

## 1. Overview of Consolidated Business Results

### (1) Consolidated Operating Performance

#### (Operating environment)

In the fiscal year ended September 30, 2017 (October 1, 2016 – September 30, 2017), despite uncertainties surrounding political and economic conditions outside Japan, the Japanese economy continued to demonstrate gradual recovery owing to improvements in domestic corporate earnings and employment conditions, while personal consumption, which had been slow to recover, finally firmed and began to rise. Economic growth was constrained, however, by higher wages caused by labor shortages and the tightened supply-demand balance in the labor market.

In food industries related to the Yokohama Reito Group's business, while price increases by food manufacturers and retailers helped bolster earnings, the business climate remained severe due to rising logistics costs caused by truck driver shortages and other factors.

#### (Operating results)

In this environment, the Yokohama Reito Group executed its Fifth Medium-Term Management Plan (three-year plan), "Flap The Wings 2017," which began in October 2014 and ended in the current year under review. Through this plan, the Group aimed to become a leading "COOL" network company in the Refrigerated Warehousing Business. In the Food Sales Business, the Group aimed to generate stable profits while expanding its mainstay products across the Group. The Group executed various initiatives on the basis of these business operational policies.

In the Refrigerated Warehousing Business, while storage fees declined in the first six months due to a year-on-year decline in inventory volumes at the start of the fiscal year, from spring the Group succeeded in capturing rebounding customer demand and posted higher storage fees for the fiscal year. In the Food Sales Business, profit margins in the livestock products category rebounded, while the Norway salmon/trout cultivation business, which was integrated into the consolidated results from the fiscal year under review, bolstered earnings.

As a result, the Group's consolidated net sales for the fiscal year totaled ¥159,045 million, a 7.0% increase compared to the previous fiscal year. Operating income totaled ¥5,179 million, a year-on-year increase of 0.2%, and ordinary income totaled ¥5,433 million, a year-on-year increase of 1.7%. Profit attributable to owners of the parent totaled ¥3,360 million, a year-on-year increase of 14.6%. The above results all represent record levels for the Group.

#### (Results by business segment)

##### 1) Refrigerated Warehousing Business

In the Refrigerated Warehousing Business, cargo movement was brisk from the start of the fiscal year. Volumes of inbound frozen foods and agricultural products cargo rose strongly year on year. Logistics centers opened successively in recent years posted steady increases in operation rates, including the Satte Logistics Center opened in June 2017. Consolidated subsidiary Thai Yokorei Co., Ltd. posted a rebound in Thailand, where the economy had stagnated temporarily. Overall, while profit for the period exceeded the initial target, the segment recorded higher sales and lower profit year on year due to factors such as an increase in depreciation expenses stemming from the construction of new logistics centers and one-time startup expenses for the new centers, along with a temporary decline in sales and revenues from the closed Koyasu Logistics Center and Kobe Logistics Center.

As a result, segment sales amounted to ¥25,331 million, an increase of 2.3% compared with the previous fiscal year, and operating income totaled ¥5,695 million, a year-on-year decrease of 1.0%.

## 2) Food Sales Business

The Norway Atlantic salmon business and trout cultivation business operated by Alliance Seafoods, Inc., a consolidated subsidiary which manages the Group's overseas business, performed well during the fiscal year to contribute to segment sales and profits. In Japan, while the profitability of some marine products decreased, profit margins in the livestock category improved to cover the decline. As a result, the segment absorbed the ¥541 million increase in goodwill amortization stemming from the acquisition of the Norway fish cultivation business, to post increases in sales and profit. The result for each product category are explained below.

The marine products category posted higher year-on-year sales and profits. In addition to higher sales of salmon/trout, Group-wide efforts to significantly increase trading volumes of Atka mackerel provided a significant boost to segment sales and profits. The profitability for scallops and crab declined due to soaring prices.

The livestock products category posted lower sales and higher profit. Sales and profit for pork increased on higher trading volumes, mostly for branded pork items. Chicken sales declined but posted a strong improvement in profit through accurate management of trading volumes.

The agricultural products category posted a decline in sales due to a slump in trading volumes of mainstay potatoes due to a poor harvest last year. Profit increased, however, through cost-cutting efforts.

As a result, segment sales amounted to ¥133,655 million, an increase of 8.0% compared with the previous fiscal year, and operating income totaled ¥1,904 million, a year-on-year increase of 17.6%.

