

1. Qualitative Information on the Consolidated Business Results for the Fiscal Year Ended September 30, 2016

(1) Qualitative Information on the Consolidated Operating Performance

(Operating environment)

In the fiscal year ended September 30, 2016, although the Japanese economy exhibited a gradual recovery trend owing to improvements in corporate earnings and employment conditions, overall the economy remained at a standstill due to weak personal consumption. The global economy, meanwhile, was clouded by concerns over economic slowdown in China and emerging economies, Britain's decision to exit the European Union, and the Middle East situation. These issues remained a potential drag on Japan's economy and caused uncertainty to hang over the economy's future outlook.

In food industries related to the Yokohama Reito Group's business, food producers passed on soaring raw materials prices to consumers and yen appreciation helped boost earnings. Overall, however, the business environment remained severe as consumers continued to gravitate towards low-priced products.

(Operating results)

In this environment, the Yokohama Reito Group executed its Fifth Medium-Term Management Plan (three-year plan), "Flap The Wings 2017," begun in October 2014. 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. During the period, the Group took various initiatives on the basis of these business operation policies.

The Refrigerated Warehousing Business achieved its business plan due to high inventory levels seen from the start of the current fiscal year and brisk cargo movement, mainly for livestock products and frozen foods. The Food Sales Business did not meet its business plan. Although the overseas business of consolidated subsidiary Alliance Seafoods, Inc. expanded robustly and its earnings made a significant contribution, deteriorating market prices for some livestock products caused the business to reduce sales volumes.

As a result, the Group's consolidated net sales for the fiscal year totaled ¥148,609 million, a 4.0% decrease compared to the previous fiscal year. Operating income totaled ¥5,169 million, a year-on-year increase of 33.4%, ordinary income totaled ¥5,342 million, a year-on-year increase of 32.2%, and profit attributable to owners of the parent totaled ¥2,932 million, a year-on-year increase of 16.5%. The operating income and ordinary income results represented record highs. Additionally, the Company decided to scrap the Koyasu Logistics Center, which was completed in 1969 and has operated for nearly 50 years, due to its inability to maintain the Company's quality standards for low-temperature logistics. In conjunction with this decision, an extraordinary loss of ¥616 million was recognized in the period.

(Results by business segment)

1) Refrigerated Warehousing Business

The Refrigerated Warehousing Business posted year-on-year increases in sales and profits. Sales rose steadily with the full-scale operation of four new logistics centers opened during the previous two fiscal years (Wang Noi 2nd Building, Ishikari 2nd Logistics Center, Yumeshima Logistics Center, and Miyakonojo 2nd Logistics Center), strategic wide-area sales activities based on key initiatives in the Medium-Term Management Plan, and the promotion of consultative-style sales. The sales increase absorbed a temporary rise in expenses related to the launch of two new logistics

centers during the period under review (Bangpakong 2nd Distribution Center and Tokachi 3rd Logistics Center). A decline in electricity costs and other expenses also helped boost profits.

In terms of cargo handling, the volume of inbound cargo increased by approx. 47,000 tons, an increase of 3.8% compared with the previous fiscal year, and the volume of outbound cargo rose by approx. 81,000 tons, a year-on-year increase of 6.5%. The average inventory volume increased by approx. 177,000 tons, or 5.5% year on year.

In Thailand, consolidated subsidiary Thai Yokorei Co., Ltd. posted year-on-year declines in sales and profits. Thailand's economy stagnated due to the country's delay in transitioning to a civilian government, while the significant depreciation of the Thai baht also impacted results.

As a result, the segment's net sales increased 2.6% compared with the previous fiscal year to ¥24,756 million, while operating income increased 21.1% year on year to ¥5,751 million.

2) Food Sales Business

The Norwegian Atlantic salmon business and Barents Sea crab business led by Alliance Seafoods, Inc., a consolidated subsidiary in charge of the Group's overseas business, grew steadily in the fiscal year and made a significant contribution to the segment's sales and profits. In Japan, the business successfully geared sales strategies around higher turnover rates, which helped reduce inventories and other expenses to boost profits. The domestic business reduced trading volumes of some livestock products, however, in response to market supply and demand, while suffering softer prices for other products. As a result, the segment as a whole posted lower sales and higher profits.

