

1. Qualitative Information on the Consolidated Business Results for the First Nine Months of the Fiscal Year Ending September 30, 2012

(1) Qualitative Information on the Consolidated Operating Performance

(Operating environment)

In the first nine months of the fiscal year (October 1, 2011 – June 30, 2012), the Japanese economy demonstrated signs of moderate improvement owing to reconstruction-related demand in the wake of the Great East Japan Earthquake. Overall, however, economic recovery trends remained clouded due to the yen appreciation, concerns over electric power supplies, and other factors.

Reviewing the global economy, the economic slowdown broadened during the period due to flat exports resulting primarily from instability in financial markets linked to the European debt crisis and slowing growth in China.

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

Although the Refrigerated Warehousing Business performed generally as expected during the period, in the third quarter the Food Sales Business continued to suffer from lower prices for its main products, with a significant decline in sales and profits. As a result, consolidated net sales for the nine-month period totaled ¥83,397 million, an 8.4% decrease from the same period of the previous fiscal year. Operating income totaled ¥1,261 million, a year-on-year decrease of 66.5%, ordinary income totaled ¥1,430 million, a year-on-year decrease of 62.9%, and net income totaled ¥504 million, a year-on-year decrease of 68.4%.

(Results by business segment)

Refrigerated Warehousing Business

The Hokko Logistics Center, which was completed the previous fiscal year under a scrap-and-build program, performed well amid a recovery in food-related cargo movement in the Hokkaido and Tohoku geographic block owing to reconstruction-driven demand. The Kansai geographic block also continued to perform well. Amid this business environment, the Group implemented cargo operations geared towards profitability and meeting the precise needs of customers.

With regard to inventory volume, the volume of both livestock products and frozen foods increased. As a result, inbound cargo volume for the nine-month period increased by about 79,000 tons over the same period of the previous fiscal year, and the volume of outbound cargo increased by about 47,000 tons year on year. Overall, average inventory volume increased 6.4% year on year.

As a result, net sales for the segment increased, mainly on the rise in storage fees and loading/unloading fees. Operating income also increased compared with the same period of the previous fiscal year, outweighing an increase in the depreciation and amortization stemming from the construction of new logistics centers.

Net sales for this segment increased 7.9% year on year to ¥15,160 million, and segment operating income rose 8.5% year on year to ¥3,436 million.

Food Sales Business

The segment suffered from a harsh business environment in the nine months ended June 30, 2012, as the supply-demand balance of chicken and other mainstay products deteriorated, catches of mainstay eel, chum salmon and other marine products were lower amid significantly worsened fishing conditions, and exports were suspended due to radiation issues surrounding the nuclear power plant accident.

Among livestock products, chicken sales recovered after a loss posted in the first half. In the marine products business, however, an oversupply of imported salmon/trout remained, and a loss on sales was incurred due to an accelerated decline in prices during the third quarter. The sharp decline in imported trout/salmon prices also impacted the prices for mackerel and other mainstay products, squeezing profits further.

As a result, sales and income for the segment declined substantially for the nine-month period, with total net sales declining 11.3% year on year to ¥68,228 million. The segment posted an operating loss of ¥667 million versus a profit of ¥1,797 million in the same period of the previous fiscal year due to the early losses on sales of imported trout/salmon and an inventory valuation loss.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the third quarter (June 30, 2012) amounted to ¥91,908 million, a decrease of ¥1,157 million compared with the previous fiscal year-end (September 30, 2011). This change was mainly attributable to an increase of ¥3,619 million in merchandise, which was outweighed by declines of ¥1,710 million in cash and deposits, ¥2,376 million in accounts receivable-trade, and ¥367 million in deferred tax assets.

Total liabilities amounted to ¥35,830 million, a decrease of ¥673 million compared with the previous fiscal year-end. This change was mainly attributable to an increase of ¥2,588 million in loans payable, outweighed by declines such as ¥1,481 million in accounts payable-trade, ¥384 million in accrued employees' bonuses, and ¥615 million in income taxes payable.

