

## **1. Qualitative Information on the Consolidated Business Results for the Nine Months Ended June 30, 2014**

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

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

In the first nine months of the fiscal year ending September 30, 2014 (October 1, 2013 – June 30, 2014), the Japanese economy was steady overall. Despite a downturn following the surge in demand prior to the April consumption tax increase, the Japanese economy was bolstered by an increase in capital spending and firm personal consumption. Reviewing global economic trends, while the U.S. economy continued its moderate expansion on the strength of a recovery in corporate earnings and an improvement in employment conditions, concerns emerged over deflation among European economies and a slowdown in growth among emerging economies. Overall, therefore, the global economic outlook remained clouded during the period.

Amid this environment, in the final year of its Fourth Medium-Term Management Plan (three-year plan) announced in October 2011, the Yokohama Reito Group undertook initiatives to improve its performance based on its two primary operating policies of “Strengthening the core business” and “Strengthening growth potential.”

In the refrigerated warehousing business, cargo movement grew brisk as inventories normalized following high levels which continued through 2013. In the food sales business, prices for both marine products and livestock products have rebounded from the sharp declines experienced in 2012, and as prices have remained high on the whole for the main types of products handled, it has become difficult to forecast price changes.

As a result, the Group’s consolidated net sales for the nine months ended June 30, 2014 totaled ¥103,936 million, a 21.1% increase compared to the same period of the previous fiscal year. Operating income totaled ¥3,351 million, a year-on-year increase of 5.3%, ordinary income totaled ¥3,377 million, a year-on-year increase of 1.9%, and net income totaled ¥2,033 million, a year-on-year increase of 0.8%.

Results by business segment are as follows.

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

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

The business experienced brisk cargo movement from the start of the fiscal year, and the inventory turnover rate rose. In its third year, the logistics outsourcing service business took root in all the logistics centers as a core service, and made a steady contribution to earnings. The Customs Broker Section, which was newly established at the beginning of this fiscal year as an independent business, steadily expanded its customs clearance income and contributed to earnings. The Wang Noi 2nd Distribution Center in Thailand and the Ishikari 2nd Logistics Center, both completed during the period, performed smoothly after the start of operations, although start-up and depreciation expenses incurred by the centers weighed on earnings.

In terms of cargo handling, the volume of inbound cargo increased by approx. 18,000 tons, an increase of 2.1% compared with the same period of the previous year, and the volume of outbound cargo rose by approx. 10,000 tons, a year-on-year increase of 1.1%. Overall, the average inventory volume increased by approx. 9,000 tons, or 0.4% year on year, reversing a decline trend in previous quarters. Overseas, our Thai consolidated subsidiary, Thai Yokorei Co., Ltd., minimized the impact of a military government takeover during the period to serve robust local demand for low-temperature logistics. As a result, the company increased revenues, while its income declined due to start-up expenses related to the opening of the Wang Noi 2nd Distribution Center.

As a result, net sales for the segment increased 3.3% compared with the same period of the previous fiscal year to ¥16,562 million, and operating income rose 2.6% year on year to ¥3,919 million.

### **Food Sales Business**

In the marine products category, despite a 3.8% year-on-year decline in product handling volume, revenues and profits increased due to solid sales efforts. Although product prices have remained generally high since the start of the fiscal year, prices for some products began to decline. By product, handling volumes of scallops rose amid a favorable sales environment, generating a significant increase in both sales and profits. While handling volumes of crab were flat year on year, timely purchases led to a significant increase in sales and profits. Mackerel prices rebounded and profits increased amid flat sales. Shrimp sales rose while profits declined after the high prices seen from the start of the fiscal year began to decline from early spring. The handling volume of salmon/trout rose substantially to contribute to higher category sales, but profit declined due to lower margins. Sales of eel increased while profits declined, as the first good catch of whitebait in five years drove down eel inventory prices in anticipation of a fall. In the livestock products category, sales and profits increased as a result of a policy to raise turnover rate based by maintaining appropriate inventory levels. Pork sales and profits surged due to a global supply shortage linked to infectious animal diseases, driving up category results. The agricultural product category's sales were on par with the same period of the previous year, while profits increased due to improved profit margins for potatoes and onions.

As a result, segment sales amounted to ¥87,350 million, an increase of 25.2% compared with the same period of the previous fiscal year, and the segment posted operating income of ¥955 million, a year-on-year increase of 42.7%.

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

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

Total assets at June 30, 2014 amounted to ¥114,186 million, an increase of ¥16,593 million compared with the previous fiscal year-end (September 30, 2013). This change was mainly attributable to increases of ¥10,077 million in property, plant, and equipment, ¥4,004 million in merchandise, and ¥2,748 in notes and accounts receivable-trade, which were partially offset by a decrease of ¥2,000 million in marketable securities.

