

## **1. Qualitative Information on the Consolidated Business Results for the Fiscal Year Ended September 30, 2013**

### **(1) Qualitative Information on the Consolidated Operating Performance**

#### **(Operating environment)**

In the fiscal year ended September 30, 2013, the Japanese economy remained steady with corporate earnings entering an improvement trend as the effects of “Abenomics,” economic measures championed by the government and the Bank of Japan, came to the fore amid anticipated demand stemming from consumer spending ahead of an increase in the consumption tax. The global economy, meanwhile, experienced a mild recovery bolstered by firm private sector demand in the U.S. with Europe showing signs of recovery from its recession. However, uncertainties remain due to concerns over the impact of a slowdown in China’s economy and a reduction in U.S. quantitative easing measures.

#### **(Operating results)**

Amid this environment, the Yokohama Reito Group strove to improve results based on its two primary operating policies of “strengthening the core businesses” and “strengthening growth potential,” part of its Fourth Medium-Term Management Plan entitled “Step Toward the Future” (three-year plan) announced in November 2011.

The refrigerated warehousing business continued to perform well and achieved plan targets. The food sales business, which posted a segment loss in the previous fiscal year, saw a significant increase in sales and profit year on year attributable to early inventory clearance and a subsequent recovery in market prices. However, the increase was not quite enough for the business to attain its plan targets. As a result, the Group’s consolidated net sales for the fiscal year ended September 30, 2013 totaled ¥118,691 million, a year-on-year increase of 6.8%. Operating income totaled ¥3,729 million, a year-on-year increase of 244.1%, ordinary income totaled ¥3,806 million, a year-on-year increase of 208.5%, and net income totaled ¥2,308 million, a year-on-year increase of 1,059.9%.

Results by business segment are as follows.

#### **1) Refrigerated Warehousing Business**

The inventory to sales ratio, which had remained at a high level during the previous fiscal year, remained level overall due to a recovery in cargo movements mostly consisting of food cargo, and the domestic inbound and outbound refrigerated warehousing volume was robust. The stronger presence of the logistics outsourcing service, launched the previous year, contributed to an improvement in the segment’s earnings as customs clearance income, distribution processing income and other peripheral income increased. Overseas, Thai subsidiary Thai Yokorei Co., Ltd. posted increases in revenue and profit demonstrating positive operations at the Wang Noi Logistics Center, whose construction was completed last year, and all its logistics centers as it captured that country’s vigorous cold-chain needs.

Cargo handling during the fiscal year under review saw increases in both inbound and outbound cargo volumes by approximately 8,000 tons and 54,000 tons, respectively, compared with the previous fiscal year, as the average inventory volume increased by 1.4%.

As a result, net sales for the segment increased 4.6% compared with the previous fiscal year to ¥21,410 million, and operating income rose 9.3% to ¥4,756 million.

## **2) Food Sales Business**

The Group's mainstay commodities, marine products and livestock products, which experienced severe price declines and posted a significant segment loss in the previous fiscal year, saw their markets rebound and revenues recover thanks to early inventory clearances and aggressive sales.

In the marine products category, profits improved substantially due to a recovery in the imported salmon/trout market, which posted a large loss last year, despite lower trading volumes resulting from prudent purchasing. The trading volume and revenues for scallops increased greatly as the sales environment picked up. Meanwhile, robust sales of shrimp, mackerel and other marine products led to an increase in revenues and profit levels. Profits in the eel business declined considerably having suffered from poor whitebait catches for a fourth straight year and as a result of reduced demand from retailers. In the livestock products category, chicken profitability, which had been steady over the first six months of the fiscal year just ended, started to deteriorate from April as foreign exchange rates surged upwards resulting in a dramatic shrinking of profits. In agricultural products, although the Group made efforts to expand sales channels that led to an increase in trading volumes, this did not contribute to profits despite a modest increase in revenues due to very low market prices for potatoes and onions, which are mainstay commodities.

As a result, segment sales amounted to ¥97,262 million, an increase of 7.3% compared with the previous fiscal year, and operating income totaled ¥721 million, compared with an operating loss of ¥1,346 million in the previous fiscal year.