Total net assets amounted to ¥56,078 million, a decrease of ¥483 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 ¥2,853 million, a decrease of ¥1,710 million compared with the previous fiscal year-end (September 30, 2011). The main factors affecting cash flows during the nine-month period are summarized as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥677 million, compared with net cash provided of ¥55 million in the same period of the previous fiscal year. This net inflow was mainly attributable to income before income taxes and minority interests of ¥1,517 million, depreciation and amortization of ¥2,623 million, and a decrease in accounts receivable-trade of ¥2,377 million, which were partially offset by an increase of ¥3,615 million in inventories, a decrease of ¥1,481 million in accounts payable-trade, and ¥1,382 million in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥3,762 million, compared with net cash used of ¥2,876 million in the same period of the previous fiscal year. The major investment outflow was purchase of property, plant and equipment of ¥3,383 million.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥1,373 million, compared with ¥3,097 million in net cash provided in the same period of the previous fiscal year. This net inflow was mainly derived from a net increase in loans payable of ¥2,583 million, which was partly offset by cash dividends paid of ¥1,034 million.

(3) Qualitative Information on the Consolidated Earnings Forecast

There is no change to the revised earnings forecast announced on May 9, 2012.

2. Other Information

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

Not applicable

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

Not applicable

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

Not applicable

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of September 30, 2011 Amount	(Millions of yen) As of June 30, 2012 Amount
Assets		
Current assets		
Cash and deposits	4,563	2,853
Notes and accounts receivable - trade	15,902	13,525
Merchandise	13,985	17,604
Deferred tax assets	728	369
Other	568	404
Allowance for doubtful accounts	(31)	(28)
Total current assets	35,716	34,730
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	24,778	24,654
Machinery, equipment and vehicles, net	4,727	4,730
Land	18,401	18,406
Leased assets, net	174	208
Construction in progress	1,280	1,376
Other, net	344	368
Total property, plant and equipment	49,706	49,745
Intangible fixed assets		
Goodwill	1,001	886
Other	1,419	1,418
Total intangible fixed assets	2,420	2,305
Investments and other assets		
Investment securities	3,775	3,625
Long-term loans receivable	500	118
Deferred tax assets	10	0
Other	1,007	1,441
Allowance for doubtful accounts	(72)	(58)
Total investments and other assets	5,222	5,127
Total noncurrent assets	57,349	57,177
Total assets	93,065	91,908

	As of September 30, 2011	(Millions of yen) As of June 30, 2012
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,765	5,284
Short-term loans payable	7,335	10,601
Current portion of long-term loans payable	2,100	2,257
Bonds due within one year	140	112
Lease obligations	52	65
Income taxes payable	722	107
Accrued employees' bonuses	614	229
Accrued bonuses for directors and corporate auditors	30	22
Other	4,949	4,314
Total current liabilities	22,710	22,994
Noncurrent liabilities		
Bonds	90	-
Long-term loans payable	12,465	11,630
Lease obligations	130	154
Deferred tax liabilities	95	9
Provision for employees' retirement benefits	536	577
Provision for directors' and corporate auditors' retirement benefits	302	288
Asset retirement obligations	105	105
Other	68	70
Total noncurrent liabilities	13,793	12,835
Total liabilities	36,503	35,830
Net assets		
Shareholders' equity		
Common stock	11,065	11,065
Capital surplus	11,109	11,109
Retained earnings	34,897	34,367
Treasury stock	(520)	(520)
Total shareholders' equity	56,553	56,022
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	35	(132)
Deferred gain (loss) on derivatives under hedge accounting	(224)	(30)
Foreign currency translation adjustments	(168)	(158)
Total accumulated other comprehensive income	(358)	(321)
Minority interests	367	377
Total net assets	56,562	56,078
Total liabilities and net assets	93,065	91,908

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

	(Millions of yen)	
	Nine months ended	Nine months ended
	June 30, 2011	June 30, 2012
	Amount	Amount
Net sales	91,017	83,397
Cost of sales	82,250	76,776
Gross profit	8,767	6,620
Selling, general and administrative expenses	5,007	5,359
Operating income	3,759	1,261
Other income		
Interest income	18	19
Dividend income	75	83
Subsidy income	32	182
Insurance dividends	29	28
Other	121	154
Total other income	277	468
Other expenses		
Interest expense	153	216
Other	25	83
Total other expenses	179	299
Ordinary income	3,857	1,430
Extraordinary gains		
Gain on reversal of allowance for doubtful accounts	25	-
Gain on sales of noncurrent assets	1	-
Gain on sales of investment securities	1	3
Refund of prior-year real estate taxes	79	84
Total extraordinary gains	108	87
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	32	-
Loss on valuation of golf club membership	8	-
Loss on sales of golf club membership	2	-
Loss on disaster	552	-
Effect of adopting accounting standards for assets retirement obligations	132	-
Loss on closure of business facilities	279	-
Total extraordinary losses	1,008	-
Income before income taxes and minority interests	2,957	1,517
Income taxes—Current	1,301	789
Income taxes—Deferred	29	220
Total income taxes	1,331	1,009
Income before minority interests	1,625	507
Minority interests	26	3
Net income	1,598	504

