

## **1. Qualitative Information on the Consolidated Business Results for the Six Months Ended March 31, 2018**

### **(1) Consolidated Operating Performance**

In the first six months of the fiscal year ending September 30, 2018 (October 1, 2017 – March 31, 2018), the Japanese economy saw imports and production continue to gradually recover against the backdrop of an upswing in overseas economies. There were also signs of a rebound in personal consumption owing to an upturn in employment and income conditions. That said, there are concerns that the Japanese economy faces the risk of downward pressure stemming from the direction of the U.S. government's protectionist policies and an uptrend in the appreciation of the yen.

In food industries related to the Yokohama Reito Group's business, the business climate remained severe due partly to the fact that households are increasingly tightening their purse strings amid the continued grim employment conditions due to the labor shortage.

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 has 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 six months of the fiscal year totaled ¥82,780 million, a 4.6% increase compared to the same period of the previous fiscal year. Operating income totaled ¥2,593 million, a year-on-year decrease of 17.9%, and ordinary income totaled ¥2,676 million, a year-on-year decrease of 22.0%. Profit attributable to owners of the parent totaled ¥1,644 million, a year-on-year decrease of 16.8%.

#### **(Results by business segment)**

##### **Refrigerated Warehousing Business**

The Refrigerated Warehousing Business posted year-on-year increases in sales and profit in the first six months. The Satte Logistics Center opened in June 2017 was fully operational and storage fees rose from expanded services centering on customer needs and cargo operation initiatives in line with the main strategy in our Sixth Medium-Term Management Plan. These factors offset the negative effects of the booking of one-off start-up expenses for the newly-established Tokyo Haneda Logistics Center, increased depreciation and amortization and decreased income from the closure of two logistics centers in the previous fiscal year. Furthermore, consolidated subsidiary Thai Yokorei Co., Ltd. contributed to the segment's earnings due to a significant recovery in the performance of each its centers.

As a result, segment sales amounted to ¥12,927 million, an increase of 2.6% compared with the same period of the previous fiscal year, and operating income totaled ¥3,221 million, a year-on-year increase of 5.1%.

##### **Food Sales Business**

The Food Sales Business posted higher sales and lower profit in the first six months. Although exports rose, the business climate was harsh as cargo movements stagnated from the upsurge in the prices of our mainstay products.

The marine products category posted higher sales and profit. While the profit margin for shrimp/prawn, squid and crabs, our mainstay products, fell sharply, the Norway trout cultivation business along with salmon trout and mackerel exports contributed to segment earnings.

The livestock products category posted lower sales and profit, depressed by the collapse of the supply-demand balance of pork and chicken.

The agricultural products category also posted lower sales and profit as a result of a decline in the unit price of mainstay potatoes due to the bumper harvest.

As a result, segment sales amounted to ¥69,824 million, an increase of 4.9% compared with the same period of the previous fiscal year, and operating income totaled ¥588 million, a year-on-year decrease of 53.4%.

## **(2) Consolidated Financial Position**

### **Assets, Liabilities and Net Assets**

Total assets at March 31, 2018 amounted to ¥192,960 million, an increase of ¥19,261 million compared with the previous fiscal year-end (September 30, 2017). This change was mainly attributable to increases of ¥9,574 million in merchandise, ¥4,000 million in property, plant and equipment, and ¥2,834 million in investment securities.

Total liabilities amounted to ¥116,708 million, an increase of ¥12,697 million compared with the previous fiscal year-end. This change was mainly attributable to increases of ¥10,000 million in bonds payable and ¥5,873 million in loans payable, which was partially offset by a decrease of ¥3,816 million in the current portion of bonds payable.

Total net assets amounted to ¥76,252 million, an increase of ¥6,564 million compared with the previous fiscal year-end.

### **Cash Flows**

Cash and cash equivalents (hereinafter, “cash”) at the end of the period amounted to ¥7,373 million, an increase of ¥974 million compared with the previous fiscal year-end (September 30, 2017). 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 used in operating activities amounted to ¥4,070 million compared with ¥7,945 million used in the same period of the previous fiscal year. This net outflow was mainly attributable to increases of ¥9,580 million in inventories and ¥1,343 million in accounts receivable - trade, which were partially offset by income before income taxes of ¥2,396 million, depreciation and amortization of ¥2,452 million, and an increase of ¥1,315 million in accounts payable - trade.

#### **(Cash flows from investing activities)**

Net cash used in investing activities amounted to ¥10,130 million, compared with ¥4,245 million used in the same period of the previous fiscal year. The main investment outflows were ¥6,246 million used for the purchase of property, plant and equipment and ¥2,362 million for purchase of investment securities.

