

1. Qualitative Information on the Consolidated Business Results for the Six Months Ended March 31, 2016

(1) Qualitative Information on the Consolidated Operating Performance

(Operating environment)

In the first six months of the fiscal year ending September 30, 2016 (October 1, 2015 - March 31, 2016), the Japanese economy demonstrated gradual recovery owing to improvements in corporate earnings, employment conditions, and personal incomes. However, the risk of global economic downturn arose due to slowing expansion in China and emerging countries, which also posed future risks to the Japanese economy.

In food industries related to the Yokohama Reito Group's business, the business environment remained at a standstill. While earnings continued to improve as a result of price increases to cover higher raw materials costs, price increases on food products and daily necessities impacted personal consumption.

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.

In the Refrigerated Warehousing Business, brisk cargo movement seen from the start of the current fiscal year continued through the second quarter. The Group maintained high levels of inventory, mainly for livestock products and frozen foods, and performance was consistent with the business plan. In the Food Sales Business, while softer market prices for some livestock products generated losses, the Group achieved steady sales by maintaining appropriate inventory levels, and the overseas business of consolidated subsidiary Alliance Seafoods, Inc. began to take off. As a result, the Food Sales Business's earnings improved overall.

As a result, the Group's consolidated net sales for the first six months of the fiscal year totaled ¥75,572 million, a 0.8% increase compared to the same period of the previous fiscal year. Operating income totaled ¥2,853 million, a year-on-year increase of 56.5%, ordinary income totaled ¥3,082 million, a year-on-year increase of 66.0%, and profit attributable to owners of the parent totaled ¥1,984 million, a year-on-year increase of 75.8%. The Group's net sales, operating income and ordinary income all posted record highs for a first-half period.

(Results by business segment)

Refrigerated Warehousing Business

The Refrigerated Warehousing Business posted a year-on-year increase in sales and profits for the first six months. Sales were driven by the full-scale operation of four new logistics centers opened successively since the fiscal year ended September 2014 and strategic wide-area sales activities along with the promotion of "becoming a national network company in Japan," one of the key measures in the Medium-Term Management Plan. Profits increased amid a year-on-year decline in one-time expenses for the launch of the centers. Additionally, cargo movement grew steadily from the start of the current fiscal year compared with the same period of the previous year, when rapid yen depreciation dented demand.

In terms of cargo handling, the volume of inbound cargo increased by approx. 38,000 tons, an increase of 6.4% compared with the same period of the previous year, and the volume of outbound cargo rose by approx. 41,000 tons, a year-on-year increase of 6.8%. The average inventory volume increased by approx. 165,000 tons, or 10.2% year on year.

As a result, the segment's net sales increased 6.0% compared with the same period of the previous year to ¥12,663 million, while operating income increased 28.5% year on year to ¥3,263 million.

Food Sales Business

The Food Sales Business achieved an overall earnings recovery, as gradual yen appreciation from the start of the current fiscal year supported an improvement in the earnings environment for imported food products.

The marine products category posted year-on-year increases in sales and profit. Sales and profits for salmon/trout grew strongly, driven by the solid growth of the Norwegian Atlantic salmon business launched through a comprehensive business alliance with Hofseth International AS from August 2015. Sales and profits of shrimp also increased, as sales strategies oriented towards higher turnover rates led to improved profit margins. Scallops, a mainstay product, posted lower sales and profits due to a steep decline in trading volumes caused by poor weather. Sales of mackerel grew while profits declined, as trading became focused on small-sized mackerel for export, leading to higher trading volumes and lower profit margins.

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. Sales of pork declined while profits increased, as the Group adjusted trading volumes to restore appropriate inventory levels and improve turnover. Sales and profits of beef improved through expanded sales channels.

The agricultural products category posted an increase in sales and profit. Sales of mainstay potatoes were strong, and higher trading volumes contributed to higher earnings. Sales and profits of onions also increased, as higher trading volumes offset unit price declines stemming from a bumper crop.

As a result, segment sales amounted to ¥62,879 million, a decline of 0.2% compared with the same period of the previous fiscal year, and operating income totaled ¥678 million, a year-on-year increase of 157.4%.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at March 31, 2016 amounted to ¥128,471 million, an increase of ¥9,569 million compared with the previous fiscal year-end (September 30, 2015). This change was mainly attributable to increases of ¥6,607 million in property, plant, and equipment and ¥5,284 million in merchandise, while notes and accounts receivable-trade declined by ¥2,914 million.