### **(Outlook for fiscal year ending September 30, 2014)**

In the fiscal year ending September 30, 2014, the final year of the Group's Fourth Medium-Term Management Plan (three-year plan), the Group will redouble its efforts to make progress towards the plan's final targets in accordance with the operating policies of the plan.

In the refrigerated warehousing business, although the Company predicts an increase in depreciation and other expenses stemming from the construction and start of operations of the Yumeshima Logistics Center, the Ishikarishi No. 2 Logistics Center and the Wang Noi No. 2 Building of Thai Yokorei Co., Ltd., continued efforts made in general low-temperature logistics to meet customer needs more precisely with a focus on the logistics outsourcing business will likely lead to the absorption of this increase in expenses and provide an increase in both sales and profits.

In the food sales business, the market environment, which vastly deteriorated in the previous fiscal year, is expected to rebound and the Group will strive to raise the turnover rate based on optimized inventory levels achieved by revising distribution processes. In the marine products category, the Company will strengthen its collaboration with Group subsidiaries both in Japan and overseas with an eye on expanding its import/export network, and efforts are being made to increase and fortify marine product processing facilities at production sites in Japan to build a stable export commodity production system. In the livestock products category, there are plans to curb the impact of the foreign exchange market and conduct sales while paying attention to supply-demand imbalances. In the agricultural products category, the Group plans to expand the trading volumes of its mainstay commodities, namely potatoes, onions and other foods grown in Hokkaido to contribute to revenues and profits. As a result, revenues and profits from the food sales business are expected to increase year on year.

Based on the above, for the year ending September 30, 2014, the Group forecasts net sales of ¥130,000 million (an increase of 9.5% compared with the previous fiscal year), operating income of ¥4,500 million (an increase of 20.7%), ordinary income of ¥4,500 million (an increase of 18.2%), and net income of ¥2,500 million (an increase of 8.3%).

## (2) Qualitative Information on the Consolidated Financial Position

### 1) Assets, Liabilities and Net Assets

Total assets at September 30, 2013 amounted to ¥97,593 million, an increase of ¥6,655 million compared with the previous fiscal year-end. This change was mainly attributable to increases of ¥2,000 million in marketable securities, ¥1,632 million in notes and accounts receivable—trade, ¥1,459 million in cash and deposits and ¥1,376 million in investment securities.

Total liabilities amounted to ¥39,433 million, an increase of ¥4,135 million compared with the previous fiscal year-end. This change was mainly attributable to increases of ¥7,000 million in convertible bonds, ¥1,206 million in income taxes payable and ¥1,200 million in notes and accounts payable—trade, which outweighed a decrease of ¥5,146 million in short-term loans payable.

Total net assets amounted to ¥58,159 million, an increase of ¥2,520 million compared with the previous fiscal year-end.

### 2) Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the fiscal year amounted to ¥6,159 million, an increase of ¥3,459 million compared with the previous fiscal year-end (September 30, 2012). The main factors affecting cash flows during the fiscal year under review are summarized as follows.

#### (Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥6,952 million, compared with ¥3,476 million provided in the same period of the previous fiscal year. This net inflow was mainly attributable to income before income taxes and minority interests of ¥3,806 million, depreciation and amortization of ¥3,515 million and a ¥1,198 million increase in accounts payable—trade, the sum of which was partially offset by an increase in accounts receivable—trade of ¥1,596 million and income tax payments of ¥544 million.

#### (Cash flows from investing activities)

Net cash used in investing activities amounted to ¥3,958 million, compared with ¥6,114 million used in the same period of the previous fiscal year. Major investment outflows included the ¥4,110 million used to purchase property, plant and equipment.

#### (Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥471 million, compared with ¥780 million provided in the same period of the previous fiscal year. This was mainly attributable to the ¥6,981 million inflow arising from the issuance of convertible bonds outweighing outflows from a net decrease in loans payable of ¥5,337 million and cash dividends paid of ¥1,034 million.