## (2) Consolidated Financial Position

### Assets, Liabilities and Net Assets

Total assets at September 30, 2017 amounted to ¥173,699 million, an increase of ¥28,466 million compared with the previous fiscal year-end (September 30, 2016). This change was mainly attributable to increases of ¥7,956 million in merchandise, ¥6,554 million in property, plant and equipment related to the construction of new logistics centers, ¥4,695 million in advance payments, and ¥3,758 million in notes and accounts receivable-trade.

Total liabilities amounted to ¥104,010 million, an increase of ¥21,805 million compared with the previous fiscal year-end. This change was mainly attributable to an increase of ¥20,849 million in loans payable.

Total net assets amounted to ¥69,688 million, an increase of ¥6,661 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 ¥6,399 million, an increase of ¥1,199 million compared with the previous fiscal year-end (September 30, 2016). The main factors affecting cash flows during the period under review are summarized as follows.

### (Cash flows from operating activities)

Net cash used in operating activities amounted to ¥6,930 million compared with ¥6,138 million provided in the previous fiscal year. This net outflow was mainly attributable to an increase of ¥7,784 million in inventories, an increase of ¥5,554 million in advance payments, and an increase of ¥3,719 million in accounts receivable, which were partially offset by income before income taxes of ¥5,433 million and depreciation and amortization of ¥4,699 million.

**(Cash flows from investing activities)**

Net cash used in investing activities amounted to ¥11,173 million, compared with ¥25,004 million used in the previous fiscal year. The main investment outflows were ¥9,488 million used for the purchase of property, plant and equipment and ¥2,195 million for payments of loans receivable.

**(Cash flows from financing activities)**

Net cash provided by financing activities amounted to ¥19,124 million, compared with ¥20,265 million provided in the previous fiscal year. This net inflow was mainly derived from a net increase in loans payable of ¥20,301 million, which was partly offset by dividends paid to shareholders of ¥1,051 million.

**Cash Flow-related Indices**

	Year ended September 30, 2015	Year ended September 30, 2016	Year ended September 30, 2017
Equity ratio (%)	51.6	42.7	39.4
Equity ratio based on market value (%)	41.0	38.2	32.2
Ratio of cash flow to interest-bearing debt (years)	10.2	10.4	-
Interest coverage ratio (times)	12.0	16.0	-

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, 2018**

The fiscal year ended September 30, 2017 represented the final year of the three-year Fifth Medium-Term Management Plan. The new three-year Sixth Medium-Term Management Plan, "Growing Value 2020," began from October 2017.

Using the business models built under the Fifth Medium-Term Management Plan, the Group will aim to achieve stable and steady growth by further raising quality and expanding business volume.

In consideration of the above management stance, for the fiscal year ending September 30, 2018, the Yokohama Reito Group forecasts consolidated net sales of ¥163,000 million, a 2.5% increase over the previous fiscal year, operating income of ¥7,000 million, up 35.1% year on year, ordinary income of ¥7,000 million, up 28.8% year on year, and profit attributable to owners of the parent of ¥4,000 million, up 19.0% year on year.

## **(5) Basic Policy on Profit Distribution and Dividend Forecasts**

### 1) Basic Policy on Profit Distribution

Yokohama Reito Co., Ltd. (“the Company”) considers the return of profits to shareholders to be an important management issue. Regarding the payment of dividends from profits, the Company’s basic policy is to allocate a portion of profits to internal reserves for investments to support medium-to long-term strategies, including facility investments and M&As, while continuing to pay a stable dividend.

### 2) Dividend Forecast

In accordance with the above policy, the Company plans to make a year-end dividend payment of ¥10 per share for the year under review. The planned annual dividend is therefore ¥20 per share, including the interim dividend of ¥10 per share previously paid to shareholders.

For the dividend for the fiscal year ending September 30, 2018, the Company plans to make an annual dividend payment of ¥23 per share. The dividend includes a commemorative dividend of ¥3 per share in commemoration of the Company’s 70<sup>th</sup> anniversary.

## **2. Management Policy**

### **(1) Basic Management Policy**

Since its founding, the Yokohama Reito Group has operated based on a management philosophy which states, “The Company is an organ of society, and profits are a measure of our service.” Based on this policy, we aim to raise corporate value and increase shareholder returns as “Experts in foods distribution gentle to people, resources, and the planet.”

