1. Overview of Consolidated Business Results

(1) Consolidated Operating Performance

(Operating environment)
In the fiscal year ended September 30, 2019 (October 1, 2018 – September 30, 2019), the Japanese economy continued to demonstrate a moderate recovery, with sustained improvements in employment and income conditions. However, there is concern that overseas economies may be impacted by uncertain factors such as U.S.-China trade friction, escalating tensions in the Middle East, and the U.K.'s exit from the European Union.

In food industries related to the Yokohama Reito Group's business, the outlook for consumer spending remains uncertain due to rising purchasing, labor, and distribution costs and the consumption tax hike in October 2019.

(Operating results)
In this environment, the Yokohama Reito Group launched its Sixth Medium-Term Management Plan (three-year plan), "Growing Value 2020," 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 has executed various initiatives on the basis of these business operational policies.

As a result, the Group's consolidated net sales for the fiscal year totaled ¥139,970 million, an 18.5% decrease compared to the previous fiscal year. Operating income totaled ¥4,774 million, a year-on-year decrease of 1.1%, and ordinary income totaled ¥4,945 million, a year-on-year decrease of 8.0%. Profit attributable to owners of the parent totaled ¥3,385 million, a year-on-year increase of 1.3%.

(Results by business segment)

1) Refrigerated Warehousing Business
The Refrigerated Warehousing Business posted year-on-year increases in sales and profit. Steady operations at the Tokyo Haneda Logistics Center and the Meiko Logistics Center, which opened last year, helped to increase the business's storage fees and loading/unloading fees. Existing logistics centers continued to record high inventory levels from the beginning of the fiscal year and also expanded value-added services (one of the priority measures of the Medium-Term Management Plan) including freezing and customs clearance services, and thereby contributed to segment earnings growth. Consolidated subsidiary Thai Yokorei Co., Ltd. contributed to segment earnings as inventory levels (mainly of livestock products) remained high in Thailand.

As a result, segment sales amounted to ¥28,296 million, an increase of 7.4% compared with the previous fiscal year, and operating income totaled ¥6,349 million, a year-on-year increase of 4.6%.

2) Food Sales Business
The Food Sales Business posted lower sales and profit year on year.

Sales and profit were down sharply in the marine products category. Profit was up for shrimp/prawn due to margin recovery, and for mackerel because of brisk exports, but down sharply for squid, Atka mackerel, and Pacific ocean perch over the full year because of loss on sales, although earnings are on a recovery trend. Profit was down for scallops because of weak exports to China, where the local economy is stagnant. The main factor contributing to the sales decline was a change in accounting standards for the Norway salmon and trout export business to Europe and North America.

The livestock products category posted higher profit on lower sales. Profit was down for pork because of slow cargo movement, but up sharply for chicken, which contributed to profit growth for this category with improved profit margins due to a recovery from the previous year's market price declines.

The agricultural products category posted higher profit despite lower handling volume as a result of a poor harvest of mainstay potatoes.

The Norway trout cultivation business posted sharply higher sales and profit after domestic inventories were successfully reduced, despite delayed harvesting due to slow growth caused by unfavorable weather in Norway.

As a result, segment sales amounted to ¥111,617 million, a decrease of 23.2% compared with the previous fiscal year, and operating income totaled ¥1,023 million, a year-on-year decrease of 14.8%.

(2) Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at September 30, 2019 amounted to ¥179,247 million, a decrease of ¥7,543 million compared with the previous fiscal year-end (September 30, 2018). This change was mainly attributable to an increase of ¥6,799 million in loans receivable and decreases of ¥6,720 million in merchandise and ¥5,734 million in advance payments.

Total liabilities amounted to ¥98,666 million, a decrease of ¥9,265 million compared with the previous fiscal year-end. This change was mainly attributable to an increase of ¥10,000 million in bonds and a decrease of ¥19,530 million in loans payable.

Total net assets amounted to ¥80,580 million, an increase of ¥1,721 million compared with the previous fiscal year-end.

(3) Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the fiscal year amounted to ¥3,377 million, an increase of ¥469 million compared with the previous fiscal year-end (September 30, 2018). 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 ¥27,424 million compared with ¥11,990 million provided in the previous fiscal year. This net inflow was mainly attributable to income before income taxes of ¥5,958 million, depreciation and amortization of ¥5,685 million, a decrease in accounts receivable – trade of ¥3,656 million, a decrease in inventories of ¥6,554 million, and a decrease of ¥5,747 million in advance payments.