The marine products category posted small year-on-year increases in sales and profits. Salmon/trout contributed significantly to the segment's results, driven by the joint venture with Hofseth International AS. Profit margins for shrimp and Atka mackerel increased, as sales strategies were oriented towards higher turnover rates. Scallop sales and profits declined amid sharply lower production. In the livestock products category, sales declined while profits increased. The chicken business posted a loss due to lower prices. Sales of pork declined while profits increased, as the Group sharply reduced trading volume. The agricultural products category posted lower sales and higher profits. Sales of mainstay potatoes rose, while sales of Chinese yam declined due to poor crops.

As a result, segment sales amounted to ¥123,793 million, a decline of 5.2% compared with the previous fiscal year, and operating income totaled ¥1,618 million, a year-on-year increase of 36.1%.

(Outlook for fiscal year ending September 30, 2017)

The fiscal year ending September 30, 2017 represents the final year of the current three-year Fifth Medium-Term Management Plan. From the start of the new fiscal year, the Refrigerated Warehousing Business will continue to implement its main strategies under the plan, while expanding facilities in key areas and regions to prepare for future growth. The Food Sales Business will strive to stabilize the structure of the newly established Norwegian salmon business as early as possible, while further strengthening its core capability of business collaboration between production and consumption regions in Japan.

In consideration of the above management stance, for the fiscal year ending September 30, 2017, the Yokohama Reito Group forecasts consolidated net sales of ¥165,000 million, a 11.0% increase over the previous fiscal year, operating income of ¥5,700 million, up 10.3% year on year, ordinary income of ¥5,700 million, up 6.7% year on year, and profit attributable to owners of the parent of ¥3,200 million, up 9.1% year on year.

(2) Qualitative Information on the Consolidated Financial Position

1) Assets, Liabilities and Net Assets

Total assets at September 30, 2016 amounted to ¥143,554 million, an increase of ¥24,652 million compared with the previous fiscal year-end (September 30, 2015). This change was mainly

attributable to increases of ¥11,935 million in goodwill related to the acquisition of shares of subsidiaries, ¥8,836 million in property, plant and equipment related to the construction of new logistics centers, and ¥1,322 million in cash and deposits.

Total liabilities amounted to ¥80,570 million, an increase of ¥23,990 million compared with the previous fiscal year-end. This change was mainly attributable to an increase of ¥21,142 million in loans payable and an increase of ¥798 million in income taxes payable.

Total net assets amounted to ¥62,984 million, an increase of ¥661 million compared with the previous fiscal year-end.

2) Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the period amounted to ¥5,200 million, an increase of ¥1,312 million compared with the previous fiscal year-end. The main factors affecting cash flows during the period under review are summarized as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥6,138 million compared with ¥4,189 million provided in the previous fiscal year. This net inflow was mainly attributable to profit before income taxes of ¥4,725 million, depreciation and amortization of ¥4,237 million, and a decrease of ¥2,421 million in accounts receivable, which were partially offset by an increase of ¥3,203 million in advance payments and income taxes paid of ¥1,525 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥25,004 million, compared with ¥7,711 million used in the previous fiscal year. The main investment outflows were ¥12,973 million used for purchase of shares of subsidiaries resulting in change in scope of consolidation, and ¥11,166 million used for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥20,265 million, compared with ¥2,788 million provided in the previous fiscal year. This net inflow was mainly derived from a net increase in loans payable of ¥21,423 million, which was partly offset by dividends paid to shareholders of ¥1,042 million.

3) Cash Flow-related Indices

	Year ended September 30, 2014	Year ended September 30, 2015	Year ended September 30, 2016
Equity ratio (%)	51.5	51.6	43.2
Equity ratio based on market value (%)	36.9	41.0	38.7
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, 2014 are not calculated because there was a negative cash flow from operating activities.

(3) Basic Policy on Profit Distribution and Dividend Forecasts

1) Basic Policy on Profit Distribution

The Company's basic policy on the return of profits to shareholders is to provide long-term, stable dividends. A portion of profits are allocated to internal reserves and utilized effectively for future-oriented investments to support growth strategies, including investments in facilities and IT systems, along with M&As and various other initiatives.

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 year ending September 30, 2017, the Company plans to pay an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share, for an annual dividend of ¥20 per share.