### **(2) Target Management Indices and Medium-term Corporate Strategy**

#### 1. Achievements under the previous medium-term management plan

	Consolidated		
	Target	Result	Difference (%)
Net sales	165.0	159.0	96.4
Operating income	5.7	5.1	90.9
Ordinary income	5.7	5.4	95.3
Profit attributable to owners of the parent	3.2	3.3	105.0
Return on equity	5.1% level	5.1%	-
Dividend payout ratio	40% or higher	31.1%	-
EBITDA	10.0	9.8	-
Equity ratio	52.0%	39.4%	-

#### 1) Net sales and profit targets

The target for profit attributable to owners of the parent was achieved, but the targets for net sales, operating income and ordinary income were not met. In the Refrigerated Warehousing Business, the closures of the Koyasu Logistics Center and Kobe Logistics Center led to a temporary decline in sales and profits. In the Food Sales Business, mainstay products remained at high prices across the board, which reduced profit margins.

2) Return on equity of 5.1% level

Return on equity reached 5.1% in the final year of the plan, meeting the target.

3) Dividend payout ratio of 40% or higher

The dividend payout ratio was 31.1% in the final year of the plan, which did not meet the target.

4) Equity ratio of 52.0%

The equity ratio was 39.4% in the final year of the plan, which did not meet the target. In the year under review, the company subscribed to ¥15.0 billion in hybrid loans, which are considered by credit rating agencies to have a certain amount of equity. When factoring in these loans, the equity ratio was 43.8%.

## 2. Formulation of Sixth Medium-Term Management Plan

The three-year Sixth Medium-Term Management Plan, "Growing Value 2020," covers the three-year period from October 2017 through the fiscal year ending September 2020. The Group's core management policy under the plan is to benefit customers through qualitative and quantitative growth by nurturing the strength of the Company's offices and sites, which are fundamental to its performance, and striving to capture new business opportunities through robust organizations and amoeba-style management. The Refrigerated Warehousing Business will aim for innovation and advancement reflective of the needs of the market, promoting enhanced responsiveness to cool network needs and raising the efficiency of low-temperature logistics as its key policies. The Food Sales Business will aim to establish a stable food supply structure through the development of food resources and food production. The business will maintain a fundamental policy of earning stable profit while executing various initiatives throughout the Group by developing mainstay products.

The final-year targets for the new plan are as follows:

	Consolidated	
	Result for fiscal year ended September 2017	Target for fiscal year ending September 2020
Net sales	159.0	180.0
Operating income	5.1	8.5
Ordinary income	5.4	8.5
Profit attributable to owners of the parent	3.3	5.3
Return on equity	5.1%	6.0%
EBITDA	9.8	13.0
Equity ratio	39%	40% or higher

1) The net sales target of ¥180.0 billion represents a 13.2% increase over the fiscal year ended September 30, 2017.

2) The operating income target of ¥8.5 billion represents a 64.1% increase; the ordinary income target of ¥8.5 billion represents a 56.4% increase; and the profit attributable to owners of the parent target of ¥5.3 billion represents a 57.7% increase over the fiscal year ended September 30, 2017.

3) The return on equity target is 6.0%.

4) The EBITDA target is ¥13.0 billion and the equity ratio target is 40% or higher.

### **3. 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.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	As of September 30, 2016	As of September 30, 2017
	Amount	Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,210	6,409
Notes and accounts receivable - trade	18,107	21,866
Merchandise	18,691	26,647
Advance payments	4,187	8,883
Deferred tax assets	435	635
Other	2,428	2,068
Allowance for doubtful accounts	(6)	(20)
<b>Total current assets</b>	<b>49,055</b>	<b>66,490</b>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures, net	36,486	40,239
Machinery, equipment and vehicles, net	6,353	7,019
Land	26,407	27,833
Leased assets, net	564	651
Construction in progress	1,011	1,516
Other, net	769	887
<b>Total property, plant and equipment</b>	<b>71,593</b>	<b>78,147</b>
Intangible fixed assets		
Goodwill	7,556	7,553
Overseas aquaculture business license	6,601	7,182
Other	1,703	1,734
<b>Total intangible fixed assets</b>	<b>15,861</b>	<b>16,470</b>
Investments and other assets		
Investment securities	7,120	9,399
Long-term loans receivable	719	2,397
Other	995	871
Allowance for doubtful accounts	(112)	(78)
<b>Total investments and other assets</b>	<b>8,722</b>	<b>12,590</b>
<b>Total noncurrent assets</b>	<b>96,177</b>	<b>107,208</b>
<b>Total assets</b>	<b>145,232</b>	<b>173,699</b>