### 3) Cash Flow-related Indices

	Year ended September 30, 2011	Year ended September 30, 2012	Year ended September 30, 2013
Equity ratio	60.4	60.8	59.1
Equity ratio based on market value	32.7	32.6	42.9
Ratio of cash flow to interest-bearing debt (annual)	20.7	6.9	3.7
Interest coverage ratio	5.0	12.3	30.0

1. The above indices are calculated as follows:

Equity ratio: Total equity/Total assets

Market capitalization-based equity ratio: 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) Basic Policy on Profit Distribution and Dividend Forecasts**

#### 1) Basic policy on profit distribution

The Company recognizes the return of profits to shareholders as a management priority and maintains a policy of paying a stable dividend to shareholders. The Company seeks to maintain a target dividend payout ratio of 40% or more. Internal reserves are utilized effectively for various types of investments in facilities and IT systems, along with M&As and various other initiatives which raise profitability and competitiveness and enhance corporate value.

#### 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, 2013, 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 impact of 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 installed earthquake-resistant private power generation systems capable of long-term operation and moved its critical system operations to a large-scale datacenter 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

The Yokohama Reito Group has a management philosophy which states, "The Company is an organ of society, and profits are a measure of our service." The Group's management vision is, "To be a food distribution network company which supports deliciousness, convenience, and enjoyment." Our Group values emphasize the provision of "safe and secure food products" and "high-quality logistics services" in order to raise corporate value and increase shareholder returns.

### (2) Management Targets

#### 1. Targets under the Fourth Medium-Term Management Plan

The Fourth Medium-Term Management Plan, “Step Toward the Future,” was launched in October 2011. Amid economic stagnation in leading nations, the radiation problems stemming from the nuclear power plant accident in Japan continue to have a significant impact on the marine products industry. As a result, the Company has revised downward its targets for the Foods Sales Business, and subsequently revised the financial targets for the Fourth Medium-Term Management Plan.

(Targets)	(Billions of yen)	
	Consolidated	
	Fiscal Year Ended September 30, 2011	Fiscal Year Ending September 30, 2014
Net sales	124.0	130.0
Operating income	4.1	4.5
Ordinary income	4.2	4.5
Net income	1.6	2.5
Return on equity (ROE)	3.0%	4.0%
Dividend payout ratio	62.0%	40.0%

- 1) The net sales target is ¥130.0 billion, 4.8% higher than the result for the year ended September 30, 2011.
- 2) The profit targets are operating income of ¥4.5 billion, an increase of 7.3%, ordinary income of ¥4.5 billion, an increase of 4.7%, and net income of ¥2.5 billion, an increase of 49.8%.
- 3) The return on equity (ROE) target is 4% or higher.
- 4) The dividend payout ratio target is to maintain a ratio of 40% or higher, as the Company prioritizes returns to shareholders.

### (3) Medium-Term Management Strategy

#### 1) Guiding Principle and Vision

The current medium-term management plan’s guiding principle is to “aim for growth by breaking out of the current mold.” It represents the first step towards the establishment of a robust business model which can facilitate a strong, flexible, and rapid response to various changes in the operating environment and enable the Group to achieve its long-term vision of realizing sustainable improvement in corporate value.

#### 2) Business Operating Policies

The two main operating policies for the Refrigerated Warehousing Business and Food Sales Business are “strengthening the core businesses” and “strengthening growth potential.” The Group is implementing various initiatives to reach the goals of the new plan.

#### (4) Issues to Address

The Yokohama Reito Group aims to leverage its well-developed management foundation and sound financial condition to establish a management structure capable of responding to various economic and operating conditions. This will enable the Group to realize its vision of a sustainable improvement in corporate value, and continue to maintain stable profitability and provide high-quality services into the future.