Total liabilities amounted to ¥65,004 million, an increase of ¥8,425 million compared with the previous fiscal year-end. This change was mainly attributable to an increase of ¥9,643 million in loans payable.

Total net assets amounted to ¥63,466 million, an increase of ¥1,143 million compared with the previous fiscal year-end.

Cash Flows

Cash and cash equivalents (hereinafter, "cash") at the end of the second quarter amounted to ¥3,120 million, a decrease of ¥767 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 provided by operating activities amounted to ¥502 million compared with ¥1,688 million used in the same period of the previous fiscal year. This net inflow was mainly attributable to income before income taxes of ¥3,082 million, a decrease of ¥2,893 million in accounts receivable-trade, which were partially offset by an increase of ¥5,280 million in inventories.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥10,646 million, compared with ¥6,549 million used in the same period of the previous fiscal year. The main investment outflows were ¥9,008 million used for the purchase of property, plant and equipment and ¥1,537million for the purchase of investment securities.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥9,411 million, compared with ¥8,140 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 ¥10,000 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 six months ended March 31, 2015 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 March 31, 2016 Amount
Assets		
Current assets		
Cash and deposits	3,887	3,120
Notes and accounts receivable - trade	20,531	17,616
Merchandise	18,718	24,003
Deferred tax assets	539	324
Other	2,466	2,664
Allowance for doubtful accounts	(15)	(12)
Total current assets	46,128	47,716
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	33,169	34,277
Machinery, equipment and vehicles, net	6,496	6,379
Land	19,366	25,852
Leased assets, net	283	262
Construction in progress	2,695	1,767
Other, net	745	825
Total property, plant and equipment	62,756	69,364
Intangible fixed assets		
Goodwill	483	430
Other	1,729	1,725
Total intangible fixed assets	2,212	2,156
Investments and other assets		
Investment securities	6,859	8,240
Long-term loans receivable	56	26
Other	1,001	1,080
Allowance for doubtful accounts	(113)	(113)
Total investments and other assets	7,804	9,234
Total noncurrent assets	72,773	80,754
Total assets	118,901	128,471

	As of September 30, 2015 Amount	(Millions of yen) As of March 31, 2016 Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,028	5,413
Short-term loans payable	16,331	20,494
Current portion of long-term loans payable	3,298	4,022
Lease obligations	102	87
Income taxes payable	844	983
Accrued employees' bonuses	659	503
Accrued bonuses for directors and corporate auditors	27	11
Other	3,877	3,441
Total current liabilities	<u>31,171</u>	<u>34,958</u>
Noncurrent liabilities		
Convertible bonds	7,000	6,999
Long-term loans payable	16,160	20,917
Lease obligations	144	143
Deferred tax liabilities	542	483
Provision for Executive Compensation BIP Trust	44	63
Net defined benefit liability	947	929
Asset retirement obligations	105	105
Other	464	403
Total noncurrent liabilities	<u>25,408</u>	<u>30,046</u>
Total liabilities	<u>56,579</u>	<u>65,004</u>
Net assets		
Shareholders' equity		
Common stock	11,065	11,066
Capital surplus	11,132	11,133
Retained earnings	37,575	39,039
Treasury stock	(546)	(538)
Total shareholders' equity	<u>59,228</u>	<u>60,700</u>
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	1,908	1,836
Deferred gain (loss) on derivatives under hedge accounting	0	17
Foreign currency translation adjustments	319	101
Remeasurements of defined benefit plans	(125)	(110)
Total accumulated other comprehensive income	<u>2,102</u>	<u>1,846</u>
Non-controlling interests	991	919
Total net assets	<u>62,322</u>	<u>63,466</u>
Total liabilities and net assets	<u>118,901</u>	<u>128,471</u>