	As of September 30, 2016	As of September 30, 2017	(Millions of yen)
	Amount	Amount	
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes and accounts payable - trade	5,344	5,886	
Short-term loans payable	30,601	30,334	
Current portion of convertible bonds	-	6,064	
Current portion of long-term loans payable	4,446	5,503	
Lease obligations	74	87	
Income taxes payable	1,642	1,719	
Accrued employees' bonuses	692	737	
Accrued bonuses for directors and corporate auditors	34	35	
Other	6,023	7,159	
<b>Total current liabilities</b>	<b>48,859</b>	<b>57,527</b>	
<b>Noncurrent liabilities</b>			
Convertible bonds	6,995	-	
Long-term loans payable	21,885	41,944	
Lease obligations	166	264	
Deferred tax liabilities	1,864	2,897	
Provision for Executive Compensation BIP Trust	91	147	
Net defined benefit liability	1,431	730	
Asset retirement obligations	105	105	
Other	805	393	
<b>Total noncurrent liabilities</b>	<b>33,345</b>	<b>46,483</b>	
<b>Total liabilities</b>	<b>82,205</b>	<b>104,010</b>	
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Common stock	11,068	11,533	
Capital surplus	11,135	11,600	
Retained earnings	39,465	41,773	
Treasury stock	(538)	(539)	
<b>Total shareholders' equity</b>	<b>61,130</b>	<b>64,369</b>	
<b>Accumulated other comprehensive income</b>			
Unrealized gain on available-for-sale securities	1,923	3,061	
Deferred gain (loss) on derivatives under hedge accounting	(29)	(87)	
Foreign currency translation adjustments	(172)	1,325	
Remeasurements of defined benefit plans	(813)	(165)	
<b>Total accumulated other comprehensive income</b>	<b>907</b>	<b>4,133</b>	
<b>Non-controlling interests</b>	<b>989</b>	<b>1,185</b>	
<b>Total net assets</b>	<b>63,027</b>	<b>69,688</b>	
<b>Total liabilities and net assets</b>	<b>145,232</b>	<b>173,699</b>	

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

	Year ended September 30, 2016	Year ended September 30, 2017	(Millions of yen)
	Amount	Amount	
Net sales	148,609	159,045	
Cost of sales	136,134	144,480	
Gross profit	12,474	14,564	
Selling, general and administrative expenses	7,305	9,385	
Operating income	5,169	5,179	
Other income			
Interest income	59	75	
Dividend income	131	143	
Insurance dividends	36	29	
Insurance received	62	52	
Settlement received	85	-	
Subsidy income	-	117	
Foreign exchange gains	-	452	
Purchase discounts	96	231	
Other	224	160	
Total other income	696	1,263	
Other expenses			
Interest expense	376	531	
Commission fee	-	299	
Other	147	179	
Total other expenses	524	1,009	
Ordinary income	5,342	5,433	
Extraordinary losses			
Loss on removal of offices	616	-	
Total extraordinary losses	616	-	
Income before income taxes	4,725	5,433	
Income taxes - Current	1,849	2,369	
Income taxes - Deferred	(67)	(416)	
Total income taxes	1,781	1,953	
Profit	2,943	3,480	
Profit attributable to non-controlling interests	11	120	
Profit attributable to owners of the parent	2,932	3,360	

## Consolidated Statements of Comprehensive Income

	Year ended September 30, 2016	Year ended September 30, 2017	(Millions of yen)
	Amount	Amount	
Profit	2,943	3,480	
Other comprehensive income			
Unrealized gain on available-for-sale securities	14	1,137	
Deferred gain (loss) on derivatives under hedge accounting	(30)	(57)	
Foreign currency translation adjustments	(669)	1,596	
Remeasurements of defined benefit plans	(687)	647	
Total other comprehensive income	<u>(1,372)</u>	<u>3,324</u>	
Comprehensive income	<u>1,571</u>	<u>6,805</u>	
Breakdown:			
Comprehensive income attributable to owners of the parent	1,737	6,586	
Comprehensive income attributable to non-controlling interests	(165)	219	