Going forward, the Group will upgrade its IT systems, establishing an up-to-date IT base, and promote the standardization, efficiency, and consolidation of operations in order to achieve further cost reductions. Additionally, the Group will implement sophisticated risk management and continue to make regular improvements to its compliance and internal control systems and introduce an effective employee education and training system to ensure that the Group can nurture talent critical to its growth, while ensuring the establishment of a robust organization.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	As of September 30, 2012 Amount	(Millions of yen) As of September 30, 2013 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,700	4,159
Notes and accounts receivable - trade	14,402	16,035
Marketable securities	-	2,000
Merchandise	14,003	14,177
Deferred tax assets	441	624
Other	985	360
Allowance for doubtful accounts	(26)	(29)
Total current assets	<u>32,507</u>	<u>37,328</u>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures, net	26,243	25,182
Machinery, equipment and vehicles, net	4,912	4,699
Land	19,382	19,106
Leased assets, net	212	175
Construction in progress	8	1,937
Other, net	366	302
Total property, plant and equipment	<u>51,125</u>	<u>51,403</u>
Intangible fixed assets		
Goodwill	848	696
Other	1,630	1,627
Total intangible fixed assets	<u>2,479</u>	<u>2,324</u>
Investments and other assets		
Investment securities	3,616	4,993
Long-term loans receivable	71	87
Deferred tax assets	-	33
Other	1,190	1,465
Allowance for doubtful accounts	(53)	(43)
Total investments and other assets	<u>4,825</u>	<u>6,537</u>
Total noncurrent assets	<u>58,430</u>	<u>60,265</u>
<b>Total assets</b>	<u>90,937</u>	<u>97,593</u>

	As of September 30, 2012 Amount	(Millions of yen) As of September 30, 2013 Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	5,314	6,515
Short-term loans payable	10,509	5,145
Current portion of long-term loans payable	2,211	2,201
Bonds due within one year	47	-
Lease obligations	69	72
Income taxes payable	191	1,398
Accrued employees' bonuses	619	639
Accrued bonuses for directors and corporate auditors	27	30
Other	3,802	3,346
Total current liabilities	<u>22,793</u>	<u>19,348</u>
<b>Noncurrent liabilities</b>		
Convertible bonds	-	7,000
Long-term loans payable	11,242	11,470
Lease obligations	153	110
Deferred tax liabilities	23	357
Provision for employees' retirement benefits	605	636
Provision for directors' and corporate auditors' retirement benefits	302	331
Asset retirement obligations	105	105
Other	72	73
Total noncurrent liabilities	<u>12,504</u>	<u>20,085</u>
<b>Total liabilities</b>	<u>35,297</u>	<u>39,433</u>
<b>Net assets</b>		
Shareholders' equity		
Common stock	11,065	11,065
Capital surplus	11,109	11,109
Retained earnings	34,061	35,335
Treasury stock	(520)	(521)
Total shareholders' equity	<u>55,716</u>	<u>56,989</u>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	(214)	734
Deferred gain (loss) on derivatives under hedge accounting	(28)	5
Foreign currency translation adjustments	(197)	(39)
Total accumulated other comprehensive income	<u>(439)</u>	<u>700</u>
<b>Minority interests</b>	<u>362</u>	<u>469</u>
<b>Total net assets</b>	<u>55,639</u>	<u>58,159</u>
<b>Total liabilities and net assets</b>	<u>90,937</u>	<u>97,593</u>



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

	(Millions of yen)	
	Year ended	Year ended
	September 30, 2012	September 30, 2013
	Amount	Amount
Net sales	111,108	118,691
Cost of sales	102,959	108,093
Gross profit	8,148	10,597
Selling, general and administrative expenses	7,065	6,868
Operating income	1,083	3,729
Other income		
Interest income	23	19
Dividend income	90	98
Incentives received	183	3
Insurance dividends	28	29
Insurance received	15	36
Gain on sales of noncurrent assets	1	74
Other	207	225
Total other income	550	487
Other expenses		
Interest expense	281	232
Bond issuance cost	-	18
Loss on sales and retirement of noncurrent assets	56	133
Other	62	26
Total other expenses	400	410
Ordinary income	1,233	3,806
Extraordinary gains		
Refund of prior-year real estate taxes	84	-
Total extraordinary gains	84	-
Extraordinary losses		
Impairment loss	31	-
Total extraordinary losses	31	-
Income before income taxes and minority interests	1,286	3,806
Income taxes—Current	864	1,734
Income taxes—Deferred	199	(309)
Total income taxes	1,064	1,425
Income before minority interests	221	2,380
Minority interests	22	71
Net income	199	2,308

## Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Year ended September 30, 2012	Year ended September 30, 2013
	Amount	Amount
Income before income taxes and minority interests	221	2,380
Other comprehensive income		
Unrealized gain on available-for-sale securities	(249)	949
Deferred gain (loss) on derivatives under hedge accounting	202	33
Foreign currency translation adjustments	(39)	216
Total other comprehensive income	(87)	1,199
Comprehensive income	134	3,579
Breakdown:		
Comprehensive income attributable to owners of the parent	117	3,448
Comprehensive income attributable to minority interests	17	130

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

	(Millions of yen)	
	Year ended September 30, 2012	Year ended September 30, 2013
	Amount	Amount
<b>Shareholders' equity</b>		
Common stock		
Balance at end of previous period	11,065	11,065
Changes during period		
Total changes during period	-	-
Balance at end of period	<u>11,065</u>	<u>11,065</u>
Capital surplus		
Balance at end of previous period	11,109	11,109
Changes during period		
Total changes during period	-	-
Balance at end of period	<u>11,109</u>	<u>11,109</u>
Retained earnings		
Balance at end of previous period	34,897	34,061
Changes during period		
Cash dividends	(1,034)	(1,034)
Net income	199	2,308
Total changes during period	<u>(835)</u>	<u>1,273</u>
Balance at end of period	<u>34,061</u>	<u>35,335</u>
Treasury stock		
Balance at end of previous period	(520)	(520)
Changes during period		
Purchase of treasury stock	(0)	(0)
Total changes during period	<u>(0)</u>	<u>(0)</u>
Balance at end of period	<u>(520)</u>	<u>(521)</u>
Total shareholders' equity		
Balance at end of previous period	56,553	55,716
Changes during period		
Cash dividends	(1,034)	(1,034)
Net income	199	2,308
Purchase of treasury stock	(0)	(0)
Total changes during period	<u>(836)</u>	<u>1,272</u>
Balance at end of period	<u>55,716</u>	<u>56,989</u>

	Year ended September 30, 2012	(Millions of yen) Year ended September 30, 2013
	Amount	Amount
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities		
Balance at end of previous period	35	(214)
Changes during period		
Net change in items other than shareholders' equity during period	(249)	949
Total changes during period	(249)	949
Balance at end of period	(214)	734
Deferred gain (loss) on derivatives under hedge accounting		
Balance at end of previous period	(224)	(28)
Changes during period		
Net change in items other than shareholders' equity during period	196	33
Total changes during period	196	33
Balance at end of period	(28)	5
Foreign currency translation adjustments		
Balance at end of previous period	(168)	(197)
Changes during period		
Net change in items other than shareholders' equity during period	(28)	157
Total changes during period	(28)	157
Balance at end of period	(197)	(39)
Total accumulated other comprehensive income		
Balance at end of previous period	(358)	(439)
Changes during period		
Net change in items other than shareholders' equity during period	(81)	1,140
Total changes during period	(81)	1,140
Balance at end of period	(439)	700
<b>Minority interests</b>		
Balance at end of previous period	367	362
Changes during period		
Net change in items other than shareholders' equity during period	(4)	107
Total changes during period	(4)	107
Balance at end of period	362	469
<b>Total net assets</b>		
Balance at end of previous period	56,562	55,639
Changes during period		
Cash dividends	(1,034)	(1,034)
Net income	199	2,308
Purchase of treasury stock	(0)	(0)
Net change in items other than shareholders' equity during period	(86)	1,247
Total changes during period	(922)	2,520
Balance at end of period	55,639	58,159