(Cash flows from investing activities)
Net cash used in investing activities amounted to ¥15,643 million, compared with ¥25,340 million used in the previous fiscal year. The main investment inflows were ¥4,408 million in proceeds from sale of property, plant and equipment and ¥3,033 million from collection of loans receivable, while the main outflows were ¥12,339 million used in the purchase of property, plant and equipment and ¥9,964 million for payments of loans receivable.

(Cash flows from financing activities)
Net cash used in financing activities amounted to ¥11,282 million, compared with ¥9,823 million provided in the previous fiscal year. This net outflow was mainly due to a net decrease in loans payable from financial institutions of ¥19,589 million and dividends paid to shareholders of ¥1,442 million, which was partially offset by proceeds of ¥10,000 million from the issuance of bonds.

Cash Flow-related Indices

	Year ended September 30, 2017	Year ended September 30, 2018	Year ended September 30, 2019
Equity ratio (%)	39.4	41.5	43.7
Equity ratio based on market value (%)	32.2	28.9	33.8
Ratio of cash flow to interest-bearing debt (years)	-	7.5	2.9
Interest coverage ratio (times)	-	15.4	35.8

Notes:

1. The above indices are calculated as follows:
   Equity ratio: Total equity/Total assets
   Equity ratio based on market value: Market capitalization/Total assets
   Ratio of cash flow to interest-bearing debt: Interest-bearing debt/Operating cash flow
   Interest coverage ratio: Operating cash flow/Interest expense
   *All indices are calculated based on consolidated figures.
   *Market capitalization is calculated by multiplying the stock price at fiscal year-end by the total number of issued and outstanding shares (excluding treasury stock) at the end of the year.
   *The interest expense is the figure used in the consolidated statements of cash flow.
2. The interest-bearing debt represents the portion of total debt from the consolidated balance sheet for which interest is paid.
3. The ratio of cash flow to interest-bearing debt and the interest coverage ratio for the year ended September 30, 2017 are not calculated because there was a negative cash flow from operating activities.

(4) Outlook for the Fiscal Year Ending September 30, 2020

The fiscal year ending September 30, 2020 is the third and final year of the Sixth Medium-Term Management Plan, “Growing Value 2020.”

For the fiscal year ending September 30, 2020, the Yokohama Reito Group forecasts consolidated net sales of ¥143,000 million, a 2.2% increase over the previous fiscal year, operating income of ¥5,400 million, up 13.1% year on year, ordinary income of ¥6,000 million, up 21.3% year on year, and profit attributable to owners of the parent of ¥3,900 million, up 15.2% year on year.

Yokohama Reito (the “Company”) is to merge with consolidated subsidiaries Alliance Seafoods Inc. and Clover Trading Co., Ltd. in an absorption-type merger on January 1, 2020. This will have minimal impact on business results, because the parties to the merger are the Company and its wholly-owned subsidiaries.

2. Basic Policy on Selecting Accounting Standards

The Yokohama Reito Group currently adopts Japanese accounting standards for its financial reporting in view of comparability between fiscal years on financial statements and comparability with other companies.

Regarding the adoption of the International Financial Reporting Standards (IFRS), the Group will respond appropriately in consideration of the trends of other companies in Japan.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2018	As of September 30, 2019
	Amount	Amount
Assets		
Current assets		
Cash and deposits	2,917	3,387
Notes and accounts receivable - trade	21,014	17,284
Merchandise	24,608	17,888
Advance payments	6,708	974
Short-term loans receivable, net	10,862	17,734
Other	1,179	945
Allowance for doubtful accounts	(19)	(19)
Total current assets	67,272	58,195
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	41,719	46,738
Machinery, equipment and vehicles, net	7,051	7,003
Land	28,157	29,017
Leased assets, net	1,062	1,419
Construction in progress	6,233	3,418
Other, net	1,014	1,117
Total property, plant and equipment	85,239	88,715
Intangible fixed assets		
Goodwill	7,032	6,060
Overseas aquaculture business license	7,263	6,816
Other	1,813	2,317
Total intangible fixed assets	16,109	15,194
Investments and other assets		
Investment securities	12,839	12,790
Long-term loans receivable	4,023	3,951
Deferred tax assets	634	24
Other	762	778
Allowance for doubtful accounts	(88)	(403)
Total investments and other assets	18,170	17,141
Total noncurrent assets	119,518	121,052
Total assets	186,791	179,247

(Millions of yen)

