1. Qualitative Information on the Consolidated Business Results for the Nine Months Ended June 30, 2017

(1) Qualitative Information on the Consolidated Operating Performance

(Operating environment)
In the first nine months of the fiscal year ending September 30, 2017 (October 1, 2016 – June 30, 2017), the Japanese economy continued to demonstrate gradual recovery owing to improvements in corporate earnings and employment conditions. Personal consumption, which had been slow to recover, finally firmed during the period. Economic growth was constrained, however, by higher wages caused by labor shortages and the tightened supply-demand balance in the labor market. Reviewing the global economy, latent factors for instability remained, including uncertainties about U.S. government policies following the change in government and geopolitical risks in regions around the world.

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.

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 ends in the current year under review. Through this plan, the Group is aiming to become a leading "COOL" network company in the Refrigerated Warehousing Business. In the Food Sales Business, the Group is aiming to generate stable profits while expanding its mainstay products across the Group. The Group is taking various initiatives on the basis of these business operation policies to meet the targets for the final year of the plan.

In the Refrigerated Warehousing Business, storage fees declined in the first half of the fiscal year due to a year-on-year decline in inventory volumes at the start of the fiscal year. From spring, however, the Group succeeded in capturing rebounding customer demand and posted higher storage fees for the nine-month period. 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. Operating income in the Food Sales Business declined slightly year on year, however, due to higher depreciation expenses stemming from the construction of new logistics centers, as well as higher general and administrative expenses, including higher taxes following a change in tax rates.

As a result, the Group's consolidated net sales for the first nine months of the fiscal year totaled ¥117,699 million, a 4.8% increase compared to the same period of the previous fiscal year. Operating income totaled ¥4,196 million, a year-on-year decrease of 0.5%, and ordinary income totaled ¥4,580 million, a year-on-year increase of 2.0%. Profit attributable to owners of the parent totaled ¥2,795 million, a year-on-year decrease of 3.0%, due to increased profit attributable to non-controlling interests following an increase in the number of foreign subsidiaries integrated into the consolidated results from the fiscal year under review.

(Results by business segment)
Refrigerated Warehousing Business
In the Refrigerated Warehousing Business, cargo movement was brisk from the start of the fiscal year. Specifically, volumes of inbound frozen foods, livestock products, and agricultural products cargo increased strongly year on year. Logistics centers opened successively in recent years posted steady increases in operation rates. Consolidated subsidiary Thai Yokorei Co., Ltd. enjoyed a rebound in Thailand, where the economy had stagnated temporarily. Overall, while profit for the period exceeded the initial target, the segment posted 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 the loss of revenues from the Koyasu Logistics Center, which the Group decided to close.

In terms of cargo handling, the volume of inbound cargo increased by approx. 39,000 tons, an increase of 4.1% compared with the same period of the previous fiscal year, and the volume of outbound cargo rose by approx. 24,000 tons, a year-on-year increase of 2.5%. The average inventory volume decreased by approx. 127,000 tons, or 4.8% year on year.

As a result, segment sales amounted to ¥18,906 million, an increase of 1.1% compared with the same period of the previous fiscal year, and operating income totaled ¥4,458 million, a year-on-year decrease of 3.0%.

Food Sales Business

In the first nine months of the fiscal year, the Food Sales Business posted a year-on-year increase in sales and profit, as marine products exports increased and profit margins in the livestock category improved.

The marine products category posted higher earnings on steady development of the joint-venture Norway business. Higher exports of mainstay salmon/trout provided a large boost to earnings, which bolstered the category's overall performance. Trading volumes for Atka mackerel rose strongly, contributing to higher earnings. Profit margins declined for crab, due to soaring prices, and for scallops, due to a plunge in production amid poor weather.

In the livestock products category, the chicken business posted a strong improvement in profit margin through accurate management of trading volumes, rebounding from a deterioration in the supply-demand balance in the previous fiscal year. Strong sales of pork to the food service industry also contributed to category performance.