#### (4) Consolidated Statements of Cash flows

	(Millions of yen)	
	Year ended	Year ended
	September 30, 2012	September 30, 2013
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	1,286	3,806
Depreciation and amortization	3,536	3,515
Impairment loss	31	-
Amortization of goodwill	174	152
Increase (decrease) in accrued employees' bonuses	5	19
Increase (decrease) in accrued bonuses for directors and corporate auditors	(3)	3
Increase (decrease) in provision for employees' retirement benefits	69	28
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	0	29
Increase (decrease) in allowance for doubtful accounts	(23)	(7)
Interest and dividends income	(114)	(118)
Interest expenses paid on loans and bonds	281	232
Loss (gain) on sales and valuation of investment securities	(3)	-
Decrease (increase) in accounts receivable - trade	1,497	(1,596)
Decrease (increase) in inventories	(64)	(176)
Increase (decrease) in accounts payable - trade	(1,450)	1,198
Increase (decrease) in accrued expenses	271	(264)
Other - net	(461)	789
Sub total	5,033	7,611
Interest and dividend income received	113	117
Interest paid	(282)	(231)
Income taxes paid	(1,388)	(544)
<b>Net cash provided by (used in) operating activities</b>	<b>3,476</b>	<b>6,952</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(5,658)	(4,110)
Proceeds from sales of property, plant and equipment	3	643
Purchase of investment securities	(208)	(20)
Proceeds from sales of investment securities	9	-
Purchase of investments in subsidiaries	(23)	-
Payments of loans receivable	(321)	(165)
Collection of loans receivable	262	143
Other - net	(179)	(449)
<b>Net cash provided by (used in) investing activities</b>	<b>(6,114)</b>	<b>(3,958)</b>

	Year ended September 30, 2012	(Millions of yen) Year ended September 30, 2013
	Amount	Amount
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	3,185	(5,554)
Proceeds from long-term loans payable	1,100	2,668
Repayments of long-term loans payable	(2,211)	(2,451)
Proceeds from issuance of convertible bonds	-	6,981
Purchase of treasury stock	(0)	(0)
Dividends paid to shareholders	(1,034)	(1,034)
v Dividends paid to minority shareholders	(2)	-
Payments for redemption of bonds	(182)	(47)
Other – net	(74)	(89)
<b>Net cash provided by (used in) financing activities</b>	<b>780</b>	<b>471</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(5)</b>	<b>(5)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,863)</b>	<b>3,459</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>4,563</b>	<b>2,700</b>
<b>Cash and cash equivalents, end of period</b>	<b>2,700</b>	<b>6,159</b>

## (5) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Significant Information Regarding the Preparation of Consolidated Financial Statements)

### 1. Scope of consolidation

(1) Number of consolidated subsidiaries: 3

Names of consolidated subsidiaries:

Thai Yokorei Co., Ltd.

Clover Trading Co., Ltd.

Alliance Seafoods, Inc.

(2) Number of unconsolidated subsidiaries: 3

Names of major unconsolidated subsidiaries:

Global Agency Co., Ltd.

Best Cold Chain Co., Ltd.

Yokorei Co., Ltd.

(3) Reason for excluding from the scope of consolidation:

Global Agency Co., Ltd., Best Cold Chain Co., Ltd., and Yokorei Co., Ltd. were excluded from consolidation because they are small in size, and their total assets, net sales, net income/loss (amounts proportionate to the company's equity interest) and retained earnings (amount proportionate to the company's equity interest) are of minor importance.

### 2. Application of the equity method

The equity method was not applied to three (3) unconsolidated subsidiaries and one (1) affiliate (Kobe Danchi Reizo Co., Ltd.) because they are of minor importance in terms of the bearing of their net income/loss (amounts proportionate to the company's equity interest) and retained earnings (amount proportionate to the company's equity interest) on the consolidated financial statements for the fiscal year ended September 30, 2013, and in terms of their position within the whole Yokohama Reito Group.

### 3. Fiscal year end date of consolidated subsidiaries and related matters

The Fiscal year period of Thai Yokorei Co., Ltd. ends on June 30.

Each subsidiary's financial statements on its fiscal year end date were used for the preparation of the consolidated financial statements. However, for important transactions that took place between consolidated subsidiaries during the period between the fiscal year-end date of each company and the consolidated year end date, adjustments necessary for consolidation were performed.

### 4. Accounting standards

(1) Valuation standards / methods for principal assets

1) Marketable securities

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. Selling prices 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 was 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 accompanying equipment or facilities) acquired by the company or its domestic consolidated subsidiaries on or after April 1, 1998.

The useful lives of buildings and machinery, equipment and vehicles are as follows:

Buildings and structures: 7-50 years

Machinery, equipment and vehicles: 4-12 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 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 the lease period equals the estimated useful life and the residual value at the end of the lease term is nil.

