

## **1. Qualitative Information on the Consolidated Business Results for the Nine Months Ended June 30, 2015**

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

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

In the first nine months of the fiscal year ending September 30, 2015 (October 1, 2014 – June 30, 2015), the Japanese economy was characterized by a gradual improvement in corporate earnings amid stable yen depreciation and lower oil prices, along with firm personal consumption owing to an improvement in the employment and income environments. Reviewing global economic trends, a number of uncertainties continued to cloud the economic outlook. In the U.S., there was a growing consensus that interest rates will be raised within the year. In China, the pace of economic growth continued to slow. In Europe, Greece's debt problem headed towards culmination.

In food industries related to the Yokohama Reito Group's business, even while signs of a recovery in consumption finally began to emerge, the overall business environment remained severe due to the continued impact of yen depreciation and soaring raw ingredients prices.

In this environment, the Yokohama Reito Group launched its Fifth Medium-Term Management Plan (three-year plan), "Flap The Wings 2017," 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. The Group is taking various initiatives on the basis of these business operation policies.

In the refrigerated warehousing business, four new logistics centers opened in the previous and current fiscal year continued to operate smoothly, and the Group was able to absorb a significant rise in related depreciation expenses and start-up costs. As a result, the business performed as originally planned. In the food sales business, the Group completed the disposal of imported products for which profitability had worsened due to the rapid depreciation of the yen at the start of the fiscal year, and performance began to recover during the period.

As a result, the Group's consolidated net sales for the first nine months of the fiscal year ending September 30, 2015 totaled ¥114,552 million, a 10.2% increase compared to the same period of the previous fiscal year. Operating income totaled ¥3,051 million, a year-on-year decline of 9.0%, ordinary income totaled ¥3,207 million, a year-on-year decline of 5.0%, and net income totaled ¥2,048 million, a year-on-year increase of 0.8%.

#### **(Results by business segment)**

##### **Refrigerated Warehousing Business**

Amid a dramatic rise in depreciation expenses and start-up costs for four new logistics centers, the business performed generally according to original plans, as the Group promoted the establishment of storage and logistics sites and building a nationwide network under its Fifth Medium-Term Management Plan.

In terms of cargo handling, the volume of inbound cargo increased by approx. 29,000 tons, an increase of 3.3% compared with the same period of the previous year, and the volume of outbound cargo rose by approx. 13,000 tons, a year-on-year increase of 1.5%. The average inventory volume increased by approx. 164,000 tons, or 7.3% year on year, driven mainly by strong inbound cargo volume of livestock products. At Thai consolidated subsidiary Thai Yokorei Co., Ltd., the Wang Noi 2nd Distribution Center completed in the previous year operated at full capacity and the company's other logistics centers maintained high levels of inventory to generate strong results.

As a result, the segment's net sales increased 8.5% compared with the same period of the previous fiscal year to ¥17,974 million, while operating income declined 4.5% year on year to ¥3,743 million.

### **Food Sales Business**

In the food sales business, the business environment was very severe, as the high market prices at the start of the year softened during the period and the rapid depreciation of the yen further weighed on the business. The Group took thorough measures, however, to reduce inventories of unprofitable products while actively expanding sales of strategic products. As a result, the business posted a year-on-year increase in profit for the third quarter alone after reporting a year-on-year profit decline for the first six months of the fiscal year.

In the marine products category, the business posted year-on-year increases in sales and profit by conducting bold and flexible sales programs. By product, sales and profits for scallops, crab, and mackerel rose sharply on the back of higher handling volumes and export promotions. Sales of eel declined while profits increased, as appropriate inventory levels were maintained and steady measures were taken to expand sales channels. Sales and profits for shrimp and imported salmon/trout declined as handling volumes were reduced amid unstable market prices. In the livestock products category, sales increased while profits declined amid generally high market prices and lower profit margins. For pork and chicken, even as the Group took steps to reduce handling volumes of unprofitable products, an oversupply in the domestic market led to an increase in sales and decline in profit. Beef sales and profit declined due to lower demand amid higher market prices. The agricultural product category posted lower sales and profits due to lower handling volumes caused by unfavorable weather.