	As of September 30, 2018	As of September 30, 2019
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,158	5,011
Short-term loans payable	27,841	16,238
Current portion of long-term loans payable	8,152	4,640
Lease obligations	157	226
Income taxes payable	760	1,373
Accrued employees' bonuses	764	757
Accrued bonuses for directors and corporate auditors	32	32
Other	7,358	6,109
Total current liabilities	49,227	34,389
Noncurrent liabilities		
Bonds	10,000	20,000
Long-term loans payable	43,485	39,071
Lease obligations	584	889
Deferred tax liabilities	3,418	2,592
Provision for Executive Compensation BIP Trust	167	221
Net defined benefit liability	583	829
Asset retirement obligations	91	91
Other	373	580
Total noncurrent liabilities	58,705	64,277
Total liabilities	107,932	98,666
Net assets		
Shareholders' equity		
Common stock	14,303	14,303
Capital surplus	14,370	14,370
Retained earnings	44,014	45,956
Treasury stock	(507)	(507)
Total shareholders' equity	72,181	74,122
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	3,710	3,697
Deferred gain (loss) on derivatives under hedge accounting	(43)	75
Foreign currency translation adjustments	1,593	489
Remeasurements of defined benefit plans	33	(74)
Total accumulated other comprehensive income	5,294	4,187
Non-controlling interests	1,382	2,269
Total net assets	78,858	80,580
Total liabilities and net assets	186,791	179,247

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Year ended September 30, 2018	Year ended September 30, 2019
	Amount	Amount
Net sales	171,772	139,970
Cost of sales	156,694	124,895
Gross profit	15,078	15,074
Selling, general and administrative expenses	10,252	10,300
Operating income	4,825	4,774
Other income		
Interest income	264	809
Dividend income	199	202
Insurance dividends	37	39
Insurance received	63	101
Subsidy income	0	-
Purchase discounts	553	280
Other	452	462
Total other income	1,572	1,894
Other expenses		
Interest expenses	790	792
Commission fee	2	2
Provision of allowance for doubtful accounts	-	280
Loss on valuation of derivatives	-	227
Foreign exchange losses	26	239
Other	204	180
Total other expenses	1,024	1,723
Ordinary income	5,373	4,945
Extraordinary income		
Gain on sales of noncurrent assets	-	1,013
Total extraordinary income	-	1,013
Extraordinary losses		
Loss on removal of refrigerated warehouses	280	-
Total extraordinary losses	280	-
Income before income taxes	5,093	5,958
Income taxes - Current	1,450	1,694
Income taxes - Deferred	93	8
Total income taxes	1,543	1,703
Profit	3,549	4,255
Profit attributable to non-controlling interests	206	869
Profit attributable to owners of the parent	3,343	3,385

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended September 30, 2018	Year ended September 30, 2019
	Amount	Amount
Profit	3,549	4,255
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	649	(12)
Deferred gain on derivatives under hedge accounting	43	118
Foreign currency translation adjustments	280	(1,064)
Remeasurements of defined benefit plans	199	(107)
Total other comprehensive income	1,173	(1,066)
Comprehensive income	4,723	3,189
Breakdown:		
Comprehensive income attributable to owners of the parent	4,504	2,279
Comprehensive income attributable to non-controlling interests	219	910

(3) Consolidated Statements of Changes in Shareholders' Equity

Year ended September 30, 2018 (October 1, 2017 – September 30, 2018)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of October 1, 2017	11,533	11,600	41,773	(539)	64,369
Changes during period					
Conversion of convertible bonds	2,769	2,769			5,539
Cash dividends			(1,102)		(1,102)
Profit attributable to owners of the parent			3,343		3,343
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock				34	34
Net change in items other than shareholders' equity during period					-
Total changes during period	2,769	2,769	2,240	31	7,811
Balance as of September 30, 2018	14,303	14,370	44,014	(507)	72,181

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of October 1, 2017	3,061	(87)	1,325	(165)	4,133	1,185	69,688
Changes during period							
Conversion of convertible bonds					-		5,539
Cash dividends					-		(1,102)
Profit attributable to owners of the parent					-		3,343
Purchase of treasury stock					-		(2)
Disposal of treasury stock					-		34
Net change in items other than shareholders' equity during period	649	43	268	199	1,161	197	1,358
Total changes during period	649	43	268	199	1,161	197	9,170
Balance as of September 30, 2018	3,710	(43)	1,593	33	5,294	1,382	78,858