### (3) Consolidated Statements of Changes in Shareholders' Equity

Year ended September 30, 2016 (October 1, 2015 – September 30, 2016)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of October 1, 2015	11,065	11,132	37,575	(546)	59,228
Changes during period					
Conversion of convertible bonds	2	2			5
Cash dividends			(1,042)		(1,042)
Profit attributable to owners of the parent			2,932		2,932
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock				8	8
Net change in items other than shareholders' equity during period					-
Total changes during period	2	2	1,889	7	1,902
Balance as of September 30, 2016	11,068	11,135	39,465	(538)	61,130

	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, 2015	1,908	0	319	(125)	2,102	991	62,322
Changes during period							
Conversion of convertible bonds					-		5
Cash dividends					-		(1,042)
Profit attributable to owners of the parent					-		2,932
Purchase of treasury stock					-		(1)
Disposal of treasury stock					-		8
Net change in items other than shareholders' equity during period	14	(30)	(491)	(687)	(1,194)	(2)	(1,197)
Total changes during period	14	(30)	(491)	(687)	(1,194)	(2)	704
Balance as of September 30, 2016	1,923	(29)	(172)	(813)	907	989	63,027

Year ended September 30, 2017 (October 1, 2016 – September 30, 2017)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of October 1, 2016	11,068	11,135	39,465	(538)	61,130
Changes during period					
Conversion of convertible bonds	465	465			931
Cash dividends			(1,051)		(1,051)
Profit attributable to owners of the parent			3,360		3,360
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock					-
Net change in items other than shareholders' equity during period					-
Total changes during period	465	465	2,308	(0)	3,239
Balance as of September 30, 2017	11,533	11,600	41,773	(539)	64,369

	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, 2016	1,923	(29)	(172)	(813)	907	989	63,027
Changes during period							
Conversion of convertible bonds					-		931
Cash dividends					-		(1,051)
Profit attributable to owners of the parent					-		3,360
Purchase of treasury stock					-		(0)
Disposal of treasury stock					-		-
Net change in items other than shareholders' equity during period	1,137	(57)	1,498	647	3,226	195	3,421
Total changes during period	1,137	(57)	1,498	647	3,226	195	6,661
Balance as of September 30, 2017	3,061	(87)	1,325	(165)	4,133	1,185	69,688

**(4) Consolidated Statements of Cash Flows**

	(Millions of yen)	
	Year ended September 30, 2016	Year ended September 30, 2017
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes	4,725	5,433
Depreciation and amortization	4,237	4,699
Amortization of goodwill	99	634
Increase (decrease) in accrued employees' bonuses	32	45
Increase (decrease) in accrued bonuses for directors and corporate auditors	7	0
Increase (decrease) in net defined benefit liability	(507)	(55)
Increase (decrease) in provision for Executive Compensation BIP Trust	47	56
Increase (decrease) in allowance for doubtful accounts	(9)	(20)
Loss on removal of offices	616	-
Interest and dividends income	(191)	(219)
Interest expenses	376	531
Decrease (increase) in accounts receivable - trade	2,421	(3,719)
Decrease (increase) in inventories	936	(7,784)
Decrease (increase) in advance payments	(3,203)	(5,554)
Increase (decrease) in accounts payable - trade	(934)	520
Increase (decrease) in accrued expenses	(57)	647
Other - net	(739)	607
Sub total	<u>7,859</u>	<u>(4,177)</u>
Interest and dividend income received	189	216
Interest paid	(384)	(534)
Income taxes paid	(1,525)	(2,435)
<b>Net cash provided by (used in) operating activities</b>	<u>6,138</u>	<u>(6,930)</u>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(10)	-
Purchase of property, plant and equipment	(11,166)	(9,488)
Proceeds from sales of property, plant and equipment	2	22
Purchase of investment securities	(290)	(619)
Proceeds from sales of investment securities	7	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(12,973)	-
Payments of loans receivable	(750)	(2,195)
Collection of loans receivable	225	1,236
Other - net	(49)	(129)
<b>Net cash provided by (used in) investing activities</b>	<u>(25,004)</u>	<u>(11,173)</u>

	(Millions of yen)	
	Year ended September 30, 2016	Year ended September 30, 2017
	Amount	Amount
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	14,399	(442)
Proceeds from long-term loans payable	10,849	25,819
Repayments of long-term loans payable	(3,824)	(5,074)
Purchase of treasury stock	(1)	(0)
Dividends paid to shareholders	(1,042)	(1,051)
Other - net	(115)	(125)
<b>Net cash provided by (used in) financing activities</b>	<b>20,265</b>	<b>19,124</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(87)</b>	<b>179</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,312</b>	<b>1,199</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>3,887</b>	<b>5,200</b>
<b>Cash and cash equivalents, end of period</b>	<b>5,200</b>	<b>6,399</b>

## **(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: 8

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

Among the consolidated subsidiaries mentioned above, Aqua Shipping AS was included in the scope of consolidation due to its establishment in the fiscal year under review.