(4) Business Risks

In consideration of the Group's business and financial status, the following represent potential risks to the Group's financial condition and management performance. These potential risks may have a significant effect on investors' investment decisions.

1) Economic conditions and operating environment

The Group is engaged in the sale of marine products, livestock products, and agricultural products, as well as related processed products. False labeling of product origin, agrochemical contamination, bird-related influenza and other food-related problems may cause a decrease in product import volumes, a rise in product prices, or a decline in consumption which could potentially impact the Group's sales.

In addition, a decline in fish catches or a change in consumption trends caused by changes in the natural environment, including changes to weather patterns such as unusually cool or hot summers, or changes to sea currents or temperatures, may impact the Group's business.

2) Changes in product prices

Procurement prices for marine, livestock and other products handled by the Group change within a market environment governed by a supply-demand balance in and outside Japan. In addition, market prices change depending on fish catches and agricultural harvests in Japan, along with other factors such as import restraints and embargoes. These price changes could have a serious impact on the Group's financial performance.

3) Property, plant, and equipment

In the Refrigerated Warehousing Business, the Group maintains a large network of refrigerated warehouses which require significant capital investments. In the event of a change in the business environment stemming from a deterioration to customers' businesses, such as changes in road

networks or a decline in fish catches, or a decline in the warehouses' convenience, the Group's financial performance may be significantly impacted by a decline in profitability, impairments to property, plant and equipment, or the disposal of property, plant and equipment.

4) IT systems

The Group conducts its Refrigerated Warehousing Business and Food Sales Business using a nationwide online IT system. In the event of a large-scale, unforeseen natural disaster, the suspension of the Group's business systems, fracturing of the communications network, or a prolonged, wide-scale power blackout may make it difficult for the Group to provide services to customers and conduct business operations. These events could have a significant impact on the Group's business.

Following the Great East Japan Earthquake, in an effort to mitigate risks, the Company moved its critical system operations to a large-scale datacenter that has earthquake-resistant private power generation systems capable of long-term operation and are situated in an area relatively safe from flooding.

5) Risk associated with changes in legal systems, etc.

The domestic operations of the Group are subject to various laws and regulations including the Warehousing Business Act, the Consigned Freight Forwarding Business Act, the Customs Business Act, the Food Sanitation Act and laws and regulations relating to the environment. For this reason, any unforeseen changes, new establishments or violations of laws and regulations could have a significant impact on the Group's financial performance.

6) Risk associated with overseas expansion

The Group's overseas business strategy entails expanding procurement routes to avoid a concentration of suppliers, increasing the outsourcing of product processing to enhance cost competitiveness and proactive expansion with the aim of engaging in sales in consideration of the supply-demand imbalance. However, any acts of terrorism or deterioration in governments of countries where the Group operates, any fluctuation in economic circumstances therein, any unforeseen changes in laws and regulations or any trouble resulting from differences between the laws and regulations of Japan and those of the countries in which the Group operates could have a significant impact on the Group's financial performance.

7) Risk associated with foreign exchange rate fluctuation

The import and export of commodities and raw materials constitute a portion of the Group's main business operations and transactions denominated in foreign currencies expose the Group to risk associated with foreign exchange rate fluctuation. In order to mitigate this risk, the Group leverages forward exchange transactions. However, a drastic exchange rate fluctuation that cannot be covered by such transactions could have a significant impact on the Group's financial performance.

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) Targets and Management Indices

1) Targets under Fifth Medium-Term Management Plan

Begun in October 2014, the Fifth Medium-Term Management Plan “Flap The Wings 2017” is a three-year plan covering October 2014 through September 2017. Fiscal 2017 is the final year of the management plan, and the Group is steadily promoting various measures to achieve the plan’s targets by summoning all of its combined capabilities.

(3) Medium-Term Corporate Strategy

1) Guiding principle and vision

The current management plan’s guiding principle is to maximize the Group’s accumulated strengths and management resources in order to provide high-quality services worthy of the Yokohama Reito Group and build Win-Win relationships and strong partnerships with customers.

2) Business operation policies

In the Refrigerated Warehousing Business, the Group is promoting the establishment of storage and logistics sites and building a nationwide network in order to provide optimal logistics and establish the Group as the leading cool network company.