In the agricultural products category, production of mainstay potatoes and onions declined significantly due to typhoon damage in Hokkaido growing regions last year. The profit decline was limited, however, due to efficient sales initiatives.

As a result, segment sales amounted to ¥98,747 million, an increase of 5.5% compared with the same period of the previous fiscal year, and operating income totaled ¥1,655 million, a year-on-year increase of 31.9%.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at June 30, 2017 amounted to ¥165,549 million, an increase of ¥20,317 million compared with the previous fiscal year-end (September 30, 2016). This change was mainly attributable to increases of ¥9,163 million in merchandise, ¥5,122 million in property, plant, and equipment, and ¥2,161 million in investment securities.

Total liabilities amounted to ¥97,368 million, an increase of ¥15,163 million compared with the previous fiscal year-end. This change was mainly attributable to an increase of ¥15,611 million in loans payable.

Total net assets amounted to ¥68,180 million, an increase of ¥5,153 million compared with the previous fiscal year-end.

Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the third quarter amounted to ¥5,409 million, an increase of ¥208 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 ¥7,182 million compared with ¥4,207 million provided in the same period of the previous fiscal year. This net outflow was mainly attributable to an increase of ¥8,999 million in inventories, an increase of ¥3,995 million in advance payments, and income taxes paid of ¥2,421 million, which were partially offset by income before income taxes of ¥4,580 million and depreciation and amortization of ¥3,429 million.

(Cash flows from investing activities)
Net cash used in investing activities amounted to ¥6,715 million, compared with ¥11,885 million used in the same period of the previous fiscal year. The main investment outflows were ¥6,666 million used for the purchase of property, plant and equipment.

(Cash flows from financing activities)
Net cash provided by financing activities amounted to ¥13,970 million, compared with ¥7,953 million provided in the same period of the previous fiscal year. This net inflow was mainly derived from a net increase in loans payable from financial institutions of ¥15,117 million, which was partly offset by dividends paid to shareholders of ¥1,051 million.

(3) Consolidated Earnings Forecast
There is no change to the earnings forecast for the fiscal year ending September 30, 2017 announced on November 14, 2016 with the financial results for the fiscal year ended September 30, 2016.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2016	As of June 30, 2017
	Amount	Amount
Assets		
Current assets		
Cash and deposits	5,210	5,419
Notes and accounts receivable - trade	18,107	18,841
Merchandise	18,691	27,855
Deferred tax assets	435	456
Other	6,615	9,450
Allowance for doubtful accounts	(6)	(6)
Total current assets	49,055	62,015
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	36,486	40,637
Machinery, equipment and vehicles, net	6,353	7,252
Land	26,407	26,782
Leased assets, net	564	662
Construction in progress	1,011	519
Other, net	769	861
Total property, plant and equipment	71,593	76,715
Intangible fixed assets		
Goodwill	7,556	7,567
Overseas aquaculture business license	6,601	7,042
Other	1,703	1,742
Total intangible fixed assets	15,861	16,353
Investments and other assets		
Investment securities	7,120	9,281
Long-term loans receivable	719	370
Other	995	931
Allowance for doubtful accounts	(112)	(118)
Total investments and other assets	8,722	10,465
Total noncurrent assets	96,177	103,534
Total assets	145,232	165,549

(Millions of yen)