Fjordlaks Aqua AS changed its name to Hofseth Aqua AS, effective July 25, 2017.

(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 and Aqua Shipping 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 and Aqua Shipping 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 important 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 accounting method is mainly applied based on gross average for each month. (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, was 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 were 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 ended September 30, 2017.

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 ended September 30, 2017.

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 objects

a. Hedging instruments: Derivative contracts (forward exchange transactions)  
Hedged objects: 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  
Hedged objects: Loans

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 was 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 was 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.

(Additional Information)

(Application of Implementation of Recoverability of Deferred Tax Assets)

“Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) has been applied, effective from the fiscal year under review.

## **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.

(Significant changes in the goodwill value)

(Food sales business)

Regarding the acquisition of Syvde Eiendom AS and Hofseth Aqua AS conducted on June 30, 2016, a provisional accounting treatment was used for the consolidated financial statements for the fiscal year ended September 30, 2016. This treatment was finalized in the fiscal year under review. For details, please see "Notes on the Consolidated Financial Statements (Business Combinations, etc.)

3. Net sales, profit/loss, assets, liabilities, and other items by reportable segment

(October 1, 2015 – September 30, 2016)

	Reportable segment				Adjustments *1	Amounts reported on consolidated financial statements*2 (Millions of yen)
	Refrigerated warehousing	Food sales	Other	Total		
Net sales						
Sales to outside customers	24,756	123,793	58	148,609	-	148,609
Intersegment sales or transfers	1,670	-	43	1,714	(1,714)	-
Total	26,427	123,793	102	150,323	(1,714)	148,609
Segment profit	5,751	1,618	34	7,403	(2,234)	5,169
Segment assets	72,633	59,633	1,503	133,770	11,461	145,232
Other items						
Depreciation and amortization*3	4,011	25	11	4,048	189	4,237
Amortization of goodwill	40	59	-	99	-	99
Increase in property, plant and equipment and intangible fixed assets*3	11,502	27	1,167	12,697	51	12,749

Notes: 1. Details of adjustments are as follows:

- 1) The minus 2,234 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 11,461 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 Yokohama Reito Co., Ltd.
- 3) The 189 million yen adjustment for depreciation/amortization was for unallocated corporate assets.
- 4) The 51 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.
4. The above segment information is disclosed in the amounts that reflect the significant revisions to the initial allocation of the acquisition costs in conjunction with the finalization of a provisional accounting treatment stated in "Notes on the Consolidated Financial Statements (Business Combinations, etc.).

(October 1, 2016 – September 30, 2017)

(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	25,331	133,655	58	159,045	-	159,045
Intersegment sales or transfers	1,708	-	43	1,752	(1,752)	-
Total	27,040	133,655	101	160,797	(1,752)	159,045
Segment profit	5,695	1,904	57	7,656	(2,476)	5,179
Segment assets	77,490	81,775	1,495	160,761	12,938	173,699
Other items						
Depreciation and amortization*3	4,223	272	9	4,505	194	4,699
Amortization of goodwill	34	600	-	634	-	634
Increase in property, plant and equipment and intangible fixed assets*3	7,489	2,672	0	10,162	149	10,312

Notes: 1. Details of adjustments are as follows:

- 1) The minus 2,476 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 12,938 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 Yokohama Reito Co., Ltd.
- 3) The 194 million yen adjustment for depreciation/amortization was for unallocated corporate assets.
- 4) The 149 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, 2015 – September 30, 2016)

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	Asia	North America	Northern Europe	Other	Total
132,639	5,848	5,677	4,010	433	148,609

2) Property, plant and equipment

(Millions of yen)				Total
Japan	Asia	Northern Europe		Total
62,985	6,701	1,905		71,593

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, 2016 – September 30, 2017)

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	North America	Northern Europe	Asia	Other	Total
134,031	11,562	6,461	5,979	1,011	159,045

2) Property, plant and equipment

(Millions of yen)				Total
Japan	Asia	Northern Europe		Total
66,493	7,180	4,473		78,147

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, 2015 – September 30, 2016)

Not applicable

(October 1, 2016 – September 30, 2017)

Not applicable

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

(October 1, 2015 – September 30, 2016)

	Refrigerated warehousing	Food sales	Other	Sub total	Elimination/corporate	(Millions of yen) Total
Amortization expense	40	59	-	99	-	99
Unamortized balance	265	7,291	-	7,556	-	7,556

Note: The above segment information is disclosed in the amounts that reflect the significant revisions to the initial allocation of the acquisition costs in conjunction with the finalization of a provisional accounting treatment stated in "Notes on the Consolidated Financial Statements (Business Combinations, etc.).