In the Food Sales Business, the operational policy is to thoroughly implement partnership-oriented trading in order to establish a business structure with stable profitability. Based on this policy, the Group is expanding its mainstay products across the Company and bolstering overseas trading.

(4) Issues to Address

The Yokohama Reito Group aims to leverage its well-developed management foundation and sound financial structure to establish a management structure capable of responding to various changes in economic and operating conditions. This will enable the Group to realize its vision of a sustainable improvement in corporate value.

Going forward, the Group will deploy and maintain up-to-date IT systems in order to promote the standardization, efficiency, and consolidation of operations and achieve further cost reductions. Additionally, the Group will implement meticulous risk management and continually take measures to strengthen compliance and internal controls while also bolstering corporate governance. The Group will also enhance its training systems to nurture its employees, who are critical to the Group’s future growth, with the aim of establishing a robust organization.

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

	As of September 30, 2015	As of September 30, 2016	(Millions of yen)
	Amount	Amount	
Assets			
Current assets			
Cash and deposits	3,887	5,210	
Notes and accounts receivable - trade	20,531	18,107	
Merchandise	18,718	18,691	
Deferred tax assets	539	435	
Other	2,466	6,615	
Allowance for doubtful accounts	(15)	(6)	
Total current assets	<u>46,128</u>	<u>49,055</u>	
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	33,169	36,486	
Machinery, equipment and vehicles, net	6,496	6,353	
Land	19,366	26,407	
Leased assets, net	283	564	
Construction in progress	2,695	1,011	
Other, net	745	769	
Total property, plant and equipment	<u>62,756</u>	<u>71,593</u>	
Intangible fixed assets			
Goodwill	483	12,418	
Other	1,729	1,764	
Total intangible fixed assets	<u>2,212</u>	<u>14,183</u>	
Investments and other assets			
Investment securities	6,859	7,120	
Long-term loans receivable	56	719	
Other	1,001	995	
Allowance for doubtful accounts	(113)	(112)	
Total investments and other assets	<u>7,804</u>	<u>8,722</u>	
Total noncurrent assets	<u>72,773</u>	<u>94,499</u>	
Total assets	118,901	143,554	

	As of September 30, 2015	As of September 30, 2016	(Millions of yen)
	Amount	Amount	
Liabilities			
Current liabilities			
Notes and accounts payable - trade	6,028	5,344	
Short-term loans payable	16,331	30,601	
Current portion of long-term loans payable	3,298	4,446	
Lease obligations	102	74	
Income taxes payable	844	1,642	
Accrued employees' bonuses	659	692	
Accrued bonuses for directors and corporate auditors	27	34	
Other	3,877	6,023	
Total current liabilities	31,171	48,859	
Noncurrent liabilities			
Convertible bonds	7,000	6,995	
Long-term loans payable	16,160	21,885	
Lease obligations	144	166	
Deferred tax liabilities	542	229	
Provision for Executive Compensation BIP Trust	44	91	
Net defined benefit liability	947	1,431	
Asset retirement obligations	105	105	
Other	464	805	
Total noncurrent liabilities	25,408	31,710	
Total liabilities	56,579	80,570	
Net assets			
Shareholders' equity			
Common stock	11,065	11,068	
Capital surplus	11,132	11,135	
Retained earnings	37,575	39,465	
Treasury stock	(546)	(538)	
Total shareholders' equity	59,228	61,130	
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	1,908	1,923	
Deferred gain (loss) on derivatives under hedge accounting	0	(29)	
Foreign currency translation adjustments	319	(172)	
Remeasurements of defined benefit plans	(125)	(813)	
Total accumulated other comprehensive income	2,102	907	
Non-controlling interests			
Total net assets	991	946	
Total liabilities and net assets	118,901	143,554	

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

	Year ended September 30, 2015	Year ended September 30, 2016	(Millions of yen)
	Amount	Amount	
Net sales	154,767	148,609	
Cost of sales	143,275	136,134	
Gross profit	11,492	12,474	
Selling, general and administrative expenses	7,617	7,305	
Operating income	3,874	5,169	
Other income			
Interest income	53	59	
Dividend income	107	131	
Incentives received	31	-	
Insurance dividends	31	36	
Insurance received	128	62	
Settlement received	-	85	
Purchase discounts	20	96	
Other	216	224	
Total other income	589	696	
Other expenses			
Interest expense	358	376	
Other	64	147	
Total other expenses	423	524	
Ordinary income	4,039	5,342	
Extraordinary losses			
Loss on removal of offices	-	616	
Total extraordinary losses	-	616	
Income before income taxes	4,039	4,725	
Income taxes—Current	1,497	1,849	
Income taxes—Deferred	(12)	(67)	
Total income taxes	1,484	1,781	
Profit	2,555	2,943	
Profit attributable to non-controlling interests	37	11	
Profit attributable to owners of the parent	2,517	2,932	

