

## **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<br>September 30, 2014 | As of<br>June 30, 2015 | (Millions of yen) |
|--|-----------------------------|------------------------|-------------------|
|  | Amount                      | 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)                   |                   |
| <b>Total current assets</b>                | <b>43,577</b>               | <b>48,418</b>          |                   |
| <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                    |                   |
| <b>Total property, plant and equipment</b> | <b>61,700</b>               | <b>63,630</b>          |                   |
| Intangible fixed assets                    |                             |                        |                   |
| Goodwill                                   | 600                         | 512                    |                   |
| Other                                      | 1,721                       | 1,744                  |                   |
| <b>Total intangible fixed assets</b>       | <b>2,321</b>                | <b>2,257</b>           |                   |
| 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)                  |                   |
| <b>Total investments and other assets</b>  | <b>6,610</b>                | <b>8,322</b>           |                   |
| <b>Total noncurrent assets</b>             | <b>70,632</b>               | <b>74,209</b>          |                   |
| <b>Total assets</b>                        | <b>114,210</b>              | <b>122,628</b>         |                   |

|  | As of<br>September 30, 2014 | As of<br>June 30, 2015 | (Millions of yen) |
|--|-----------------------------|------------------------|-------------------|
|  | Amount                      | 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                  |                   |
| <b>Total current liabilities</b>                                     | <b>29,646</b>               | <b>33,511</b>          |                   |
| <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                    |                   |
| <b>Total noncurrent liabilities</b>                                  | <b>24,928</b>               | <b>26,469</b>          |                   |
| <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)                  |                   |
| <b>Total shareholders' equity</b>                                    | <b>57,799</b>               | <b>58,749</b>          |                   |
| <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)                   |                   |
| <b>Total accumulated other comprehensive income</b>                  | <b>978</b>                  | <b>2,870</b>           |                   |
| <b>Minority interests</b>  |                             |                        |                   |
| <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<br>June 30, 2014 | Nine months ended<br>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

|  | Nine months ended<br>June 30, 2014 | Nine months ended<br>June 30, 2015 | (Millions of yen) |
|--|------------------------------------|------------------------------------|-------------------|
|  | 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<br>June 30, 2014 | Nine months ended<br>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>  | <b>(3,632)</b>                     | <b>674</b>                         |
| <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>  | <b>(6,632)</b>                     | <b>(6,926)</b>                     |
| <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>  | <b>8,952</b>                       | <b>5,979</b>                       |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                 | <b>(5)</b>                         | <b>145</b>                         |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>(1,317)</b>                     | <b>(125)</b>                       |
| <b>Cash and cash equivalents, beginning of period</b>   | <b>6,159</b>                       | <b>4,431</b>                       |
| <b>Increase (decrease) in cash and cash equivalents due to change in the scope of consolidation</b> | <b>78</b>                          | <b>-</b>                           |
| <b>Cash and cash equivalents, end of period</b>   | <b>4,921</b>                       | <b>4,305</b>                       |

#### (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

|                                 | Reportable segment       |            |                  |         | Adjustments<br>*1 | (Millions of yen)<br>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

|                                 | Reportable segment       |            |                  |         | Adjustments<br>*1 | (Millions of yen)<br>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.