#### **(Cash flows from financing activities)**

Net cash provided by financing activities amounted to ¥15,091 million, compared with ¥14,740 million provided in the same period of the previous fiscal year. This net inflow was mainly derived from proceeds of ¥10,000 million from the issuance of bonds and a net increase in loans payable from financial institutions of ¥5,661 million, which were partly offset by dividends paid to shareholders of ¥531 million.

## **(3) Consolidated Earnings Forecast**

There is no change to the earnings forecast for the fiscal year ending September 30, 2018 announced on November 14, 2017 with the financial results for the fiscal year ended September 30, 2017.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	As of September 30, 2017	As of March 31, 2018	(Millions of yen)
	Amount	Amount	
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits	6,409	7,383	
Notes and accounts receivable - trade	21,866	23,247	
Merchandise	26,647	36,222	
Advance payments	8,883	7,614	
Deferred tax assets	635	610	
Other	2,068	3,374	
Allowance for doubtful accounts	(20)	(17)	
Total current assets	<u>66,490</u>	<u>78,436</u>	
<b>Noncurrent assets</b>			
Property, plant and equipment			
Buildings and structures, net	40,239	43,121	
Machinery, equipment and vehicles, net	7,019	7,296	
Land	27,833	27,866	
Leased assets, net	651	766	
Construction in progress	1,516	2,125	
Other, net	887	971	
Total property, plant and equipment	<u>78,147</u>	<u>82,147</u>	
Intangible fixed assets			
Goodwill	7,553	7,419	
Overseas aquaculture business license	7,182	7,370	
Other	1,734	1,781	
Total intangible fixed assets	<u>16,470</u>	<u>16,571</u>	
Investments and other assets			
Investment securities	9,399	12,234	
Long-term loans receivable	2,397	2,855	
Other	871	802	
Allowance for doubtful accounts	(78)	(87)	
Total investments and other assets	<u>12,590</u>	<u>15,804</u>	
Total noncurrent assets	<u>107,208</u>	<u>114,524</u>	
<b>Total assets</b>	<b><u>173,699</u></b>	<b><u>192,960</u></b>	

	As of September 30, 2017	As of March 31, 2018	(Millions of yen)
	Amount	Amount	
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes and accounts payable - trade	5,886	7,216	
Short-term loans payable	30,334	34,834	
Current portion of convertible bonds	6,064	2,248	
Current portion of long-term loans payable	5,503	5,860	
Lease obligations	87	116	
Income taxes payable	1,719	785	
Accrued employees' bonuses	737	550	
Accrued bonuses for directors and corporate auditors	35	17	
Other	7,159	7,110	
<b>Total current liabilities</b>	<b>57,527</b>	<b>58,741</b>	
<b>Noncurrent liabilities</b>			
Bonds	-	10,000	
Long-term loans payable	41,944	42,961	
Lease obligations	264	364	
Deferred tax liabilities	2,897	3,269	
Provision for Executive Compensation BIP Trust	147	140	
Net defined benefit liability	730	766	
Asset retirement obligations	105	91	
Other	393	371	
<b>Total noncurrent liabilities</b>	<b>46,483</b>	<b>57,967</b>	
<b>Total liabilities</b>	<b>104,010</b>	<b>116,708</b>	
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Common stock	11,533	13,441	
Capital surplus	11,600	13,508	
Retained earnings	41,773	42,887	
Treasury stock	(539)	(506)	
<b>Total shareholders' equity</b>	<b>64,369</b>	<b>69,331</b>	
<b>Accumulated other comprehensive income</b>			
Unrealized gain on available-for-sale securities	3,061	3,407	
Deferred gain (loss) on derivatives under hedge accounting	(87)	250	
Foreign currency translation adjustments	1,325	1,976	
Remeasurements of defined benefit plans	(165)	(138)	
<b>Total accumulated other comprehensive income</b>	<b>4,133</b>	<b>5,496</b>	
<b>Non-controlling interests</b>	<b>1,185</b>	<b>1,424</b>	
<b>Total net assets</b>	<b>69,688</b>	<b>76,252</b>	
<b>Total liabilities and net assets</b>	<b>173,699</b>	<b>192,960</b>	

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

	(Millions of yen)	
	Six months ended March 31, 2017	Six months ended March 31, 2018
	Amount	Amount
Net sales	79,167	82,780
Cost of sales	71,336	75,012
Gross profit	7,830	7,768
Selling, general and administrative expenses	4,670	5,175
Operating income	3,160	2,593
Other income		
Interest income	37	92
Dividend income	51	99
Insurance dividends	29	37
Subsidy income	117	0
Foreign exchange gains	398	-
Purchase discounts	73	237
Other	107	193
Total other income	815	660
Other expenses		
Interest expense	218	401
Commission fee	299	2
Other	27	173
Total other expenses	545	577
Ordinary income	3,430	2,676
Extraordinary losses		
Loss on removal of offices	-	280
Total extraordinary losses	-	280
Income before income taxes	3,430	2,396
Income taxes—Current	1,496	459
Income taxes—Deferred	(214)	98
Total income taxes	1,282	558
Profit	2,147	1,838
Profit attributable to non-controlling interests	171	193
Profit attributable to owners of the parent	1,976	1,644