Total liabilities amounted to ¥54,495 million, an increase of ¥15,061 million compared with the previous fiscal year-end. This change was mainly attributable to an increase of ¥10,062 million in loans payable.

Total net assets amounted to ¥59,691 million, an increase of ¥1,531 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 ¥4,921 million, a decrease of ¥1,238 million compared with the previous fiscal year-end (September 30, 2013). The main factors affecting cash flows during the first nine months of the fiscal year under review are summarized as follows.

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

Net cash used in operating activities amounted to ¥3,632 million compared with ¥7,695 million provided in the same period of the previous fiscal year. This net outflow was mainly attributable to income before income taxes and minority interests of ¥3,377 million and depreciation and amortization of ¥2,759 million, the sum of which was partially offset by factors such as an increase

in inventories of ¥3,951 million, an increase in accounts receivable-trade of ¥2,740 million, and income taxes paid of ¥2,180 million.

2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥6,632 million, compared with ¥2,424 million used in the same period of the previous fiscal year. The main investment outflow was ¥6,475 million used to purchase of property, plant and equipment.

3) Cash flows from financing activities

Net cash provided by financing activities amounted to ¥8,952 million, compared with ¥5,488 million used in the same period of the previous fiscal year. This net inflow was mainly derived from a net increase in loans payable of ¥10,058 million, which was partly offset by dividends paid to shareholders of ¥1,034 million.

**(3) Consolidated Earnings Forecast**

There is no change to the earnings forecast for the year ending September 30, 2014 announced on November 14, 2013 with the financial results for the year ended September 30, 2013.

**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:**

Not applicable

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	As of September 30, 2013	As of June 30, 2014	(Millions of yen)
	Amount	Amount	
<b>Assets</b>			
<b>Current assets</b>			
Cash and deposits	4,159	4,921	
Notes and accounts receivable – trade	16,035	18,784	
Marketable securities	2,000	-	
Merchandise	14,177	18,181	
Deferred tax assets	624	484	
Other	360	1,012	
Allowance for doubtful accounts	(29)	(34)	
<b>Total current assets</b>	<b>37,328</b>	<b>43,350</b>	
<b>Noncurrent assets</b>			
Property, plant and equipment			
Buildings and structures, net	25,182	33,017	
Machinery, equipment and vehicles, net	4,699	7,142	
Land	19,106	19,183	
Leased assets, net	175	305	
Construction in progress	1,937	1,195	
Other, net	302	637	
<b>Total property, plant and equipment</b>	<b>51,403</b>	<b>61,481</b>	
Intangible fixed assets			
Goodwill	696	924	
Other	1,627	1,728	
<b>Total intangible fixed assets</b>	<b>2,324</b>	<b>2,653</b>	
Investments and other assets			
Investment securities	4,993	5,151	
Long-term loans receivable	87	135	
Deferred tax assets	33	98	
Other	1,465	1,439	
Allowance for doubtful accounts	(43)	(123)	
<b>Total investments and other assets</b>	<b>6,537</b>	<b>6,701</b>	
<b>Total noncurrent assets</b>	<b>60,265</b>	<b>70,836</b>	
<b>Total assets</b>	<b>97,593</b>	<b>114,186</b>	

	As of September 30, 2013	As of June 30, 2014	(Millions of yen)
	Amount	Amount	
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes and accounts payable – trade	6,515	6,074	
Short-term loans payable	5,145	10,003	
Current portion of long-term loans payable	2,201	2,972	
Lease obligations	72	83	
Income taxes payable	1,398	451	
Accrued employees' bonuses	639	179	
Accrued bonuses for directors and corporate auditors	30	22	
Other	3,346	10,010	
<b>Total current liabilities</b>	<b>19,348</b>	<b>29,797</b>	
<b>Noncurrent liabilities</b>			
Convertible bonds	7,000	7,000	
Long-term loans payable	11,470	15,904	
Lease obligations	110	209	
Deferred tax liabilities	357	388	
Provision for employees' retirement benefits	636	651	
Provision for directors' and corporate auditors' retirement benefits	331	365	
Asset retirement obligations	105	105	
Other	73	73	
<b>Total noncurrent liabilities</b>	<b>20,085</b>	<b>24,697</b>	
<b>Total liabilities</b>	<b>39,433</b>	<b>54,495</b>	
<b>Net assets</b>			
<b>Shareholders' equity</b>			
Common stock	11,065	11,065	
Capital surplus	11,109	11,109	
Retained earnings	35,335	36,338	
Treasury stock	(521)	(521)	
<b>Total shareholders' equity</b>	<b>56,989</b>	<b>57,991</b>	
<b>Accumulated other comprehensive income</b>			
Unrealized gain on available-for-sale securities	734	855	
Deferred gain (loss) on derivatives under hedge accounting	5	(14)	
Foreign currency translation adjustments	(39)	(26)	
<b>Total accumulated other comprehensive income</b>	<b>700</b>	<b>813</b>	
<b>Minority interests</b>			
<b>Total net assets</b>	<b>58,159</b>	<b>59,691</b>	
<b>Total liabilities and net assets</b>	<b>97,593</b>	<b>114,186</b>	