Year ended September 30, 2019 (October 1, 2018 – September 30, 2019)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of October 1, 2018	14,303	14,370	44,014	(507)	72,181
Changes during period					
Conversion of convertible bonds					-
Cash dividends			(1,443)		(1,443)
Profit attributable to owners of the parent			3,385		3,385
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock					-
Net change in items other than shareholders' equity during period					-
Total changes during period	-	-	1,942	(0)	1,941
Balance as of September 30, 2019	14,303	14,370	45,956	(507)	74,122

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of October 1, 2018	3,710	(43)	1,593	33	5,294	1,382	78,858
Changes during period							
Conversion of convertible bonds					-		-
Cash dividends					-		(1,443)
Profit attributable to owners of the parent					-		3,385
Purchase of treasury stock					-		(0)
Disposal of treasury stock					-		-
Net change in items other than shareholders' equity during period	(12)	118	(1,104)	(107)	(1,106)	886	(220)
Total changes during period	(12)	118	(1,104)	(107)	(1,106)	886	1,721
Balance as of September 30, 2019	3,697	75	489	(74)	4,187	2,269	80,580

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended September 30, 2018 Amount	Year ended September 30, 2019 Amount
Cash flows from operating activities		
Income before income taxes	5,093	5,958
Depreciation and amortization	5,054	5,685
Amortization of goodwill	640	551
Increase (decrease) in accrued employees' bonuses	27	(6)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(2)	0
Increase (decrease) in net defined benefit liability	51	137
Increase (decrease) in provision for Executive Compensation BIP Trust	19	54
Increase (decrease) in allowance for doubtful accounts	9	313
Loss on removal of refrigerated warehouses	280	-
Interest and dividends income	(464)	(1,011)
Interest expenses	790	792
Loss (gain) on valuation of derivatives	-	227
Loss (gain) on sales of noncurrent assets	-	(1,013)
Decrease (increase) in accounts receivable - trade	865	3,656
Decrease (increase) in inventories	2,068	6,554
Decrease (increase) in advance payments	2,166	5,747
Increase (decrease) in accounts payable - trade	(1,733)	886
Increase (decrease) in accrued expenses	(44)	(578)
Other - net	26	497
Sub total	14,849	28,454
Interest and dividend income received	367	964
Interest paid	(780)	(766)
Income taxes paid	(2,446)	(1,227)
Net cash provided by (used in) operating activities	11,990	27,424
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,924)	(12,339)
Proceeds from sales of property, plant and equipment	-	4,408
Purchase of intangible fixed assets	(109)	(749)
Purchase of investment securities	(2,605)	(7)
Proceeds from sales of investment securities	208	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(134)	-
Payments of loans receivable	(13,293)	(9,964)
Collection of loans receivable	1,572	3,033
Other - net	(52)	(26)
Net cash provided by (used in) investing activities	(25,340)	(15,643)

	Year ended September 30, 2018	Year ended September 30, 2019
	Amount	Amount
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,513)	(11,690)
Proceeds from long-term loans payable	10,073	2,050
Repayments of long-term loans payable	(5,918)	(9,949)
Proceeds from issuance of bonds	10,000	10,000
Purchase of treasury stock	(2)	(0)
Dividends paid to shareholders	(1,102)	(1,442)
Redemption of convertible bonds	(525)	-
Other - net	(188)	(250)
Net cash provided by (used in) financing activities	9,823	(11,282)
Effect of exchange rate changes on cash and cash equivalents	34	(29)
Net increase (decrease) in cash and cash equivalents	(3,491)	469
Cash and cash equivalents, beginning of period	6,399	2,907
Cash and cash equivalents, end of period	2,907	3,377

(Millions of yen)

(5) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable.

(Significant Information Regarding the Preparation of Consolidated Financial Statements)

1. Scope of consolidation
   (1) Number of consolidated subsidiaries: 9
   Names of consolidated subsidiaries:
   Thai Yokorei Co., Ltd.
   Clover Trading Co., Ltd.
   Alliance Seafoods Inc.
   Best Cold Chain Co., Ltd.
   Syvde Eiendom AS
   Hofseth Aqua AS
   HIYR AS
   Aqua Shipping AS
   Aspoy AS
   (2) Number of unconsolidated subsidiaries: 3
   Names of major unconsolidated subsidiaries:
   Global Agency Co., Ltd.
   Yokorei Co., Ltd.
   PAX FREEZER Co., Ltd.
   (3) Reason for excluding from the scope of consolidation:
   Global Agency Co., Ltd., Yokorei Co., Ltd. and PAX FREEZER Co., Ltd. were excluded from consolidation because they are small in size, and their total assets, net sales, profit/loss (amounts proportionate to the Company's equity interest) and retained earnings (amount proportionate to the Company's equity interest) are of minor importance for the consolidated financial statements.