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Year ended September 30, 2015	Year ended September 30, 2016
	Amount	Amount
Profit	2,555	2,943
Other comprehensive income		
Unrealized gain on available-for-sale securities	821	14
Deferred gain (loss) on derivatives under hedge accounting	(45)	(30)
Foreign currency translation adjustments	511	(669)
Remeasurements of defined benefit plans	(34)	(687)
Total other comprehensive income	<u>1,252</u>	<u>(1,372)</u>
Comprehensive income	3,808	1,571
Breakdown:		
Comprehensive income attributable to owners of the parent	3,641	1,737
Comprehensive income attributable to non-controlling interests	166	(165)

(3) Consolidated Statements of Changes in Shareholders' Equity

Year ended September 30, 2015 (October 1, 2014 – September 30, 2015)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of October 1, 2014	11,065	11,109	36,145	(522)	57,799
Cumulative effect of change in accounting policy			(49)		(49)
Balance as of October 1, 2014 reflecting change in accounting policy	11,065	11,109	36,096	(522)	57,749
Changes during period					
Conversion of convertible bonds					-
Cash dividends			(1,038)		(1,038)
Profit attributable to owners of the parent			2,517		2,517
Purchase of treasury stock				(300)	(300)
Disposal of treasury stock		23		276	299
Net change in items other than shareholders' equity during period					-
Total changes during period	-	23	1,479	(24)	1,478
Balance as of September 30, 2015	11,065	11,132	37,575	(546)	59,228

	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, 2014	1,087	46	(63)	(91)	978	857	59,635
Cumulative effect of change in accounting policy					-		(49)
Balance as of October 1, 2014 reflecting change in accounting policy	1,087	46	(63)	(91)	978	857	59,585
Changes during period							
Conversion of convertible bonds					-		-
Cash dividends					-		(1,038)
Profit attributable to owners of the parent					-		2,517
Purchase of treasury stock					-		(300)
Disposal of treasury stock					-		299
Net change in items other than shareholders' equity during period	821	(45)	382	(34)	1,123	134	1,258
Total changes during period	821	(45)	382	(34)	1,123	134	2,736
Balance as of September 30, 2015	1,908	0	319	(125)	2,102	991	62,322

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 September 30, 2015	11,065	11,132	37,575	(546)	59,228
Cumulative effect of change in accounting policy					-
Balance as of October 1, 2015 reflecting change in accounting policy	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
Cumulative effect of change in accounting policy					-		-
Balance as of October 1, 2015 reflecting change in accounting policy	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)	(45)	(1,240)
Total changes during period	14	(30)	(491)	(687)	(1,194)	(45)	661
Balance as of September 30, 2016	1,923	(29)	(172)	(813)	907	946	62,984

(4) Consolidated Statements of Cash flows

	(Millions of yen)	
	Year ended September 30, 2015	Year ended September 30, 2016
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	4,039	4,725
Depreciation and amortization	4,465	4,237
Amortization of goodwill	117	99
Increase (decrease) in accrued employees' bonuses	8	32
Increase (decrease) in accrued bonuses for directors and corporate auditors	(2)	7
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	(390)	-
Increase (decrease) in net defined benefit liability	62	(507)
Increase (decrease) in provision for Executive Compensation BIP Trust	44	47
Increase (decrease) in allowance for doubtful accounts	(1)	(9)
Loss on removal of offices	-	616
Interest and dividends income	(161)	(191)
Interest expenses	358	376
Decrease (increase) in accounts receivable - trade	(852)	2,421
Decrease (increase) in inventories	(1,228)	936
Increase (decrease) in accounts payable - trade	(1,286)	(934)
Increase (decrease) in accrued expenses	821	(57)
Other - net	(165)	(3,942)
Sub total	5,831	7,859
Interest and dividend income received	162	189
Interest paid	(349)	(384)
Income taxes paid	(1,454)	(1,525)
Net cash provided by (used in) operating activities	4,189	6,138
Cash flows from investing activities		
Payments into time deposits	-	(10)
Withdrawals from time deposits	561	-
Purchase of property, plant and equipment	(7,318)	(11,166)
Proceeds from sales of property, plant and equipment	-	2
Purchase of investment securities	(358)	(290)
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	(890)	(750)
Collection of loans receivable	328	225
Other – net	(33)	(49)
Net cash provided by (used in) investing activities	(7,711)	(25,004)