Among leased assets for finance leases for which ownership of the leased assets does not transfers to lessees, lease transactions entered into before the beginning of the fiscal year during which the company started to adopt *Accounting Standard for Lease Transactions* (ASBJ Statement No.13) are accounted for in the same manner as ordinary operating leases.

4) Long-term prepaid expenses

The Straight-line method is used.

(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 prepare 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, 2013.

3) Accrued bonuses for directors and corporate auditors

To prepare for the payment of bonuses to directors and corporate auditors, a provision is recorded in the amount deemed to have accrued during the fiscal year ended September 30, 2013.

4) Employees' retirement benefit plan

To prepare for the retirement benefits payment to employees and regular workers at some operating facilities, a provision is recorded for the period in the amount deemed to have accrued during the fiscal year based on the estimated value of the projected retirement benefit



obligations and pension assets at fiscal-year end.

Some domestic consolidated subsidiaries use simplified accounting methods.

Any actuarial gain/loss is charged to expenses from the following fiscal year using the straight-line method over a number of years (10 years) within average remaining years of service of the employees when incurred.

5) Directors' and corporate auditors' retirement benefit plan

To prepare for the payment of retirement benefits for directors and corporate auditors, a provision is recorded in the necessary amount at the end of the fiscal year in accordance with internal regulations.

(4) Accounting method for principal hedges

1) Hedge accounting

Deferral hedge accounting is used.

Of rights and obligations denominated in foreign currencies with forward exchange contract, those which meet specific conditions were translated and allocated at a predetermined rate.

Interest rate swap contracts that meet specified conditions of the accounting standards are dealt with under the specified accounting methods therein.

2) Hedging instruments and hedged transactions

a. Hedging instruments: Derivative contracts (e.g. forward exchange transactions)

Hedged transactions: Rights and obligations 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 transactions: 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 because forecasted transactions are hedged with forward exchange transactions for 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 under the specified accounting methods.

(5) Amortization of goodwill

Goodwill is amortized with the straight-line method over ten (10) years.

(6) 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 freely and easily converted into money, and short-term investments with maturities of three months or less at the date of acquisition and represent a minor risk of fluctuation in value.

(7) Other significant information regarding the preparation of consolidated financial statements

Accounting methods for consumption tax:

Consumption tax and local consumption tax were not included.

(Changes in accounting policy)

*Change in depreciation method*

In response to the recent amendments to the Corporation Tax Act of Japan and effective from the fiscal

year ended September 30, 2013, the method which the Company and its domestic consolidated subsidiaries use for depreciation of property, plant, and equipment acquired on or after October 1, 2012 has been adjusted to reflect the revised Act.

The impact of this change on consolidated operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended September 30, 2013 was negligible.

*Consolidated statements of income*

In the previous fiscal year ended September 30, 2012, “gain on sales of noncurrent assets” (1 million yen) and “loss on sales and retirement of noncurrent assets” (56 million yen) were included in “other” of “other income” and “other” of “other expenses,” respectively. In the fiscal year ended September 30, 2013, however, they were separately presented because their amounts were material enough to be disclosed.

## 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. These segments are 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, income/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 income is based on operating income. Intersegment sales or transfers are based on prices of trading with third parties.

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

(October 1, 2011 – September 30, 2012)

(Millions of yen)

	Reportable segment				Adjustments *1	Amounts reported on consolidated financial statements*2
	Refrigerated warehousing	Food sales	Other businesses	Total		
Net sales						
Sales to outside customers	20,464	90,632	11	111,108	-	111,108
Intersegment sales or transfers	1,641	-	47	1,689	(1,689)	-
Total	22,105	90,632	59	112,798	(1,689)	111,108
Segment income (loss)	4,351	(1,346)	9	3,014	(1,930)	1,083
Segment assets	53,172	28,830	383	82,386	8,551	90,937
Other items						
Depreciation/amortization*3	3,281	50	22	3,355	180	3,536
Amortization of goodwill	23	151	-	174	-	174
Impairment loss	-	31	-	31	-	31
Increase in property, plant and equipment and intangible fixed assets*3	4,910	83	-	4,993	215	5,209

Notes: 1. Details of adjustments are as follows:

1) The minus 1,930 million yen adjustment for segment income was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.