	As of September 30, 2016 Amount	As of June 30, 2017 Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,344	5,244
Short-term loans payable	30,601	28,405
Current portion of long-term loans payable	4,446	5,527
Lease obligations	74	84
Income taxes payable	1,642	1,131
Accrued employees’ bonuses	692	191
Accrued bonuses for directors and corporate auditors	34	25
Other	6,023	7,030
Total current liabilities	48,859	47,642
Noncurrent liabilities		
Convertible bonds	6,995	6,069
Long-term loans payable	21,885	38,611
Lease obligations	166	267
Deferred tax liabilities	1,864	2,556
Provision for Executive Compensation BIP Trust	91	133
Net defined benefit liability	1,431	1,588
Asset retirement obligations	105	105
Other	805	392
Total noncurrent liabilities	33,345	49,725
Total liabilities	82,205	97,368
Net assets		
Shareholders’ equity		
Common stock	11,068	11,531
Capital surplus	11,135	11,598
Retained earnings	39,465	41,208
Treasury stock	(538)	(539)
Total shareholders’ equity	61,130	63,799
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	1,923	2,989
Deferred gain (loss) on derivatives under hedge accounting	(29)	(140)
Foreign currency translation adjustments	(172)	1,024
Remeasurements of defined benefit plans	(813)	(731)
Total accumulated other comprehensive income	907	3,141
Non-controlling interests	989	1,239
Total net assets	63,027	68,180
Total liabilities and net assets	145,232	165,549

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

(Millions of yen)

	Nine months ended June 30, 2016	Nine months ended June 30, 2017
	Amount	Amount
Net sales	112,336	117,699
Cost of sales	102,740	106,460
Gross profit	9,596	11,239
Selling, general and administrative expenses	5,380	7,043
Operating income	4,215	4,196
Other income		
Interest income	41	50
Dividend income	120	129
Insurance dividends	36	30
Settlement received	85	-
Subsidy income	87	117
Foreign exchange gains	-	398
Other	271	324
Total other income	641	1,051
Other expenses		
Interest expenses	286	325
Commission fee	-	299
Other	80	41
Total other expenses	366	666
Ordinary income	4,490	4,580
Income before income taxes	4,490	4,580
Income taxes—Current	1,270	1,835
Income taxes—Deferred	328	(211)
Total income taxes	1,599	1,624
Profit	2,890	2,956
Profit attributable to non-controlling interests	10	161
Profit attributable to owners of the parent	2,880	2,795

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended June 30, 2016	Nine months ended June 30, 2017
	Amount	Amount
Profit	2,890	2,956
Other comprehensive income		
Unrealized gain on available-for-sale securities	(392)	1,065
Deferred gain (loss) on derivatives under hedge accounting	64	(110)
Foreign currency translation adjustments	(446)	1,287
Remeasurements of defined benefit plans	24	81
Total other comprehensive income	(750)	2,324
Comprehensive income	2,140	5,281
Breakdown:		
Comprehensive income attributable to owners of the parent	2,243	5,029
Comprehensive income attributable to non-controlling interests	(102)	252

(3) Consolidated Statements of Cash flows

(Millions of yen)

	Nine months ended June 30, 2016	Nine months ended June 30, 2017
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	4,490	4,580
Depreciation and amortization	3,087	3,429
Amortization of goodwill	76	468
Increase (decrease) in accrued employees' bonuses	(482)	(500)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(11)	(8)
Increase (decrease) in allowance for doubtful accounts	(2)	5
Increase (decrease) in net defined benefit liability	(5)	237
Increase (decrease) in provision for Executive Compensation BIP Trust	33	42
Interest and dividend income	(161)	(180)
Interest expenses	286	325
Decrease (increase) in accounts receivable – trade	1,889	(698)
Decrease (increase) in inventories	(1,467)	(8,999)
Decrease (increase) in advance payments	(737)	(3,995)
Increase (decrease) in accounts payable – trade	(619)	(116)
Increase (decrease) in accrued expenses	(64)	9
Other – net	(448)	784
Sub total	5,863	(4,616)
Interest and dividend income received	160	182
Interest paid	(289)	(326)
Income taxes paid	(1,527)	(2,421)
Net cash provided by (used in) operating activities	4,207	(7,182)
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,106)	(6,666)
Proceeds from sales of property, plant and equipment	3	23
Purchase of investment securities	(1,554)	(617)
Proceeds from sales of investment securities	7	-
Payments of loans receivable	(376)	(4)
Collection of loans receivable	193	635
Other – net	(51)	(86)
Net cash provided by (used in) investing activities	(11,885)	(6,715)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,212	(2,356)
Proceeds from long-term loans payable	10,557	20,819
Repayments of long-term loans payable	(2,680)	(3,345)
Purchase of treasury stock	(1)	(0)
Dividends paid to shareholders	(1,042)	(1,051)
Other – net	(92)	(94)
Net cash provided by (used in) financing activities	7,953	13,970
Effect of exchange rate changes on cash and cash equivalents	(54)	137
Net increase (decrease) in cash and cash equivalents	221	208
Cash and cash equivalents, beginning of period	3,887	5,200
Cash and cash equivalents, end of period	4,108	5,409