2. Application of the equity method
   The equity method was not applied to three (3) unconsolidated subsidiaries and three (3) affiliates (Kobe Danchi Reizo Co., Ltd., Diamond Tokachi K.K. and one other company) because they are of minor importance in terms of the bearing of their profit/loss (amounts proportionate to the Company's equity interest) and retained earnings (amount proportionate to the Company's equity interest) for the consolidated financial statements, and in terms of their position within the whole Yokohama Reito Group.

3. Fiscal year-end date of consolidated subsidiaries and related matters
   Clover Trading Co., Ltd. and Alliance Seafoods, Inc. of the consolidated subsidiaries have the same fiscal year-end date as the consolidated fiscal year-end date.
   The fiscal year period of Syvde Eiendom AS, Hofseth Aqua AS, HIYR AS, Aqua Shipping AS and Aspoy AS ends on December 31, while the fiscal year period of Thai Yokorei Co., Ltd. and Best Cold Chain Co., Ltd. ends on June 30.
   In the preparation of the consolidated financial statements, the financial statements based on the provisional settlement of accounts conducted as of June 30 were used for Syvde Eiendom AS, Hofseth Aqua AS, HIYR AS, Aqua Shipping AS and Aspoy AS.
   The consolidated financial statements have consolidated the financial statements of Thai Yokorei Co., Ltd. and Best Cold Chain Co., Ltd. as of their respective fiscal year-end dates. For significant transactions that took place during the period between the above fiscal year-end dates of each company and the consolidated year-end date, adjustments necessary for consolidation were performed.

4. Accounting policies

(1) Valuation standards/methods for principal assets

1) Securities

Shares in subsidiaries and affiliated companies:

Moving-average cost method

Available-for-sale securities:

For which market value is available:

The present market value is recorded based on the market prices etc. at the fiscal year-end date. (Valuation differences between this and acquisition cost were incorporated into net assets in full. Costs of securities sold were computed with the moving-average cost method.)

For which market value is not available:

Valued using the moving-average cost method

2) Derivatives

The market value method

3) Inventories

Merchandise:

The cost method is mainly applied based on the specific cost method.

(The value recorded on the balance sheets is computed with devaluation treatment based on reduction of profitability.)

(2) Depreciation and amortization of principal depreciable assets

1) Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries mainly use the declining-balance method. Overseas consolidated subsidiaries use the straight-line method.

The straight-line method, however, is used for buildings (except for facilities attached to buildings) acquired by the Company or its domestic consolidated subsidiaries on or after April 1, 1998, and facilities attached to buildings and structures acquired by the Company or its domestic consolidated subsidiaries on or after April 1, 2016.

The useful lives of property, plant and equipment are as follows:

Buildings and structures: 5-50 years

Machinery, equipment and vehicles: 4-17 years

2) Intangible fixed assets (excluding leased assets)

The straight-line method is used.

The cost of computer software developed or obtained for internal use is amortized using the straight-line method over its estimated internal useful life (5 years).

3) Leased assets

Leased assets associated with finance leases for which ownership of the leased assets does not transfer to the lessee:

The straight-line method is employed assuming that the lease period equals the estimated useful life and the residual value at the end of the lease term is nil.

(3) Accounting standards for principal provisions and allowances

1) Allowance for doubtful accounts

Allowances for general doubtful accounts are set aside on the basis of historical losses experienced on receivables/loans. For bankruptcy/reorganization claims and certain receivables/loans for which default is expected, allowances are recorded in the estimated unrecoverable amounts in consideration of the obligor's financial position.

2) Accrued employees' bonuses

To use for the payment of bonuses to employees, a provision is recorded in the amount deemed to have accrued during the fiscal year under review.

3) Accrued bonuses for directors and corporate auditors

To prepare for the payment of bonuses to directors and corporate auditors, a provision is recorded based on the amount deemed to have accrued during the fiscal year under review.

4) Provision for Executive Compensation BIP Trust

To prepare for the future delivery of the Company's stocks to the directors, a provision is recorded based on the amount of stock expected to be delivered, commensurate with the points accumulated by each director, in accordance with the Stock Delivery Regulations.

