

1. Qualitative Information on the Consolidated Business Results for the Three Months Ended December 31, 2013

(1) Qualitative Information on the Consolidated Operating Performance

(Operating environment)

In the first three months of the fiscal year ending September 30, 2014 (October 1, 2013 - December 31, 2013), the Japanese economy demonstrated confident strides toward recovery in corporate results and heightened business and consumer confidence as the yen depreciated and stock prices rose. A mild recovery in advanced economies pushed exports to rally and consumer spending to stabilize. However, uncertainties about the future remain as we face an expected surge in demand and a subsequent rebound from the upcoming increase in consumption tax, a slowdown in the growth in emerging markets, and continued lack of optimism over the European debt crisis.

Amid this environment, entering the final year of its Fourth Medium-Term Management Plan (three-year plan) announced in November 2011, the Yokohama Reito Group strove to recover and improve its performance through its two primary operating policies of “strengthening the core businesses” and “strengthening growth potential.”

As a result, the Group’s consolidated net sales for the three months ended December 31, 2013 totaled ¥36,374 million, a 20.7% increase compared to the same period of the previous fiscal year. Operating income totaled ¥1,857 million, a year-on-year increase of 53.3%, ordinary income totaled ¥1,850 million, a year-on-year increase of 42.6%, and net income totaled ¥1,102 million, a year-on-year increase of 38.4%.

Results by business segment are as follows.

(Results by business segment)

Refrigerated Warehousing Business

Inventory levels bottomed out and mostly leveled off after a decreasing trend caused by a recovery in cargo movements. The logistics outsourcing service, our mainstay policy, and the Customs Broker Section newly established at the beginning of this fiscal year, contributed to increases in customs clearance income and distribution processing income according to plan. In addition, works to increase and strengthen the freezing capacity at producing area plants effected the previous fiscal year lifted the freezing volume and contributed to the Group’s performance.

Cargo handling saw an increase in cargo volumes of agricultural products, with inbound cargo volume rising approx. 9,000 tons, or 2.9% compared to the same period of the previous fiscal year. However, the volume of outbound cargo was largely unchanged rising only by approx. 300 tons, a year-on-year increase of 0.1%. Overall, the average inventory volume decreased by approx. 22,000 tons, or 2.8%.

Overseas, our Thai consolidated subsidiary, Thai Yokorei Co., Ltd., continued to perform well posting increases in revenue and profit.

As a result, net sales for the segment increased 3.2% compared with the same period of the previous fiscal year to ¥5,933 million, and operating income rose 11.1% to ¥1,722 million.

Food Sales Business

In the marine products category, mainstay commodities sold at high prices as sales efforts focusing on turnover rate resulted in higher revenue and profit, albeit with little change in volume. By product, farmed shrimp priced high due to the effects of contagion witnessed an increase in revenue and profit thanks to risk avoidance efforts including dispersion of procurement areas, and the volume of salmon/trout rose greatly, contributing to sales. In addition, red king crab, whose import

volume is expected to decrease, enjoyed higher revenue and profit on the heels of early, moderate purchasing in step with end-of-year demand, while scallops, which enjoyed an improvement in sales environment, greatly contributed to profits. After suffering four consecutive years of poor eel catches, we worked to improve revenue by expanding our volume of domestic fresh eel. In the livestock products category, while all commodities sold at high prices, sales efforts based on appropriate inventory resulted in increased revenue and profit for all categories. Pork did particularly well as we pushed up volume mostly of imports from the U.S., the E.U. and Chile resulting in a significant rise in revenue and profit. In agricultural products, efforts to lift volumes of potatoes, a mainstay commodity, by expanding sales channels resulted in increased revenue and profit.

As a result, segment sales amounted to ¥30,433 million, an increase of 24.8% compared with the same period of the previous fiscal year, and the segment posted operating income of ¥619 million, a year-on-year increase of 465.5%.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at December 31, 2013 amounted to ¥107,021 million, an increase of ¥9,428 million compared with the previous fiscal year-end (September 30, 2013). This change was mainly attributable to increases of ¥6,486 million in merchandise, ¥3,063 million in notes and accounts receivable-trade, and of ¥1,856 million in property, plant, and equipment, which were partially offset by a decrease of ¥2,000 million in investment securities.