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

	(Millions of yen)	
	Nine months ended June 30, 2013	Nine months ended June 30, 2014
	Amount	Amount
Net sales	85,831	103,936
Cost of sales	77,531	95,045
Gross profit	8,299	8,891
Selling, general and administrative expenses	5,116	5,539
Operating income	3,183	3,351
Other income		
Interest income	15	10
Dividend income	88	92
Subsidy income	3	46
Insurance dividends	29	28
Gain on sales of noncurrent assets	43	2
Other	211	121
Total other income	392	302
Other expenses		
Interest expense	181	203
Loss on sales and retirement of noncurrent assets	55	46
Other	25	26
Total other expenses	262	277
Ordinary income	3,314	3,377
Income before income taxes and minority interests	3,314	3,377
Income taxes—Current	1,351	1,249
Income taxes—Deferred	(108)	51
Total income taxes	1,242	1,300
Income before minority interests	2,071	2,076
Minority interests	54	43
Net income	2,016	2,033

## Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended June 30, 2013	Nine months ended June 30, 2014
	Amount	Amount
Income before income taxes and minority interests	2,071	2,076
Other comprehensive income		
Unrealized gain on available-for-sale securities	786	120
Deferred gain (loss) on derivatives under hedge accounting	75	(19)
Foreign currency translation adjustments	229	20
Total other comprehensive income	<u>1,091</u>	<u>121</u>
Comprehensive income	3,163	2,197
Breakdown:		
Comprehensive income attributable to owners of the parent	3,045	2,146
Comprehensive income attributable to minority interests	117	50

### (3) Consolidated Statements of Cash flows

	(Millions of yen)	
	Nine months ended June 30, 2013	Nine months ended June 30, 2014
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	3,314	3,377
Depreciation and amortization	2,598	2,759
Amortization of goodwill	114	114
Increase (decrease) in accrued employees' bonuses	(438)	(459)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(6)	(7)
Increase (decrease) in provision for employees' retirement benefits	28	15
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	16	33
Increase (decrease) in allowance for doubtful accounts	4	85
Interest and dividend income	(104)	(103)
Interest expenses paid on loans and bonds	181	203
Decrease (increase) in accounts receivable – trade	(1,254)	(2,740)
Decrease (increase) in inventories	1,067	(3,951)
Increase (decrease) in accounts payable – trade	2,207	(440)
Increase (decrease) in accrued expenses	(99)	443
Other – net	675	(689)
<b>Sub total</b>	<b>8,305</b>	<b>(1,361)</b>
Interest and dividend income received	104	101
Interest paid	(181)	(192)
Income taxes paid	(533)	(2,180)
<b>Net cash provided by (used in) operating activities</b>	<b>7,695</b>	<b>(3,632)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,677)	(6,475)
Proceeds from sales of property, plant and equipment	413	18
Purchase of investment securities	(3)	(27)
Payments of loans receivable	(221)	(66)
Collection of loans receivable	115	77
Other – net	(50)	(158)
<b>Net cash provided by (used in) investing activities</b>	<b>(2,424)</b>	<b>(6,632)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(5,036)	4,854
Proceeds from long-term loans payable	2,676	7,082
Repayments of long-term loans payable	(1,980)	(1,879)
Purchase of treasury stock	(0)	(0)
Dividends paid to shareholders	(1,034)	(1,034)
Payments for redemption of bonds	(47)	-
Other – net	(65)	(70)
<b>Net cash provided by (used in) financing activities</b>	<b>(5,488)</b>	<b>8,952</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>19</b>	<b>(5)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(197)</b>	<b>(1,317)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,700</b>	<b>6,159</b>
<b>Increase (decrease) in cash and cash equivalents due to change in the scope of consolidation</b>	<b>-</b>	<b>78</b>
<b>Cash and cash equivalents, end of period</b>	<b>2,502</b>	<b>4,921</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, 2013(October 1, 2012 – June 30, 2013)

1. Net sales, income/loss by reportable segment

	Reportable segment				Adjustments *1	Amounts reported on consolidated financial statements*2
	Refrigerated warehousing	Food sales	Other businesses	Total		
Net sales						
Sales to outside customers	16,033	69,787	10	85,831	-	85,831
Intersegment sales or transfers	1,146	-	33	1,180	(1,180)	-
Total	17,180	69,787	43	87,011	(1,180)	85,831
Segment income	3,819	669	11	4,501	(1,317)	3,183

Notes: 1. The minus 1,317 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, 2014 (October 1, 2013 –June 30, 2014)

1. Net sales, income/loss by reportable segment

	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	3,919	955	25	4,900	(1,548)	3,351

Notes: 1. The minus 1,548 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.