(4) Accounting treatment for retirement benefits

1) The method for attributing projected retirement benefits to periods of employee service

In calculating retirement benefit obligations, the benefit formula basis is used to attribute projected retirement benefits for the period up to the end of the fiscal year under review.

2) Treatment of actuarial differences as expenses

Any actuarial gain/loss is charged to expenses from the fiscal year following its incurrence using the straight-line method over a certain number of years (10 years) within average remaining years of service of the employees when incurred.

Some domestic consolidated subsidiaries use simplified accounting methods.

(5) Accounting method for principal hedges

1) Hedge accounting

Deferral hedge accounting is used.

Receivables and payables denominated in foreign currencies with forward exchange contract are translated and allocated at a predetermined rate if they meet specific conditions for such treatment.

Interest rate swap contracts are accounted for using the special accounting method if they meet specific conditions for such treatment.

2) Hedging instruments and hedged items

a. Hedging instruments: Forward exchange transactions

Hedged items: Receivables and payables denominated in foreign currencies arising from export/import of merchandise as well as forecasted transactions denominated in foreign currencies

b. Hedging instruments: Interest rate swap contracts and currency swap contracts
Hedged items: Loans payable

3) Hedging policy
In accordance with internal regulations, the Company utilizes hedging instruments against future risk of interest rate fluctuations and foreign exchange fluctuations. The Company has a policy of not utilizing derivative contracts for speculation purposes.

4) Method for evaluating effectiveness of hedges
Evaluation of effectiveness of hedges is omitted for forecasted transactions because those transactions are hedged with forward exchange transactions in the same currency to thoroughly offset the future effects of foreign currency fluctuations.
Evaluation of effectiveness is also omitted for interest rate swap transactions which are accounted for using the special accounting method.

(6) Translation of principal assets and liabilities denominated in foreign currencies into yen
Monetary receivables and payables denominated in foreign currencies are translated into yen based on the spot exchange rate in the foreign exchange market on the consolidated year-end date, and the foreign exchange differences from the translations are recognized in profit or loss. Assets and liabilities and revenues and expenses of overseas subsidiaries are translated into yen based on the spot exchange rate in the foreign exchange market on the fiscal year-end date, and the differences resulting from these translations are included in foreign currency translation adjustments and non-controlling interests under net assets.

(7) Amortization of goodwill
Goodwill is amortized with the straight-line method over ten (10) to fifteen (15) years.

(8) Scope of cash and cash equivalents in the consolidated statements of cash flows
Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, bank deposits which can be withdrawn at any time, and short-term investments with maturities of three months or less at the date of acquisition that can be easily converted into money and are subject to a minor risk of fluctuation in value.

(9) Other significant information regarding the preparation of consolidated financial statements
Accounting methods for consumption tax:
Consumption tax and local consumption tax are accounted for using the tax-excluded method.

(Changes in Presentation Methods)
(Notes on the Consolidated Balance Sheets)
(Changes due to the application of "Partial Amendments to Accounting Standard for Tax effect Accounting")
"Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan ("ASBJ") Statement No. 28, February 16, 2018) have been applied from the beginning of the fiscal year ended September 30, 2019. Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under noncurrent liabilities.
As a result, the ¥634 million, which had been presented as "Deferred tax assets" under "Current assets" in the consolidated balance sheets for the previous fiscal year, has been reclassified as ¥634 million of "Deferred tax assets" under "Investments and other assets."

(Notes on the Consolidated Statements of Income)
"Foreign exchange losses," which had been included in "Other" under "Other expenses" in the

consolidated statements of income for the previous fiscal year, have been stated separately from the current fiscal year, as the amount has exceeded 10% of the total amount of “Other expenses”. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in the presentation method.
As a result, the ¥231 million, which had been presented as “Other” under “Other expenses” in the consolidated statements of income for the previous fiscal year, has been reclassified as ¥26 million of “Foreign exchange losses” and ¥204 million of “Other.”

(Notes on the Consolidated Statements of Cash Flows)
“Purchase of intangible fixed assets,” which had been included in “Other” under “Cash flows from investing activities” in the previous fiscal year, has been stated separately from the current fiscal year, due to its increasing monetary significance. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in the presentation method.
As a result, the minus ¥162 million, which had been presented as “Other” under “Cash flows from investing activities” for the previous fiscal year, has been reclassified as minus ¥109 million of “Purchase of intangible fixed assets” and minus ¥52 million of “Other.”