	(Millions of yen)	
	Year ended September 30, 2015	Year ended September 30, 2016
	Amount	Amount
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,900	14,399
Proceeds from long-term loans payable	3,336	10,849
Repayments of long-term loans payable	(3,258)	(3,824)
Proceeds from sales of treasury stock	299	-
Purchase of treasury stock	(300)	(1)
Dividends paid to shareholders	(1,038)	(1,042)
Other – net	(150)	(115)
Net cash provided by (used in) financing activities	2,788	20,265
Effect of exchange rate changes on cash and cash equivalents	190	(87)
Net increase (decrease) in cash and cash equivalents	(543)	1,312
Cash and cash equivalents, beginning of period	4,431	3,887
Cash and cash equivalents, end of period	3,887	5,200

(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: 7

Names of consolidated subsidiaries:

Thai Yokorei Co., Ltd.

Clover Trading Co., Ltd.

Alliance Seafoods, Inc.

Best Cold Chain Co., Ltd.

Syvde Eiendom AS

Fjordlaks Aqua AS

HIYR AS

Among the consolidated subsidiaries mentioned above, HIYR AS was included in the scope of consolidation due to its establishment in the fiscal year under review; Syvde Eiendom AS and Fjordlaks Aqua AS were included in the scope of consolidation due to the acquisition of their shares.

(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, Fjordlaks Aqua AS and HIYR 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, Fjordlaks Aqua AS and HIYR 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, allowance was calculated by assessing 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, 2016.

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, 2016.

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.

(Changes in Accounting policies)

(Application of accounting standard for business combinations)

Effective from the fiscal year ended September 30, 2016, the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013, hereinafter referred to as the “Business Combinations Accounting Standard”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereinafter referred to as the “Consolidated Financial Statements Accounting Standard”), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013, hereinafter referred to as the “Business Divestitures Accounting Standard”) are applied. Accordingly, for subsidiaries the

Company continues to control, differences arising due to changes in the equity portion are reported as capital surplus and costs associated with the acquisition of shares are reported as expenses in the consolidated fiscal year in which they are incurred. Additionally, for business combinations that are implemented on or after the beginning of the fiscal year ended September 30, 2016, the allocation of the cost of acquisitions, as determined after review of provisional accounting treatment, is reflected in the consolidated financial statements for the fiscal year in which the business combination took place. Furthermore, the Company has changed the method of presenting net income and changed minority interests to non-controlling interests item. To reflect these changes in presentation, the Company has restated the consolidated financial statements for the previous fiscal year.

The Business Combinations Accounting Standard, etc., have been applied in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Accounting Standard, Paragraph 44-5 (4) of Consolidated Financial Statements Accounting Standard, and 57-4 (4) of the Business Divestitures Accounting Standard, Paragraph, from the beginning of the fiscal year ended September 30, 2016 and thereafter.

As a result, operating income, ordinary income and income before income taxes have decreased by ¥160 million, respectively.

In the consolidated statements of cash flows for the fiscal year ended September 30, 2016, cash flows related to acquisition-related costs in the acquisition of shares of subsidiaries that result in a change in the scope of consolidation are recorded under “cash flows from operating activities.”

In addition, net assets per share and profit attributable to owners of the parent per share have decreased by ¥3.10, respectively, and profit attributable to owners of the parent per share (diluted) have decreased by ¥2.72.

(Application of practical solution on a change in depreciation method due to Tax Reform 2016)
Pursuant to an amendment in the Corporation Tax Act, the Company has applied the “Practical solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) effective from the fiscal year ended September 30, 2016. Accordingly, the Company has changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016, from the declining-balance method to the straight-line method. The effect of this change on the consolidated financial statements for the fiscal year ended September 30, 2016 is immaterial.

