

1. Qualitative Information on the Consolidated Business Results for the Three Months Ended December 31, 2015

(1) Qualitative Information on the Consolidated Operating Performance

(Operating environment)

In the first three months of the fiscal year ending September 30, 2016 (October 1, 2015 - December 31, 2015), the Japanese economy demonstrated gradual recovery owing to improvements in employment conditions and corporate earnings. Reviewing global economic trends, while the U. S. made progress in normalizing its monetary policy, the slowing expansion of China became more evident, oil prices declined, and the risk of economic downturn arose in emerging countries. These developments posed future risks to the Japanese economy.

In food industries related to the Yokohama Reito Group's business, the business environment remained unstable. While price increases by food manufacturers and retailers ran their course, raw materials costs soared and logistics costs rose amid the continued depreciation of the yen.

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 Company. During the period, the Group took various initiatives on the basis of these business operation policies.

In the Refrigerated Warehousing Business, cargo movement was brisk in the first three months of the fiscal year. The Group maintained high levels of inventory, mainly for frozen foods and livestock products, and performance was consistent with the business plan. In the Food Sales Business, while market prices softened for some livestock products, the overseas business of consolidated subsidiary Alliance Seafoods, Inc. began to take off and earnings were restored.

As a result, the Group's consolidated net sales for the first three months of the fiscal year totaled ¥42,035 million, a 5.3% increase compared to the same period of the previous fiscal year. Operating income totaled ¥1,820 million, a year-on-year increase of 40.5%, ordinary income totaled ¥1,996 million, a year-on-year increase of 48.4%, and profit attributable to owners of the parent totaled ¥1,320 million, a year-on-year increase of 49.9%.

(Results by business segment)

Refrigerated Warehousing Business

The Refrigerated Warehousing Business posted a year-on-year increase in sales and profits for the first three months. Four new logistics centers opened successively since September 2014 all operated at full scale to boost sales, while profits increased amid a decline in one-time expenses for the launch of the centers. Additionally, cargo movement grew steadily compared with the first quarter of the previous year, when rapid yen depreciation dented demand.

In terms of cargo handling, the volume of inbound cargo increased by approx. 24,000 tons, an increase of 7.4% compared with the same period of the previous year, and the volume of outbound cargo rose by approx. 17,000 tons, a year-on-year increase of 5.4%. The average inventory volume increased by approx. 87,000 tons, or 10.7% year on year.

As a result, the segment's net sales increased 6.0% compared with the same period of the previous year to ¥6,718 million, while operating income increased 26.5% year on year to ¥1,859 million.

Food Sales Business

The Food Sales Business achieved an earnings recovery for the entire segment. While yen depreciation continued during the period, currency markets stabilized compared with the same period of the previous year, when rapid yen depreciation created a severe earnings environment for imported food products.

The marine products category posted year-on-year increases in sales and profit. Sales of mainstay crab, scallops, and mackerel all contributed to earnings. Additionally, the comprehensive business alliance with Hofseth International AS concluded in August 2015 expanded sales volumes of Norwegian Atlantic salmon and made a significant contribution to increased revenues.

In the livestock products category, both sales and profits declined. Sales and profits for chicken declined due to a sharp drop in prices amid a domestic oversupply of distribution inventory. For pork, the Group has taken steps to adjust its trading volumes since the supply-demand balance deteriorated in the first quarter of the previous year amid concerns over the government's safeguard system. As a result, even while sales declined significantly year on year, the pork category returned to profitability.

The agricultural products category posted an increase in sales and profit. Sales of mainstay potatoes were strong, and higher trading volumes contributed to earnings. Earnings also benefitted from active sales initiatives, including spot trading of food products.

As a result, segment sales amounted to ¥35,305 million, an increase of 5.1% compared with the same period of the previous fiscal year, and operating income totaled ¥483 million, a year-on-year increase of 46.1%.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at December 31, 2015 amounted to ¥135,282 million, an increase of ¥16,380 million compared with the previous fiscal year-end (September 30, 2015). This change was mainly attributable to increases of ¥6,837 million in property, plant, and equipment, ¥6,404 million in merchandise, ¥1,826 million in investment securities, and ¥1,536 million in notes and accounts receivable-trade.

Total liabilities amounted to ¥71,931 million, an increase of ¥15,351 million compared with the previous fiscal year-end. This change was mainly attributable to an increase of ¥13,014 million in loans payable.

Total net assets amounted to ¥63,351 million, an increase of ¥1,029 million compared with the previous fiscal year-end.

Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the first quarter amounted to ¥3,592 million, a decrease of ¥295 million compared with the previous fiscal year-end (September 30, 2015). 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 ¥5,492 million compared with ¥6,646 million used in the same period of the previous fiscal year. This net outflow was mainly attributable to increases of ¥6,396 million in inventories and ¥1,561 million in accounts receivable-trade, which were partially offset by income before income taxes of ¥1,996 million, depreciation and amortization of ¥1,017 million, and an increase of ¥1,065 million in accounts payable-trade.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥7,620 million, compared with ¥3,388 million used in the same period of the previous fiscal year. The main investment outflows were ¥6,511 million used for the purchase of property, plant and equipment and ¥1,038 million for the purchase of investment securities.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥12,860 million, compared with ¥11,017 million provided in the same period of the previous fiscal year. This net inflow was mainly derived from a net increase in loans payable of ¥13,434 million, which was partly offset by dividends paid to shareholders of ¥521 million.

(3) Consolidated Earnings Forecast

There is no change to the earnings forecast for the year ending September 30, 2016 announced on November 13, 2015 with the financial results for the year ended September 30, 2015.

2. Other Information

(1) Changes in consolidation status of major subsidiaries during the period:

Not applicable

(2) Use of accounting methods specific to the preparation of quarterly consolidated financial statements:

Not applicable

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement:

(Application of accounting standard for business combinations)

“Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and other standards are applied, effective the first quarter of the fiscal year ending September 30, 2016. Accordingly, presentation of net income has been changed and presentation of minority interests has been changed to non-controlling interests. In order to reflect the changes in presentation of financial statements, reclassification was made accordingly in the quarterly consolidated financial statements for the three months ended December 31, 2014 and the consolidated financial statements for the fiscal year ended September 30, 2015.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of September 30, 2015 Amount	(Millions of yen) As of December 31, 2015 Amount
Assets		
Current assets		
Cash and deposits	3,887	3,592
Notes and accounts receivable - trade	20,531	22,067
Merchandise	18,718	25,123
Deferred tax assets	539	144
Other	2,466	2,913
Allowance for doubtful accounts	(15)	(16)
Total current assets	<u>46,128</u>	<u>53,825</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	33,169	34,760
Machinery, equipment and vehicles, net	6,496	6,544
Land	19,366	25,424
Leased assets, net	283	270
Construction in progress	2,695	1,804
Other, net	745	789
Total property, plant and equipment	<u>62,756</u>	<u>69,594</u>
Intangible fixed assets		
Goodwill	483	453
Other	1,729	1,728
Total intangible fixed assets	<u>2,212</u>	<u>2,182</u>
Investments and other assets		
Investment securities	6,859	8,686
Long-term loans receivable	56	28
Other	1,001	1,078
Allowance for doubtful accounts	(113)	(113)
Total investments and other assets	<u>7,804</u>	<u>9,680</u>
Total noncurrent assets	<u>72,773</u>	<u>81,457</u>
Total assets	<u>118,901</u>	<u>135,282</u>

	As of September 30, 2015 Amount	(Millions of yen) As of December 31, 2015 Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,028	7,094
Short-term loans payable	16,331	22,818
Current portion of long-term loans payable	3,298	4,014
Lease obligations	102	88
Income taxes payable	844	355
Accrued employees' bonuses	659	127
Accrued bonuses for directors and corporate auditors	27	6
Other	3,877	5,996
Total current liabilities	<u>31,171</u>	<u>40,501</u>
Noncurrent liabilities		
Convertible bonds	7,000	7,000
Long-term loans payable	16,160	21,971
Lease obligations	144	149
Deferred tax liabilities	542	808
Provision for Executive Compensation BIP Trust	44	58
Net defined benefit liability	947	931
Asset retirement obligations	105	105
Other	464	403
Total noncurrent liabilities	<u>25,408</u>	<u>31,429</u>
Total liabilities	<u>56,579</u>	<u>71,931</u>
Net assets		
Shareholders' equity		
Common stock	11,065	11,065
Capital surplus	11,132	11,132
Retained earnings	37,575	38,374
Treasury stock	(546)	(547)
Total shareholders' equity	<u>59,228</u>	<u>60,026</u>
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	1,908	2,450
Deferred gain (loss) on derivatives under hedge accounting	0	19
Foreign currency translation adjustments	319	62
Remeasurements of defined benefit plans	(125)	(117)
Total accumulated other comprehensive income	<u>2,102</u>	<u>2,415</u>
Non-controlling interests	<u>991</u>	<u>909</u>
Total net assets	<u>62,322</u>	<u>63,351</u>
Total liabilities and net assets	<u>118,901</u>	<u>135,282</u>