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

	(Millions of yen)	
	Six months ended March 31, 2015	Six months ended March 31, 2016
	Amount	Amount
Net sales	74,983	75,572
Cost of sales	69,324	69,045
Gross profit	5,658	6,527
Selling, general and administrative expenses	3,834	3,674
Operating income	1,823	2,853
Other income		
Interest income	16	23
Dividend income	38	45
Insurance dividends	31	36
Incentives received	31	-
Gain on sales of noncurrent assets	0	-
Settlement received	-	85
Subsidy income	-	87
Other	119	182
Total other income	237	458
Other expenses		
Interest expense	182	194
Loss on sales and retirement of noncurrent assets	7	-
Other	14	34
Total other expenses	204	229
Ordinary income	1,856	3,082
Income before income taxes	1,856	3,082
Income taxes—Current	671	868
Income taxes—Deferred	39	225
Total income taxes	710	1,094
Profit	1,146	1,987
Profit attributable to non-controlling interests	17	2
Profit attributable to owners of the parent	1,129	1,984

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Six months ended March 31, 2015	Six months ended March 31, 2016
	Amount	Amount
Profit	1,146	1,987
Other comprehensive income		
Unrealized gain on available-for-sale securities	871	(71)
Deferred gain (loss) on derivatives under hedge accounting	8	17
Foreign currency translation adjustments	562	(291)
Remeasurements of defined benefit plans	13	15
Total other comprehensive income	1,455	(330)
Comprehensive income	2,601	1,657
Breakdown:		
Comprehensive income attributable to owners of the parent	2,442	1,728
Comprehensive income attributable to non-controlling interests	159	(71)

(3) Consolidated Statements of Cash flows

	(Millions of yen)	
	Six months ended March 31, 2015	Six months ended March 31, 2016
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	1,856	3,082
Depreciation and amortization	2,184	2,053
Amortization of goodwill	58	52
Increase (decrease) in accrued employees' bonuses	(139)	(155)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(15)	(16)
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	(390)	-
Increase (decrease) in allowance for doubtful accounts	(3)	(2)
Increase (decrease) in net defined benefit liability	(13)	(15)
Increase (decrease) in provision for Executive Compensation BIP Trust	-	19
Interest and dividend income	(54)	(68)
Interest expenses paid on loans and bonds	182	194
Decrease (increase) in accounts receivable - trade	644	2,893
Decrease (increase) in inventories	(3,629)	(5,280)
Increase (decrease) in accounts payable - trade	(1,862)	(615)
Increase (decrease) in accrued expenses	529	(293)
Other - net	(217)	(501)
Sub total	(870)	1,347
Interest and dividend income received	49	69
Interest paid	(172)	(196)
Income taxes paid	(696)	(717)
Net cash provided by (used in) operating activities	(1,688)	502
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,702)	(9,008)
Proceeds from sales of property, plant and equipment	1	3
Purchase of investment securities	(3)	(1,537)
Proceeds from sales of investment securities	-	7
Payments of loans receivable	(859)	(223)
Collection of loans receivable	48	159
Other – net	(33)	(47)
Net cash provided by (used in) investing activities	(6,549)	(10,646)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	7,000	4,242
Proceeds from long-term loans payable	3,246	7,564
Repayments of long-term loans payable	(1,523)	(1,806)
Proceeds from disposal of treasury stock	299	-
Purchase of treasury stock	(300)	(1)
Dividends paid to shareholders	(517)	(521)
Other – net	(64)	(66)
Net cash provided by (used in) financing activities	8,140	9,411
Effect of exchange rate changes on cash and cash equivalents	137	(35)
Net increase (decrease) in cash and cash equivalents	39	(767)
Cash and cash equivalents, beginning of period	4,431	3,887
Cash and cash equivalents, end of period	4,471	3,120

(4) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

Segment information

I. Six months ended March 31, 2015 (October 1, 2014 – March 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	11,949	63,017	16	74,983	-	74,983
Intersegment sales or transfers	1,011	-	22	1,033	(1,033)	-
Total	12,960	63,017	38	76,016	(1,033)	74,983
Segment income (loss)	2,539	263	19	2,822	(998)	1,823

Notes: 1. The minus 998 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 March 31, 2016 (October 1, 2015 – March 31, 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	12,663	62,879	29	75,572	-	75,572
Intersegment sales or transfers	876	-	21	898	(898)	-
Total	13,540	62,879	51	76,471	(898)	75,572
Segment income (loss)	3,263	678	16	3,958	(1,105)	2,853

Notes: 1. The minus 1,105 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.