(Changes in Presentation Methods)

(Consolidated Statements of Cash Flows)

Decrease (increase) in advance payments which had been included in “Other” under “Cash flows from operating activities” in the previous fiscal year is presented separately from the fiscal year ended September 30, 2016, as its monetary significant has increased. The consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, the minus ¥165 million, which had been presented as “Other” under “Cash flows from operating activities” in the consolidated statements of cash flows in the previous fiscal year is restated as minus ¥882 million of “Decrease (increase) in advance payments” and ¥717 million of “Other.”

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 includes 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, 2014 – September 30, 2015)

	Reportable segment				Adjustments *1	(Millions of yen) Amounts reported on consolidated financial statements*2
	Refrigerated warehousing	Food sales	Other	Total		
Net sales						
Sales to outside customers	24,139	130,595	32	154,767	-	154,767
Intersegment sales or transfers	1,875	-	41	1,917	(1,917)	-
Total	26,015	130,595	73	156,684	(1,917)	154,767
Segment profit	4,748	1,189	36	5,973	(2,099)	3,874
Segment assets	67,304	40,056	335	107,696	11,205	118,901
Other items						
Depreciation and amortization*3	4,211	26	13	4,251	214	4,465
Amortization of goodwill	58	59	-	117	-	117
Increase in property, plant and equipment and intangible fixed assets*3	4,531	40	-	4,571	41	4,613

Notes: 1. Details of adjustments are as follows:

- 1) The minus 2,099 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 11,205 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 214 million yen adjustment for depreciation/amortization was for unallocated corporate assets.

4) The 41 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, 2015 – September 30, 2016)

(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	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	57,955	1,503	132,092	11,461	143,554
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.

b. Related information

(October 1, 2014 – September 30, 2015)

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

Information was omitted from disclosure because net sales to outside customers in Japan exceed 90% of total net sales in the consolidated statements of income.

2) Property, plant and equipment

Information was omitted from disclosure because total property, plant and equipment owned in Japan exceed 90% of total property, plant and equipment in the consolidated balance sheets.

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, 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)			
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.

c. Impairment loss on noncurrent assets by reportable segment

(October 1, 2014 – September 30, 2015)

Not applicable

(October 1, 2015 – September 30, 2016)
Not applicable

d. Amortization expense for and unamortized balance of goodwill by reportable segment
(October 1, 2014 – September 30, 2015)

	Refrigerated warehousing	Food sales	Other	Sub total	Elimination/corporate	Total	(Millions of yen)
Amortization expense	58	59	-	117	-	117	
Unamortized balance	305	177	-	483	-	483	

(October 1, 2015 – September 30, 2016)

	Refrigerated warehousing	Food sales	Other	Sub total	Elimination/corporate	Total	(Millions of yen)
Amortization expense	40	59	-	99	-	99	
Unamortized balance	265	12,153	-	12,418	-	12,418	

e. Gain on negative goodwill by reportable segment

(October 1, 2014 – September 30, 2015)
Not applicable

(October 1, 2015 – September 30, 2016)
Not applicable

(Per-Share Information)

Year ended September 30, 2015		Year ended September 30, 2016	
	yen		yen
Net assets per share	1,185.23	Net assets per share	1,198.56
Profit attributable to owners of the parent per share	48.66	Profit attributable to owners of the parent per share	56.66
Profit attributable to owners of the parent per share (diluted)	42.59	Profit attributable to owners of the parent per share (diluted)	49.60

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, 2015	Year ended September 30, 2016
Profit attributable to owners of the parent per share			
Profit attributable to owners of the parent (millions of yen)		2,517	2,932
Amount not attributable to common stock shareholders (millions of yen)		-	-
Profit attributable to owners of the parent related to common stock (millions of yen)		2,517	2,932
Average number of shares outstanding (thousands of shares)		51,745	51,753
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)		7,368	7,366
<i>Of which, Convertible bonds</i> (thousands of shares)		(7,368)	(7,366)

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 (200,900 shares for the fiscal year ended September 30, 2015; 365,623 shares for the fiscal year ended September 30, 2016).

(Significant Subsequent Events)

Not applicable