(Additional Information)
(Business Combinations)
Transactions under common control

1. Overview of the transaction
(1) Company name and business description of the companies involved at the time of the business combination
Combining company (Surviving company of the absorption-type merger)

Company name	Business description
Yokohama Reito Co., Ltd.	Refrigerated and non-refrigerated storage Processing, sales, import, and export of marine products Processing, sales, import, and export of agricultural products including livestock products

Combining company (Non-surviving company of the absorption-type merger)

Company name	Business description
Alliance Seafoods Inc.	Processing, sales, import, and export of marine products Processing, sales, import, and export of agricultural products including livestock products
Clover Trading Co., Ltd.	Import, export, and sales of fresh and frozen seafood Import, export, and sales of general food products

(2) Effective date of the business combination (tentative)
January 1, 2020
(3) Legal form of the business combination
Absorption-type merger in which the Company is the surviving company and Alliance Seafoods Inc. and Clover Trading Co., Ltd. are the non-surviving companies.
(4) Other matters related to the transaction
The Company determined that integration of food sales businesses will facilitate further strengthening of the procurement, development and sales capabilities of the Group and that speedy decision-making will become indispensable to growth strategies going forward.
Furthermore, the Company decided to merge with Alliance Seafoods Inc. and Clover Trading Co., Ltd. in an absorption-type merger in order to strengthen corporate governance and enhance the efficiency of organizational management through the consolidation of administrative divisions.

2. Overview of the accounting treatment to be adopted
In accordance with the “Accounting Standard for Business Combination” (ASBJ Statement No. 21, January 16, 2019) and the “Guidance on Accounting Standard for Business Combination and

Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the business combination will be accounted for as a transaction under common control.

Segment Information

a. Business segment information

1. Overview of reportable segment

The Company's reportable segments are components of the Company about which separate financial information is available and subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance. The Company has three reportable segments categorized by the type of service provided, namely "Refrigerated warehousing business," "Food sales business," and "Other businesses."

Operations in each segment are as follows.

1) Refrigerated warehousing business includes cool storage and frozen storage operations of marine, livestock, and other products as well as related operations.
2) Food sales business includes wholesale sales, processing operations, etc. of marine, livestock, and other products.
3) Other businesses include real estate leasing operations etc.

2. Calculation of net sales, profit/loss, assets, liabilities, and other items by reportable segment

Accounting methods applied in reportable business segments largely correspond to what is set forth in *Significant Information Regarding the Preparation of Consolidated Financial Statements*.
Reportable segment profit is based on operating income. Intersegment sales or transfers are based on prices of trading with third parties.

3. Net sales, profit/loss, assets, liabilities, and other items by reportable segment
(October 1, 2017 – September 30, 2018)

(Millions of yen)

	Reportable segment				Adjustments *1	Amounts reported on consolidated financial statements*2
	Refrigerated warehousing	Food sales	Other	Total		
Net sales						
Sales to outside customers	26,344	145,370	57	171,772	-	171,772
Intersegment sales or transfers	1,954	-	41	1,995	(1,995)	-
Total	28,298	145,370	98	173,768	(1,995)	171,772
Segment profit	6,069	1,202	54	7,326	(2,500)	4,825
Segment assets	80,785	92,997	1,486	175,270	11,521	186,791
Other items						
Depreciation and amortization*3	4,433	405	8	4,847	207	5,054
Amortization of goodwill	34	606	-	640	-	640
Increase in property, plant and equipment and intangible fixed assets*3	7,952	4,002	-	11,954	169	12,123

Notes: 1. Details of adjustments are as follows:

1) The minus 2,500 million yen adjustment for segment profit was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.

2) The 11,521 million yen adjustment for segment assets was unallocated corporate assets, consisting principally of working funds (cash and deposits) and long-term investment funds (investment securities etc.) of the Company.

3) The 207 million yen adjustment for depreciation and amortization was for unallocated corporate

4) The 169 million yen adjustment for increase in property, plant and equipment and intangible fixed assets was an increase in unallocated corporate assets.

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

3. Depreciation and amortization and increase in property, plant and equipment and intangible fixed assets include long-term prepaid expenses and their amortization expenses.