Total liabilities amounted to ¥48,238 million, an increase of ¥8,805 million compared with the previous fiscal year-end. This change was mainly attributable to increases of ¥8,191 million in loans payable and of ¥785 million in notes and accounts payable-trade.

Total net assets amounted to ¥58,782 million, an increase of ¥622 million compared with the previous fiscal year-end.

Cash Flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the first quarter amounted to ¥3,485 million, a decrease of ¥2,673 million compared with the previous fiscal year-end (September 30, 2013). The main factors affecting cash flows during the first three 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 ¥8,181 million compared with ¥191 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 ¥1,850 million, depreciation and amortization of ¥846 million, and a ¥785 million increase in accounts payable-trade, the sum of which was partially offset by factors such as an increase in inventories of ¥6,429 million and an increase in accounts receivable-trade of ¥3,066 million.

2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥2,164 million, compared with ¥1,175 million used in the same period of the previous fiscal year. Major investment outflows included the ¥2,027 million used to purchase property, plant and equipment.

3) Cash flows from financing activities

Net cash provided by financing activities amounted to ¥7,673 million, compared with ¥1,465 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 ¥8,212 million, which was partly offset by cash dividends paid of ¥517 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 December 31, 2013	(Millions of yen)
	Amount	Amount	
Assets			
Current assets			
Cash and deposits	4,159	3,485	
Notes and accounts receivable – trade	16,035	19,099	
Marketable securities	2,000	-	
Merchandise	14,177	20,663	
Deferred tax assets	624	368	
Other	360	1,098	
Allowance for doubtful accounts	(29)	(34)	
Total current assets	37,328	44,681	
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	25,182	24,942	
Machinery, equipment and vehicles, net	4,699	4,978	
Land	19,106	19,100	
Leased assets, net	175	170	
Construction in progress	1,937	3,783	
Other, net	302	283	
Total property, plant and equipment	51,403	53,259	
Intangible fixed assets			
Goodwill	696	658	
Other	1,627	1,668	
Total intangible fixed assets	2,324	2,326	
Investments and other assets			
Investment securities	4,993	5,137	
Long-term loans receivable	87	179	
Deferred tax assets	33	45	
Other	1,465	1,467	
Allowance for doubtful accounts	(43)	(78)	
Total investments and other assets	6,537	6,753	
Total noncurrent assets	60,265	62,339	
Total assets	97,593	107,021	

	As of September 30, 2013	As of December 31, 2013	(Millions of yen)
	Amount	Amount	
Liabilities			
Current liabilities			
Notes and accounts payable - trade	6,515	7,300	
Short-term loans payable	5,145	13,273	
Current portion of long-term loans payable	2,201	1,954	
Lease obligations	72	72	
Income taxes payable	1,398	509	
Accrued employees' bonuses	639	122	
Accrued bonuses for directors and corporate auditors	30	7	
Other	3,346	4,559	
Total current liabilities	19,348	27,800	
Noncurrent liabilities			
Convertible bonds	7,000	7,000	
Long-term loans payable	11,470	11,780	
Lease obligations	110	104	
Deferred tax liabilities	357	399	
Provision for employees' retirement benefits	636	649	
Provision for directors' and corporate auditors' retirement benefits	331	325	
Asset retirement obligations	105	105	
Other	73	73	
Total noncurrent liabilities	20,085	20,438	
Total liabilities	39,433	48,238	
Net assets			
Shareholders' equity			
Common stock	11,065	11,065	
Capital surplus	11,109	11,109	
Retained earnings	35,335	35,920	
Treasury stock	(521)	(521)	
Total shareholders' equity	56,989	57,574	
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	734	812	
Deferred gain (loss) on derivatives under hedge accounting	5	(35)	
Foreign currency translation adjustments	(39)	(53)	
Total accumulated other comprehensive income	700	724	
Minority interests			
Total net assets	58,159	58,782	
Total liabilities and net assets	97,593	107,021	

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

	(Millions of yen)	
	Three months ended December 31, 2012	Three months ended December 31, 2013
	Amount	Amount
Net sales	30,142	36,374
Cost of sales	27,193	32,592
Gross profit	2,949	3,781
Selling, general and administrative expenses	1,737	1,923
Operating income	1,211	1,857
Other income		
Interest income	2	3
Dividend income	26	28
Insurance dividends	2	2
Gain on sales of noncurrent assets	43	0
Other	124	35
Total other income	198	70
Other expenses		
Interest expense	64	53
Loss on sales and retirement of noncurrent assets	18	11
Other	29	13
Total other expenses	112	78
Ordinary income	1,297	1,850
Income before income taxes and minority interests	1,297	1,850
Income taxes—Current	392	469
Income taxes—Deferred	91	259
Total income taxes	483	728
Income before minority interests	814	1,121
Minority interests	17	19
Net income	796	1,102