As a result, segment sales amounted to ¥96,553 million, an increase of 10.5% compared with the same period of the previous fiscal year, and the segment posted operating income of ¥785 million, a year-on-year decline of 17.8%.

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

### **Assets, Liabilities and Net Assets**

Total assets at June 30, 2015 amounted to ¥122,628 million, an increase of ¥8,418 million compared with the previous fiscal year-end (September 30, 2014). This change was mainly attributable to increases of ¥3,509 million in merchandise, ¥1,929 million in property, plant and equipment, and ¥1,818 million in investment securities.

Total liabilities amounted to ¥59,980 million, an increase of ¥5,404 million compared with the previous fiscal year-end, mainly due to an increase of ¥7,763 million in loans payable and a decrease of ¥728 million in notes and accounts payable-trade.

Total net assets amounted to ¥62,648 million, an increase of ¥3,013 million compared with the previous fiscal year-end.

### **Cash Flows**

Cash and cash equivalents (hereinafter, "cash") at the end of the third quarter amounted to ¥4,305 million, a decrease of ¥125 million compared with the previous fiscal year-end (September 30, 2014). The main factors affecting cash flows during the period under review are summarized as follows.

#### **1) Cash flows from operating activities**

Net cash provided by operating activities amounted to ¥674 million compared with ¥3,632 million in net cash used in the same period of the previous fiscal year. This net inflow was mainly attributable to income before income taxes and minority interests of ¥3,207 million and depreciation

and amortization of ¥3,289 million, the sum of which was partly offset by such factors as an increase in inventories of ¥3,422 million, a decrease in accounts payable-trade of ¥728 million, and ¥1,434 million in income taxes paid.

**2) Cash flows from investing activities**

Net cash used in investing activities amounted to ¥6,926 million, compared with ¥6,632 million used in the same period of the previous fiscal year. The main investment outflow was ¥6,262 million used for the purchase of property, plant and equipment.

**3) Cash flows from financing activities**

Net cash provided by financing activities amounted to ¥5,979 million, compared with ¥8,952 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 ¥7,113 million, which was partly offset by dividends paid to shareholders of ¥1,038 million.

**(3) Consolidated Earnings Forecast**

There is no change to the earnings forecast for the year ending September 30, 2015 announced on November 14, 2014 with the financial results for the year ended September 30, 2014.

**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 retirement benefit)

The provisions of Article 35 of the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan - ASBJ - Statement No. 26 of May 17, 2012) and the provisions of Article 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of March 26, 2015) are applied, effective the first quarter of the fiscal year ending September 30, 2015. Accordingly, the method of calculating retirement benefit obligations and prior service costs has been revised, and the method of attributing projected retirement benefits has been changed from the straight-line attribution method to the benefit formula. Additionally, the method of determining the discount rate has been changed from the method in which the discount rate based on the average remaining years of service of the employees is used to the method in which a single weighted average discount rate is used that reflects the estimated timing of benefit payments and the amount of benefit payment for each estimated payment period.

The application of the Accounting Standard for Retirement Benefits, etc. is subject to the tentative treatment provided for in Article 37 of the Accounting Standard for Retirement Benefits. Consequently, the impact of the change in the method of calculating retirement benefit obligations

and prior service costs as of October 1, 2014, has been added to or subtracted from retained earnings.

As a result, as of October 1, 2014, net defined benefit liability increased by ¥77 million and retained earnings decreased by ¥49 million. The impact of the above changes on operating income, ordinary income and income before income taxes and minority interests for the nine months ended June 30, 2015 was minimal.

#### **(4) Additional information**

(Abolishment of the retirement benefits system for officers)

Previously, to prepare for the payment of retirement benefits for directors and corporate auditors, a provision for directors' and corporate auditor's retirement benefits had been reported in the necessary amount at the end of the fiscal year in accordance with internal regulations. However, the system of retirement benefits for directors and corporate auditors was abolished upon conclusion of the Ordinary General Meeting of Shareholders held on December 19, 2014. In conjunction with this change, a resolution was passed at the said General Meeting of Shareholders to approve final payments to directors and corporate auditors commensurate with their respective terms of office, and the outstanding balance of retirement benefits for directors and corporate auditors has been included in "Other" under noncurrent liabilities.