2) The 8,551 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 180 million yen adjustment for depreciation/amortization was for unallocated corporate assets.

- 4) The 215 million yen adjustment for increase in property, plant and equipment and intangible fixed assets was an increase in unallocated corporate assets.
2. Segment income (loss) was adjusted based on operating income reported on the consolidated financial statements for the corresponding period.
3. Depreciation/amortization and increase in property, plant and equipment and intangible fixed assets include long-term prepaid expenses and their amortization expenses.

(October 1, 2012 – September 30, 2013)

(Millions of yen)

	Reportable segment				Adjustments *1	Amounts reported on consolidated financial statements*2
	Refrigerated warehousing	Food sales	Other businesses	Total		
Net sales						
Sales to outside customers	21,410	97,262	18	118,691	-	118,691
Intersegment sales or transfers	1,518	-	44	1,563	(1,563)	-
Total	22,928	97,262	63	120,254	(1,563)	118,691
Segment income	4,756	721	6	5,483	(1,754)	3,729
Segment assets	54,584	29,746	364	84,695	12,897	97,593
Other items						
Depreciation/amortization*3	3,242	50	18	3,311	203	3,515
Amortization of goodwill	23	128	-	152	-	152
Increase in property, plant and equipment and intangible fixed assets*3	3,702	15	-	3,717	596	4,314

Notes: 1. Details of adjustments are as follows:

- 1) The minus 1,754 million yen adjustment for segment income was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.
- 2) The 12,897 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 203 million yen adjustment for depreciation/amortization was for unallocated corporate assets.
- 4) The 596 million yen adjustment for increase in property, plant and equipment and intangible fixed assets was an increase in unallocated corporate assets.
2. Segment income was adjusted based on operating income reported on the consolidated financial statements for the corresponding period.
3. Depreciation/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, 2011 – September 30, 2012)

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 more than 10% of total net sales in the consolidated statements of income.

(October 1, 2012 – September 30, 2013)

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 more than 10% of total net sales in the consolidated statements of income.

c. Impairment loss on fixed assets by reportable segment

(October 1, 2011– September 30, 2012)

Information was omitted from disclosure because *segment information* above presents the same information.

(October 1, 2012 – September 30, 2013)

Not applicable

d. Amortization expense for and unamortized balance of goodwill by reportable segment  
(October 1, 2011 – September 30, 2012)

(Millions of yen)

	Refrigerated warehousing	Food sales	Other	Sub total	Elimination/ corporate	Total
Amortization expense	23	151	-	174	-	174
Unamortized balance	77	771	-	848	-	848

(October 1, 2012 – September 30, 2013)

(Millions of yen)

	Refrigerated warehousing	Food sales	Other	Sub total	Elimination/ corporate	Total
Amortization expense	23	128	-	152	-	152
Unamortized balance	53	642	-	696	-	696

e. Gain on negative goodwill by reportable segment  
(October 1, 2011– September 30, 2012)  
Not applicable

(October 1, 2012 – September 30, 2013)  
Not applicable

(Per-Share Information)

Year ended September 30, 2012		Year ended September 30, 2013	
	yen		yen
Net assets per share	1,068.19	Net assets per share	1,114.84
Net income per share	3.85	Net income per share	44.61
Net income per share(diluted)	-	Net income per share (diluted)	43.19

Note: 1. Diluted net income per share for the fiscal year ended September 30, 2012 was not indicated because there were no potentially dilutive securities.

2. Net income per share and net income per share – fully diluted were calculated based on the following:

	Year ended September 30, 2012	Year ended September 30, 2013
Net income per share		
Net income (millions of yen)	199	2,308
Amount not attributable to common stock shareholders (millions of yen)	-	-
Net income attributable to common stock (millions of yen)	199	2,308
Average number of shares outstanding (thousands of shares)	51,748	51,747
Net income per share (diluted)		
Net income (millions of yen)	-	-
Increase in the number of shares of common stock (thousands of shares)	-	1,700
<i>Of which, Convertible bonds</i> (thousands of shares)	(-)	(1,700)

(Significant Subsequent Events)

Not applicable