
Non-controlling interests	1,382	1,814
Total net assets	78,858	78,546
Total liabilities and net assets	186,791	185,856

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

(Millions of yen)

	Nine months ended June 30, 2018	Nine months ended June 30, 2019
	Amount	Amount
Net sales	129,969	106,779
Cost of sales	118,706	95,188
Gross profit	11,263	11,591
Selling, general and administrative expenses	7,799	7,847
Operating income	3,463	3,743
Other income		
Interest income	145	531
Dividend income	184	196
Insurance dividends	37	39
Purchase discounts	362	238
Other	328	471
Total other income	1,059	1,476
Other expenses		
Interest expense	591	595
Commission fee	2	2
Other	185	484
Total other expenses	779	1,082
Ordinary income	3,742	4,137
Extraordinary losses		
Loss on removal of refrigerated warehouses	280	-
Total extraordinary losses	280	-
Income before income taxes	3,462	4,137
Income taxes—Current	827	798
Income taxes—Deferred	233	395
Total income taxes	1,060	1,193
Profit	2,402	2,943
Profit attributable to non-controlling interests	48	393
Profit attributable to owners of the parent	2,354	2,550

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended June 30, 2018	
	Nine months ended June 30, 2019	
	Amount	
	Amount	
Profit	2,402	2,943
Other comprehensive income		
Unrealized gain on available-for-sale securities	548	(1,114)
Deferred gain (loss) on derivatives under hedge accounting	105	89
Foreign currency translation adjustments	397	(800)
Remeasurements of defined benefit plans	41	14
Total other comprehensive income	1,092	(1,811)
Comprehensive income	3,495	1,132
Breakdown:		
Comprehensive income attributable to owners of the parent	3,416	700
Comprehensive income attributable to non-controlling interests	78	432

(3) Consolidated Statements of Cash Flows

	Nine months ended June 30, 2018	Nine months ended June 30, 2019
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	3,462	4,137
Depreciation and amortization	3,750	4,230
Amortization of goodwill	481	419
Increase (decrease) in accrued employees' bonuses	(550)	(546)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(8)	(8)
Increase (decrease) in allowance for doubtful accounts	10	(4)
Increase (decrease) in net defined benefit liability	146	78
Loss on removal of refrigerated warehouses	280	-
Increase (decrease) in provision for Executive Compensation BIP Trust	6	40
Interest and dividend income	(330)	(727)
Interest expenses	591	595
Decrease (increase) in accounts receivable - trade	(5,696)	2,716
Decrease (increase) in inventories	(6,667)	3,050
Decrease (increase) in advance payments	1,159	4,545
Increase (decrease) in accounts payable - trade	482	1,095
Increase (decrease) in accrued expenses	230	(343)
Other - net	52	965
Sub total	<u>(2,599)</u>	<u>20,243</u>
Interest and dividend income received	281	691
Interest paid	(508)	(498)
Income taxes paid	<u>(2,473)</u>	<u>(1,248)</u>
Net cash provided by (used in) operating activities	<u>(5,299)</u>	<u>19,187</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,860)	(11,224)
Proceeds from sales of property, plant and equipment	2	5
Purchase of intangible fixed assets	(88)	(732)
Purchase of investment securities	(2,364)	(4)
Proceeds from sales of investment securities	168	-
Payments of loans receivable	(3,377)	(7,495)
Collection of loans receivable	640	1,361
Other - net	(51)	(24)
Net cash provided by (used in) investing activities	<u>(13,932)</u>	<u>(18,115)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,127	3,558
Proceeds from long-term loans payable	8,335	2,065
Repayments of long-term loans payable	(4,018)	(4,281)
Proceeds from issuance of bonds	10,000	-
Purchase of treasury stock	(1)	(0)
Dividends paid to shareholders	(1,102)	(1,444)
Other - net	(118)	(188)
Net cash provided by (used in) financing activities	<u>17,221</u>	<u>(290)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>43</u>	<u>(24)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,966)</u>	<u>757</u>
Cash and cash equivalents, beginning of period	<u>6,399</u>	<u>2,907</u>
Cash and cash equivalents, end of period	<u>4,432</u>	<u>3,665</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, 2018 (October 1, 2017 – June 30, 2018)

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	19,567	110,358	42	129,969	-	129,969
Intersegment sales or transfers	1,488	-	30	1,519	(1,519)	-
Total	21,056	110,358	73	131,488	(1,519)	129,969
Segment profit	4,678	693	41	5,413	(1,950)	3,463

Notes: 1. The minus 1,950 million yen adjustment for segment profit was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.

2. Segment profit was adjusted based on operating income reported on the consolidated statements of income for the corresponding period.

II. 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	4,971	746	43	5,762	(2,109)	3,743

Notes: 1. The minus 2,019 million yen adjustment for segment profit was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.

2. Segment profit was adjusted based on operating income reported on the consolidated statements of income for the corresponding period.