(Delivery of the Company's own stock to officers through a trust)

The Company, by resolution of the Ordinary General Meeting of Shareholders held on December 19, 2014, adopted the Executive Compensation BIP Trust as a method of providing incentives to its directors.

The Executive Compensation BIP Trust makes a one-time purchase of the Company's stock from the Company in numbers, which it expects to deliver to its directors, in accordance with the Stock Delivery Regulations, which have been established in advance, and delivers the Company's stock to the directors commensurate with their position and years of service. As a general rule, the directors receive delivery of such stock upon retirement.

The trust is accounted for by application of the total amount method, in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc." (PITF No. 30, March 26, 2015). Accordingly, the Company's stock held in trust are recognized under "Treasury stock" in "Shareholders' equity" in the carrying amount of the stock in the trust.

The carrying amount and the number of shares of such treasury stock as of June 30, 2015 were ¥299 million and 373,100 shares.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	As of September 30, 2014 Amount	(Millions of yen) As of June 30, 2015 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	4,993	4,971
Notes and accounts receivable - trade	19,646	19,797
Merchandise	17,405	20,914
Deferred tax assets	550	338
Other	1,001	2,417
Allowance for doubtful accounts	(19)	(20)
Total current assets	<u>43,577</u>	<u>48,418</u>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures, net	32,482	33,901
Machinery, equipment and vehicles, net	6,810	6,840
Land	19,176	19,377
Leased assets, net	281	300
Construction in progress	2,236	2,413
Other, net	711	795
Total property, plant and equipment	<u>61,700</u>	<u>63,630</u>
Intangible fixed assets		
Goodwill	600	512
Other	1,721	1,744
Total intangible fixed assets	<u>2,321</u>	<u>2,257</u>
Investments and other assets		
Investment securities	5,513	7,331
Long-term loans receivable	110	43
Other	1,096	1,054
Allowance for doubtful accounts	(109)	(106)
Total investments and other assets	<u>6,610</u>	<u>8,322</u>
Total noncurrent assets	<u>70,632</u>	<u>74,209</u>
<b>Total assets</b>	<u>114,210</u>	<u>122,628</u>

	As of September 30, 2014 Amount	(Millions of yen) As of June 30, 2015 Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	7,315	6,586
Short-term loans payable	12,289	18,554
Current portion of long-term loans payable	3,029	3,309
Lease obligations	95	106
Income taxes payable	797	288
Accrued employees' bonuses	651	134
Accrued bonuses for directors and corporate auditors	30	22
Other	5,439	4,508
Total current liabilities	29,646	33,511
<b>Noncurrent liabilities</b>		
Convertible bonds	7,000	7,000
Long-term loans payable	15,956	17,174
Lease obligations	170	162
Deferred tax liabilities	436	700
Provision for directors' and corporate auditors' retirement benefits	382	-
Net defined benefit liability	804	861
Asset retirement obligations	105	105
Other	73	464
Total noncurrent liabilities	24,928	26,469
<b>Total liabilities</b>	<b>54,575</b>	<b>59,980</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	11,065	11,065
Capital surplus	11,109	11,132
Retained earnings	36,145	37,096
Treasury stock	(522)	(545)
Total shareholders' equity	57,799	58,749
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	1,087	2,547
Deferred gain (loss) on derivatives under hedge accounting	46	11
Foreign currency translation adjustments	(63)	380
Remeasurements of defined benefit plans	(91)	(68)
Total accumulated other comprehensive income	978	2,870
<b>Minority interests</b>	857	1,028
<b>Total net assets</b>	<b>59,635</b>	<b>62,648</b>
<b>Total liabilities and net assets</b>	<b>114,210</b>	<b>122,628</b>

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

(Millions of yen)

	Nine months ended June 30, 2014	Nine months ended June 30, 2015
	Amount	Amount
Net sales	103,936	114,552
Cost of sales	95,045	105,762
Gross profit	8,891	8,789
Selling, general and administrative expenses	5,539	5,738
Operating income	3,351	3,051
Other income		
Interest income	10	40
Dividend income	92	99
Subsidy income	46	31
Insurance dividends	28	31
Gain on sales of noncurrent assets	2	0
Other	121	257
Total other income	302	460
Other expenses		
Interest expense	203	274
Loss on sales and retirement of noncurrent assets	46	11
Other	26	17
Total other expenses	277	303
Ordinary income	3,377	3,207
Income before income taxes and minority interests	3,377	3,207
Income taxes—Current	1,249	946
Income taxes—Deferred	51	183
Total income taxes	1,300	1,130
Income before minority interests	2,076	2,077
Minority interests	43	28
Net income	2,033	2,048

## Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended June 30, 2014	Nine months ended June 30, 2015
	Amount	Amount
Income before income taxes and minority interests	2,076	2,077
Other comprehensive income		
Unrealized gain on available-for-sale securities	120	1,460
Deferred gain (loss) on derivatives under hedge accounting	(19)	(34)
Foreign currency translation adjustments	20	593
Remeasurements of defined benefit plans	-	22
Total other comprehensive income	121	2,041
Comprehensive income	2,197	4,118
Breakdown:		
Comprehensive income attributable to owners of the parent	2,146	3,940
Comprehensive income attributable to minority interests	50	178



### (3) Consolidated Statements of Cash flows

	(Millions of yen)	
	Nine months ended June 30, 2014	Nine months ended June 30, 2015
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	3,377	3,207
Depreciation and amortization	2,759	3,289
Amortization of goodwill	114	87
Increase (decrease) in accrued employees' bonuses	(459)	(516)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(7)	(7)
Increase (decrease) in provision for employees' retirement benefits	15	-
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	33	(390)
Increase (decrease) in allowance for doubtful accounts	85	(2)
Increase (decrease) in net defined benefit liability	-	(23)
Interest and dividend income	(103)	(139)
Interest expenses paid on loans and bonds	203	274
Decrease (increase) in accounts receivable - trade	(2,740)	(113)
Decrease (increase) in inventories	(3,951)	(3,422)
Increase (decrease) in accounts payable - trade	(440)	(728)
Increase (decrease) in accrued expenses	443	864
Other - net	(689)	(136)
Sub total	(1,361)	2,242
Interest and dividend income received	101	129
Interest paid	(192)	(263)
Income taxes paid	(2,180)	(1,434)
<b>Net cash provided by (used in) operating activities</b>	(3,632)	674
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,475)	(6,262)
Proceeds from sales of property, plant and equipment	18	1
Purchase of investment securities	(27)	(39)
Payments of loans receivable	(66)	(860)
Collection of loans receivable	77	286
Other - net	(158)	(51)
<b>Net cash provided by (used in) investing activities</b>	(6,632)	(6,926)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	4,854	6,100
Proceeds from long-term loans payable	7,082	3,336
Repayments of long-term loans payable	(1,879)	(2,322)
Proceeds from sales of treasury stock	-	299
Purchase of treasury stock	(0)	(300)
Dividends paid to shareholders	(1,034)	(1,038)
Other - net	(70)	(94)
<b>Net cash provided by (used in) financing activities</b>	8,952	5,979
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(5)	145
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,317)	(125)
<b>Cash and cash equivalents, beginning of period</b>	6,159	4,431
<b>Increase (decrease) in cash and cash equivalents due to change in the scope of consolidation</b>	78	-
<b>Cash and cash equivalents, end of period</b>	4,921	4,305

#### (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. Nine months ended June 30, 2014 (October 1, 2013 – June 30, 2014)

1. Net sales, income/loss by reportable segment

(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	16,562	87,350	24	103,936	-	103,936
Intersegment sales or transfers	1,437	-	33	1,470	(1,470)	-
Total	17,999	87,350	57	105,407	(1,470)	103,936
Segment income (loss)	3,919	955	25	4,900	(1,548)	3,351

Notes: 1. The minus 1,548million 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 financial statements for the corresponding period.

II. Nine months ended June 30, 2015 (October 1, 2014 – June 30, 2015)

1. Net sales, income/loss by reportable segment

(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	17,974	96,553	24	114,552	-	114,552
Intersegment sales or transfers	1,471	-	33	1,505	(1,505)	-
Total	19,446	96,553	57	116,057	(1,505)	114,552
Segment income (loss)	3,743	785	28	4,556	(1,505)	3,051

Notes: 1. The minus 1,505 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 financial statements for the corresponding period.