(October 1, 2016 – September 30, 2017)

	Refrigerated warehousing	Food sales	Other	Sub total	Elimination/corporate	(Millions of yen) Total
Amortization expense	34	600	-	634	-	634
Unamortized balance	231	7,322	-	7,553	-	7,553

e. Gain on negative goodwill by reportable segment

(October 1, 2015 – September 30, 2016)

Not applicable

(October 1, 2016 – September 30, 2017)

Not applicable

(Business Combinations, etc.)

Business combinations through acquisitions  
(Syvde Eiendom AS)

1. Finalization of provisional accounting treatment of business combination

Regarding the acquisition of Syvde Eiendom AS conducted on June 30, 2016, a provisional accounting treatment was used for the consolidated financial statements for the fiscal year ended September 30, 2016. This treatment was finalized in the fiscal year under review. There is no revision to the goodwill value.

2. Goodwill value resulting from acquisition, source, amortization method and period

(1) Goodwill value resulting from acquisition	¥579 million
(2) Source	The source is the expectation for Syvde Eiendom to generate even higher earnings from future business activities.
(3) Amortization method and period	10 years, straight-line method

(Hofseth Aqua AS)

1. Finalization of provisional accounting treatment of business combination

Regarding the acquisition of Hofseth Aqua AS conducted on June 30, 2016, a provisional accounting treatment was used for the consolidated financial statements for fiscal year ended September 30, 2016. This treatment was finalized in the fiscal year under review.

As a result, the comparative information in the consolidated financial statements for the fiscal year under review reflects significant revisions to the initial allocation of the cost of this acquisition. Partial revisions have been made to the provisionally determined goodwill value as per below.

Goodwill value (before revision)	¥11,455 million
Revised value	
- Intangible fixed assets (llicenses for overseas aquaculture business)	(¥6,539 million)
- Non-controlling interests	¥42 million
- Deferred tax liabilities	¥1,634 million
Total amount of revision	(¥4,862 million)
Goodwill value (after revision)	¥6,593 million

2. Goodwill value resulting from acquisition, source, amortization method and period

(1) Goodwill value resulting from acquisition	¥6,593 million
(2) Source	The source is the expectation for Hofseth Aqua to generate even higher earnings from future business activities.
(3) Amortization method and period	15 years, straight-line method

(Per-Share Information)

Year ended September 30, 2016		Year ended September 30, 2017	
	yen		yen
Net assets per share	1,198.56	Net assets per share	1,298.88
Profit attributable to owners of the parent per share	56.66	Profit attributable to owners of the parent per share	64.28
Profit attributable to owners of the parent per share (diluted)	49.60	Profit attributable to owners of the parent per share (diluted)	56.83

Note: Profit attributable to owners of the parent per share and profit attributable to owners of the parent per share (diluted) were calculated based on the following:

		Year ended September 30, 2016	Year ended September 30, 2017
Profit attributable to owners of the parent per share			
Profit attributable to owners of the parent (millions of yen)		2,932	3,360
Amount not attributable to common stock shareholders (millions of yen)		-	-
Profit attributable to owners of the parent related to common stock (millions of yen)		2,932	3,360
Average number of shares outstanding (thousands of shares)		51,753	52,277
Profit attributable to owners of the parent per share (diluted)			
Adjustment of profit attributable to owners of the parent (millions of yen)		-	-
Increase in the number of shares of common stock (thousands of shares)		7,366	6,845
<i>Of which, Convertible bonds</i> (thousands of shares)		(7,366)	(6,845)

Note: In the calculation of profit attributable to owners of the parent per share, the Company's stocks 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 (365,623 shares for the fiscal year ended September 30, 2016; 362,300 shares for the fiscal year ended September 30, 2017).

(Significant Subsequent Events)

Not applicable