(4) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)
Not applicable

(Notes on Significant Changes in Shareholders' Equity)
Not applicable

(Change in Scope of Consolidation or Scope of Application of the Equity Method)
(Significant Change in Scope of Consolidation)
Aqua Shipping AS has been included in the scope of consolidation, as it was established during the third quarter of the fiscal year ending September 30, 2017.

(Additional Information)
(Application of Implementation Guidance on 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 the first quarter of the fiscal year ending September 30, 2017.

Segment information

I. Nine months ended June 30, 2016 (October 1, 2015 – June 30, 2016)

1. Net sales, income/loss by reportable segment

(Millions of yen)

	Reportable segment				Adjustments *1	Amounts reported on consolidated statements of income*2
	Refrigerated Warehousing	Food Sales	Other Businesses	Total		
Net sales						
Sales to outside customers	18,701	93,590	44	112,336	-	112,336
Intersegment sales or transfers	1,288	-	32	1,321	(1,321)	-
Total	19,990	93,590	76	113,658	(1,321)	112,336
Segment income (loss)	4,594	1,254	31	5,880	(1,664)	4,215

Notes: 1. The minus 1,664 million yen adjustment for segment income (loss) was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.
2. Segment income (loss) was adjusted based on operating income reported on the consolidated statements of income for the corresponding period.

II. Nine months ended June 30, 2017 (October 1, 2016 – June 30, 2017)

1. Net sales, income/loss by reportable segment

(Millions of yen)

	Reportable segment				Adjustments *1	Amounts reported on consolidated statements of income*2
	Refrigerated Warehousing	Food Sales	Other Businesses	Total		
Net sales						
Sales to outside customers	18,906	98,747	45	117,699	-	117,699
Intersegment sales or transfers	1,276	-	30	1,306	(1,306)	-
Total	20,183	98,747	76	119,006	(1,306)	117,699
Segment income (loss)	4,458	1,655	43	6,157	(1,961)	4,196

Notes: 1. The minus 1,961 million yen adjustment for segment income (loss) was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.
2. Segment income (loss) was adjusted based on operating income reported on the consolidated statements of income for the corresponding period.

(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 fiscal year ended September 30, 2016 and for the consolidated financial statements for the first quarter of the fiscal year under review. This treatment was finalized in the second quarter of 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 to generate even higher earnings from future business activities.
(3) Amortization method and period	10 years, straight-line method

(Fjordlaks Aqua AS)

1. Finalization of provisional accounting treatment of business combination

Regarding the acquisition of Fjordlaks 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 and for the consolidated financial statements for the first quarter of the fiscal year under review. This treatment was finalized in the second quarter of the fiscal year under review.

As a result, the comparative information in the consolidated financial statements for the third quarter of the fiscal year under review reflects significant revisions to the initial allocation of the cost of this acquisition. Revisions to the provisionally determined goodwill value are shown below.

Goodwill value (before revision)	¥11,455 million
Revised value	
・Intangible fixed assets (licenses 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 Fjordlaks Aqua to generate even higher earnings from future business activities.
(3) Amortization method and period	15 years, straight-line method