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

(Millions of yen)

	Three months ended December 31, 2014	Three months ended December 31, 2015
	Amount	Amount
Net sales	39,938	42,035
Cost of sales	36,608	38,296
Gross profit	3,330	3,738
Selling, general and administrative expenses	2,034	1,918
Operating income	1,295	1,820
Other income		
Interest income	6	11
Dividend income	25	37
Insurance dividends	31	36
Incentives received	29	-
Gain on sales of noncurrent assets	0	-
Settlement received	-	85
Other	49	109
Total other income	142	278
Other expenses		
Interest expense	82	90
Loss on sales and retirement of noncurrent assets	3	-
Other	6	12
Total other expenses	92	102
Ordinary income	1,345	1,996
Income before income taxes	1,345	1,996
Income taxes—Current	233	275
Income taxes—Deferred	218	395
Total income taxes	452	670
Profit	893	1,326
Profit attributable to non-controlling interests	12	5
Profit attributable to owners of the parent	880	1,320

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended December 31, 2014	Three months ended December 31, 2015
	Amount	Amount
Profit	893	1,326
Other comprehensive income		
Unrealized gain on available-for-sale securities	580	541
Deferred gain (loss) on derivatives under hedge accounting	19	19
Foreign currency translation adjustments	267	(343)
Remeasurements of defined benefit plans	8	8
Total other comprehensive income	<u>875</u>	<u>225</u>
Comprehensive income	<u>1,769</u>	<u>1,551</u>
Breakdown:		
Comprehensive income attributable to owners of the parent	1,689	1,633
Comprehensive income attributable to non-controlling interests	79	(82)

(3) Consolidated Statements of Cash flows

	(Millions of yen)	
	Three months ended December 31, 2014	Three months ended December 31, 2015
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	1,345	1,996
Depreciation and amortization	1,081	1,017
Amortization of goodwill	29	29
Increase (decrease) in accrued employees' bonuses	(519)	(532)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(22)	(21)
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	(390)	-
Increase (decrease) in allowance for doubtful accounts	1	1
Increase (decrease) in net defined benefit liability	(10)	(13)
Increase (decrease) in provision for Executive Compensation BIP Trust	-	14
Interest and dividend income	(32)	(48)
Interest expenses paid on loans and bonds	82	90
Decrease (increase) in accounts receivable - trade	(1,288)	(1,561)
Decrease (increase) in inventories	(6,235)	(6,396)
Increase (decrease) in accounts payable - trade	(126)	1,065
Increase (decrease) in accrued expenses	727	446
Other - net	(581)	(828)
Sub total	(5,939)	(4,741)
Interest and dividend income received	27	45
Interest paid	(71)	(89)
Income taxes paid	(662)	(707)
Net cash provided by (used in) operating activities	(6,646)	(5,492)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,239)	(6,511)
Proceeds from sales of property, plant and equipment	0	0
Purchase of investment securities	(1)	(1,038)
Proceeds from sales of investment securities	-	7
Payments of loans receivable	(148)	(156)
Collection of loans receivable	24	96
Other – net	(23)	(18)
Net cash provided by (used in) investing activities	(3,388)	(7,620)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	9,280	6,581
Proceeds from long-term loans payable	2,946	7,561
Repayments of long-term loans payable	(656)	(708)
Purchase of treasury stock	(0)	(1)
Dividends paid to shareholders	(517)	(521)
Other – net	(34)	(51)
Net cash provided by (used in) financing activities	11,017	12,860
Effect of exchange rate changes on cash and cash equivalents	67	(41)
Net increase (decrease) in cash and cash equivalents	1,050	(295)
Cash and cash equivalents, beginning of period	4,431	3,887
Cash and cash equivalents, end of period	5,481	3,592

(4) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)
Not applicable

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

Segment information

I. Three months ended December 31, 2014 (October 1, 2014 – December 31, 2014)

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	6,339	33,590	8	39,938	-	39,938
Intersegment sales or transfers	531	-	11	542	(542)	-
Total	6,870	33,590	19	40,480	(542)	39,938
Segment income (loss)	1,469	330	10	1,811	(515)	1,295

Notes: 1. The minus 515 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. Three months ended December 31, 2015 (October 1, 2015 – December 31, 2015)

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	6,718	35,305	11	42,035	-	42,035
Intersegment sales or transfers	487	-	10	498	(498)	-
Total	7,206	35,305	22	42,534	(498)	42,035
Segment income (loss)	1,859	483	12	2,355	(535)	1,820

Notes: 1. The minus 535 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.