## Consolidated Statements of Comprehensive Income

	Six months ended March 31, 2017	Six months ended March 31, 2018	(Millions of yen)
	Amount	Amount	
Profit	2,147	1,838	
Other comprehensive income			
Unrealized gain on available-for-sale securities	1,170	346	
Deferred gain (loss) on derivatives under hedge accounting	(67)	338	
Foreign currency translation adjustments	1,894	695	
Remeasurements of defined benefit plans	54	27	
Total other comprehensive income	<u>3,052</u>	<u>1,407</u>	
Comprehensive income	<u>5,200</u>	<u>3,245</u>	
Breakdown:			
Comprehensive income attributable to owners of the parent	4,940	3,007	
Comprehensive income attributable to non-controlling interests	259	238	

### (3) Consolidated Statements of Cash Flows

	Six months ended March 31, 2017	Six months ended March 31, 2018
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes	3,430	2,396
Depreciation and amortization	2,248	2,452
Amortization of goodwill	321	324
Increase (decrease) in accrued employees' bonuses	(174)	(186)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(17)	(17)
Increase (decrease) in allowance for doubtful accounts	5	6
Increase (decrease) in net defined benefit liability	92	62
Loss on removal of offices	-	280
Increase (decrease) in provision for Executive Compensation BIP Trust	28	(7)
Interest and dividend income	(88)	(191)
Interest expenses	218	401
Decrease (increase) in accounts receivable - trade	(933)	(1,343)
Decrease (increase) in inventories	(7,061)	(9,580)
Decrease (increase) in advance payments	(4,557)	1,283
Increase (decrease) in accounts payable - trade	(224)	1,315
Increase (decrease) in accrued expenses	144	132
Other - net	150	100
Sub total	<u>(6,417)</u>	<u>(2,569)</u>
Interest and dividend income received	91	160
Interest paid	(219)	(389)
Income taxes paid	(1,400)	(1,271)
<b>Net cash provided by (used in) operating activities</b>	<u>(7,945)</u>	<u>(4,070)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,812)	(6,246)
Proceeds from sales of property, plant and equipment	0	2
Purchase of investment securities	(615)	(2,362)
Proceeds from sales of investment securities	-	35
Payments of loans receivable	(4)	(1,576)
Collection of loans receivable	238	169
Other – net	(51)	(152)
<b>Net cash provided by (used in) investing activities</b>	<u>(4,245)</u>	<u>(10,130)</u>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(3,228)	4,419
Proceeds from long-term loans payable	20,819	4,137
Repayments of long-term loans payable	(2,260)	(2,894)
Proceeds from issuance of bonds	-	10,000
Purchase of treasury stock	(0)	(1)
Dividends paid to shareholders	(521)	(531)
Other – net	(67)	(37)
<b>Net cash provided by (used in) financing activities</b>	<u>14,740</u>	<u>15,091</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>208</u>	<u>83</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>2,757</u>	<u>974</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>5,200</u>	<u>6,399</u>
<b>Cash and cash equivalents, end of period</b>	<u>7,957</u>	<u>7,373</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. Six months ended March 31, 2017 (October 1, 2016 – March 31, 2017)

1. Net sales and profit/loss by reportable segment

Reportable segment						Adjustments *1	(Millions of yen) Amounts reported on consolidated statements of income*2
Refrigerated Warehousing	Food Sales	Other Businesses		Total			
Net sales							
Sales to outside customers	12,596	66,540	30	79,167	-	79,167	
Intersegment sales or transfers	850	-	20	870	(870)	-	
Total	13,446	66,540	50	80,038	(870)	79,167	
Segment profit	3,065	1,262	28	4,355	(1,195)	3,160	

Notes: 1. The minus 1,195 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. Six months ended March 31, 2018 (October 1, 2017 – March 31, 2018)

1. Net sales and profit/loss by reportable segment

Reportable segment						Adjustments *1	(Millions of yen) Amounts reported on consolidated statements of income*2
Refrigerated Warehousing	Food Sales	Other Businesses		Total			
Net sales							
Sales to outside customers	12,927	69,824	28	82,780	-	82,780	
Intersegment sales or transfers	983	-	20	1,004	(1,004)	-	
Total	13,910	69,824	49	83,784	(1,004)	82,780	
Segment profit	3,221	588	27	3,837	(1,243)	2,593	

Notes: 1. The minus 1,243 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.