(October 1, 2018 – September 30, 2019)

(Millions of yen)

	Reportable segment				Adjustments *1	Amounts reported on consolidated financial statements*2
	Refrigerated warehousing	Food sales	Other	Total		
Net sales						
Sales to outside customers	28,296	111,617	56	139,970	-	139,970
Intersegment sales or transfers	1,679	-	41	1,721	(1,721)	-
Total	29,976	111,617	98	141,692	(1,721)	139,970
Segment profit	6,349	1,023	56	7,429	(2,655)	4,744
Segment assets	83,271	83,943	1,481	168,697	10,550	179,247
Other items						
Depreciation and amortization*3	4,762	581	7	5,351	334	5,685
Amortization of goodwill	34	517	-	551	-	551
Increase in property, plant and equipment and intangible fixed assets*3	8,571	3,718	-	12,290	907	13,197

Notes: 1. Details of adjustments are as follows:

1) The minus 2,655 million yen adjustment for segment profit was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.

2) The 10,550 million yen adjustment for segment assets was unallocated corporate assets, consisting principally of working funds (cash and deposits) and long-term investment funds (investment securities etc.) of the Company.

3) The 334 million yen adjustment for depreciation and amortization was for unallocated corporate

4) The 907 million yen adjustment for increase in property, plant and equipment and intangible fixed assets was an increase in unallocated corporate assets.

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

3. Depreciation and amortization and increase in property, plant and equipment and intangible fixed assets include long-term prepaid expenses and their amortization expenses.

b. Related information

(October 1, 2017 – September 30, 2018)

1. Information by product and service

Information was omitted from disclosure because *Segment Information* above presents the same information.

2. Information by geographic area

1) Net sales

(Millions of yen)

Japan	Northern Europe	Asia	North America	Other	Total
133,689	9,576	9,701	17,009	1,795	171,772

2) Property, plant and equipment

(Millions of yen)

Japan	Northern Europe	Asia	Total
70,064	8,250	6,924	85,239

3. Information by major customer

Information was omitted from disclosure because no outside customer accounts for 10% or higher of total net sales in the consolidated statements of income.

(October 1, 2018 – September 30, 2019)

1. Information by product and service

Information was omitted from disclosure because *Segment Information* above presents the same information.

2. Information by geographic area

1) Net sales

(Millions of yen)

Japan	Northern Europe	Asia	North America	Other	Total
121,496	10,385	6,909	286	892	139,970

2) Property, plant and equipment

(Millions of yen)

Japan	Northern Europe	Asia	Total
73,651	8,100	6,964	88,715

3. Information by major customer

Information was omitted from disclosure because no outside customer accounts for 10% or higher of total net sales in the consolidated statements of income.

c. Impairment loss on noncurrent assets by reportable segment

(October 1, 2017 – September 30, 2018)
Not applicable.

(October 1, 2018 – September 30, 2019)
Not applicable.

d. Amortization expense for and unamortized balance of goodwill by reportable segment

(October 1, 2017 – September 30, 2018)

(Millions of yen)

	Refrigerated warehousing	Food sales	Other	Sub total	Elimination/ corporate	Total
Amortization expense	34	606	-	640	-	640
Unamortized balance	196	6,835	-	7,032	-	7,032

(October 1, 2018 – September 30, 2019)

(Millions of yen)

	Refrigerated warehousing	Food sales	Other	Sub total	Elimination/ corporate	Total
Amortization expense	34	517	-	551	-	551
Unamortized balance	162	5,897	-	6,060	-	6,060

e. Gain on negative goodwill by reportable segment

(October 1, 2017 – September 30, 2018)
Not applicable.

(October 1, 2018 – September 30, 2019)
Not applicable.

(Per-Share Information)

	Year ended September 30, 2018	Year ended September 30, 2019
	yen	yen
Net assets per share	1,321.87	1,336.12
Profit attributable to owners of the parent per share	59.63	57.77

Notes: 1. Information on profit attributable to owners of the parent per share (diluted) is omitted, as there were no dilutive shares.

2. Profit attributable to owners of the parent per share was calculated based on the following:

	Year ended September 30, 2018	Year ended September 30, 2019
Profit attributable to owners of the parent per share		
Profit attributable to owners of the parent (millions of yen)	3,343	3,385
Amount not attributable to common stock shareholders (millions of yen)	-	-
Profit attributable to owners of the parent related to common stock (millions of yen)	3,343	3,385
Average number of shares outstanding (thousands of shares)	56,062	58,610

Note: In the calculation of profit attributable to owners of the parent per share, the Company's shares held in the Executive Compensation BIP Trust were included in the treasury stock to be deducted in the calculation of the average number of shares outstanding (332,946 shares for the fiscal year ended September 30, 2018; 319,900 shares for the fiscal year ended September 30, 2019).

(Significant Subsequent Events)

Not applicable.