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended June 30, 2011	Nine months ended June 30, 2012
	Amount	Amount
Income before income taxes and minority interests	1,625	507
Other comprehensive income		
Unrealized gain on available-for-sale securities	78	(168)
Deferred gain (loss) on derivatives under hedge accounting	(15)	200
Foreign currency translation adjustments	11	14
Total other comprehensive income	74	46
Comprehensive income	1,700	553
Breakdown:		
Comprehensive income attributable to owners of the parent	1,674	541
Comprehensive income attributable to minority interests	25	12

(3) Consolidated Statements of Cash flows

(Millions of yen)

	Nine months ended June 30, 2011 Amount	Nine months ended June 30, 2012 Amount
Cash flows from operating activities		
Income before income taxes and minority interests	2,957	1,517
Depreciation and amortization	2,181	2,623
Amortization of goodwill	112	136
Increase (decrease) in accrued employees' bonuses	(392)	(384)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(7)	(7)
Increase (decrease) in provision for employees' retirement benefits	77	40
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	31	(14)
Increase (decrease) in allowance for doubtful accounts	(60)	(17)
Effect of adopting accounting standards for assets retirement obligations	132	-
Loss on disaster	552	-
Loss on closure of business facilities	279	-
Interest and dividends income	(93)	(102)
Interest expenses paid on loans and bonds	153	216
Loss (gain) on sales and retirement of noncurrent assets	30	-
Loss (gain) on sales and valuation of investment securities	(1)	(3)
Decrease (increase) in accounts receivable - trade	327	2,377
Decrease (increase) in inventories	(3,021)	(3,615)
Increase (decrease) in accounts payable - trade	(1,474)	(1,481)
Increase (decrease) in accrued expenses	330	570
Other - net	75	319
Sub total	2,189	2,175
Interest and dividends received	96	102
Interest paid	(162)	(218)
Income taxes paid	(2,067)	(1,382)
Net cash provided by (used in) operating activities	55	677
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,233)	(3,383)
Proceeds from sales of property, plant and equipment	5	2
Purchase of investment securities	(554)	(103)
Proceeds from sales of investment securities	1	9
Purchase of investments in subsidiaries	-	(23)
Payments of loans receivable	(135)	(307)
Collection of loans receivable	22	192
Other - net	18	(150)
Net cash provided by (used in) investing activities	(2,876)	(3,762)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5,515	3,260
Proceeds from long-term loans payable	-	1,100
Repayments of long-term loans payable	(1,089)	(1,777)
Purchase of treasury stock	(0)	(0)
Dividends paid to shareholders	(1,034)	(1,034)
Dividends paid to minority shareholders	(2)	(2)
Payments for redemption of bonds	(227)	(117)
Other - net	(62)	(55)
Net cash provided by (used in) financing activities	3,097	1,373
Effect of exchange rate changes on cash and cash equivalents	2	0
Net increase (decrease) in cash and cash equivalents	279	(1710)
Cash and cash equivalents, beginning of period	3,877	4,563
Cash and cash equivalents, end of period	4,157	2,853

(4) Notes on the Going-concern Assumption

Not applicable

(5) Segment information

I. Nine months ended June 30, 2011 (October 1, 2010 – June 30, 2011)

1. Net sales and 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	14,057	76,946	14	91,017	-	91,017
Intersegment sales or transfers	1,135	-	37	1,172	(1,172)	-
Total	15,192	76,946	52	92,190	(1,172)	91,017
Segment income	3,168	1,797	10	4,976	(1,216)	3,759

Notes: 1. The minus 1,216 million yen adjustment for segment income was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.

2. Segment income was adjusted based on operating income reported on the consolidated financial statements for the corresponding period.

II. Nine months ended June 30, 2012 (October 1, 2011 – June 30, 2012)

1. Net sales and 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	15,160	68,228	8	83,397	-	83,397
Intersegment sales or transfers	1,280	-	36	1,316	(1,316)	-
Total	16,440	68,228	45	84,714	(1,316)	83,397
Segment income (loss)	3,436	(667)	11	2,780	(1,519)	1,261

Notes: 1. The minus 1,519 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.

(6) Notes on Significant Changes in Shareholders' Equity

Not applicable