Consolidated Statements of Comprehensive Income

	Three months ended December 31, 2012	Three months ended December 31, 2013	(Millions of yen)
	Amount	Amount	
Income before income taxes and minority interests	814	1,121	
Other comprehensive income			
Unrealized gain on available-for-sale securities	123	77	
Deferred gain (loss) on derivatives under hedge accounting	38	(40)	
Foreign currency translation adjustments	9	(18)	
Total other comprehensive income	<u>171</u>	<u>18</u>	
Comprehensive income	<u>985</u>	<u>1,140</u>	
Breakdown:			
Comprehensive income attributable to owners of the parent	965	1,126	
Comprehensive income attributable to minority interests	20	13	

(3) Consolidated Statements of Cash flows

	(Millions of yen)	
	Three months ended December 31, 2012	Three months ended December 31, 2013
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and minority interests	1,297	1,850
Depreciation and amortization	849	846
Amortization of goodwill	38	38
Increase (decrease) in accrued employees' bonuses	(496)	(516)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(20)	(22)
Increase (decrease) in provision for employees' retirement benefits	9	13
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	(5)	(6)
Increase (decrease) in allowance for doubtful accounts	9	39
Interest and dividend income	(28)	(31)
Interest expenses paid on loans and bonds	64	53
Decrease (increase) in accounts receivable - trade	(2,690)	(3,066)
Decrease (increase) in inventories	(366)	(6,429)
Increase (decrease) in accounts payable - trade	1,016	785
Increase (decrease) in accrued expenses	79	382
Other - net	562	(806)
Sub total	320	(6,868)
Interest and dividend income received	28	30
Interest paid	(67)	(47)
Income taxes paid	(88)	(1,294)
Net cash provided by (used in) operating activities	191	(8,181)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,511)	(2,027)
Proceeds from sales of property, plant and equipment	403	0
Purchase of investment securities	(1)	(15)
Payments of loans receivable	(68)	(96)
Collection of loans receivable	29	32
Other – net	(27)	(58)
Net cash provided by (used in) investing activities	(1,175)	(2,164)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	660	8,140
Proceeds from long-term loans payable	2,100	832
Repayments of long-term loans payable	(748)	(760)
Purchase of treasury stock	(0)	(0)
Dividends paid to shareholders	(517)	(517)
Payments for redemption of bonds	(7)	-
Other – net	(20)	(21)
Net cash provided by (used in) financing activities	1,465	7,673
Effect of exchange rate changes on cash and cash equivalents	0	(2)
Net increase (decrease) in cash and cash equivalents	482	(2,673)
Cash and cash equivalents, beginning of period	2,700	6,159
Cash and cash equivalents, end of period	3,182	3,485

(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. Three months ended December 31, 2012 (October 1, 2012 – December 31, 2012)

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	5,750	24,388	2	30,142	-	30,142
Intersegment sales or transfers	411	-	11	422	(422)	-
Total	6,161	24,388	14	30,564	(422)	30,142
Segment income	1,549	109	3	1,662	(450)	1,211

Notes: 1. The minus 450 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.

2. Information on impairment loss on noncurrent assets and goodwill by reportable segment

(Significant impairment loss on noncurrent assets)

No significant impairment loss was recorded

(Significant change in the amount of goodwill)

Not applicable

(Significant gain on negative goodwill)

Not applicable

II. Three months ended December 31, 2013 (October 1, 2013 – December 31, 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	5,933	30,433	7	36,374	-	36,374
Intersegment sales or transfers	491	-	11	502	(502)	-
Total	6,424	30,433	19	36,877	(502)	36,374
Segment income	1,722	619	8	2,351	(493)	1,857

Notes: 1. The minus 493 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.

2. Information on impairment loss on noncurrent assets and goodwill by reportable segment
(Significant impairment loss on noncurrent assets)
No significant impairment loss was recorded
(Significant change in the amount of goodwill)
Not applicable
(Significant gain on negative goodwill)
Not applicable