

1. Qualitative Information on the Consolidated Business Results for the Six Months Ended March 31, 2013

(1) Qualitative Information on the Consolidated Operating Performance

(Operating environment)

In the six months ended March 31, 2013 (October 1, 2012 - March 31, 2013), the yen depreciated dramatically and stock prices surged in Japan as financial markets reacted to the anticipated effects of “Abenomics,” “new dimensions of monetary easing,” and other policies championed by the new Japanese government established at the end of 2012. With uncertainties remaining, however, it will take time for these policies to penetrate the real economy and effectuate a full-blown recovery in corporate earnings and stronger consumer confidence. Outside Japan, a host of external factors cast a shadow over the global economy during the six-month period. The pace of economic recovery in the U.S. remained sluggish, the slowdown in China’s growth became more evident, and the Eurozone appeared in danger of sinking into recession.

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

The refrigerated warehousing business is gradually recovering from the low turnover rate and high inventory levels caused by the Great East Japan Earthquake. The food sales business, meanwhile, posted a loss in the fiscal year ended September 30, 2012, due to a significant deterioration in the supply-demand balance for marine products. Although marine product prices are still low, they are starting to stabilize amid a moderate recovery trend.

As a result, the Group’s consolidated net sales for the six months ended March 31, 2013 totaled ¥56,216 million, a 2.2% decrease compared with the same period of the previous fiscal year. Operating income totaled ¥2,290 million, a year-on-year increase of 67.8%, ordinary income totaled ¥2,399 million, a year-on-year increase of 72.1%, and net income totaled ¥1,483 million, a year-on-year increase of 92.8%.

Results by business segment are as follows.

Refrigerated Warehousing Business

The inventory to sales ratio, which had remained at a high level from the previous fiscal year, began to show signs of leveling, along with cargo movements, from the end of 2012, and the inventory turnover rate improved. The logistics outsourcing service, launched as part of the “strengthening growth potential” strategy, demonstrated steady progress in its second year, and related increases in customs clearance income and distribution processing income contributed to the segment’s results.

The volume of inbound cargo declined slightly by 4,000 tons, or 0.7%, compared with the same period of the previous fiscal year due to lower imported cargo stemming from the dramatic yen depreciation and domestic inventory adjustments. The volume of outbound cargo rose by 37,000 tons, a year-on-year increase of 6.6%. Overall, the average inventory volume increased 6.7% to 96,000 tons as a result of inventory increases in all major product categories.

Overseas, the Wang Noi Logistics Center operated by Thai subsidiary Thai Yokorei Co., Ltd. continued to perform well after starting full-scale operations in the previous fiscal year, posting significant increases in revenue and profit.

As a result, net sales for the segment increased 6.6% compared with the same period of the previous fiscal year to ¥10,749 million, and operating income rose 15.3% to ¥2,758 million.

Food Sales Business

In the Group's marine products category, the severe price declines witnessed in the previous fiscal year bottomed out and the market began a moderate recovery. However, the prices of most fish products among core merchandise remained at low levels during the period and revenues, despite a 10.5% increase in marine products trading volume, declined while profits increased. Profits for salmon/trout, mackerel and other mainstay products, which generated a large loss in the previous fiscal year, improved due to proactive sales campaigns and close market monitoring. Revenues and profits in the eel business, which has suffered from poor fishing conditions for four straight years, declined due to a large drop in demand from retailers. The livestock products category posted a strong increase in revenues and profits, as chicken prices recovered from last year's slump and beef sales were robust. The agricultural products category posted higher year-on-year revenues but lower profits, with strong potato and onion harvests helping to boost sales.

As a result, segment sales amounted to ¥45,461 million, a decline of 4.1% compared with the same period of the previous fiscal year, and the segment posted operating income of ¥431 million, compared with operating income of ¥2 million in the same period of the previous fiscal year.

(2) Qualitative Information on the Consolidated Financial Position

(Assets, Liabilities and Net Assets)

Total assets at March 31, 2013 amounted to ¥88,446 million, a decrease of ¥2,491 million compared with the previous fiscal year-end (September 30, 2012). This change was mainly attributable to decreases of ¥1,259 million in merchandise, ¥1,142 million in property, plant, and equipment, and ¥593 million in notes and accounts receivable—trade, which were partially offset by an increase of ¥944 million in investment securities.

Total liabilities amounted to ¥30,986 million, a decrease of ¥4,311 million compared with the previous fiscal year-end. This change was mainly attributable to a decrease of ¥4,293 million in loans payable, which was partially offset by increases of ¥888 million in income taxes payable, ¥271 million in deferred tax liabilities, and ¥203 million in notes and accounts payable—trade.

Total net assets amounted to ¥57,459 million, an increase of ¥1,820 million compared with the previous fiscal year-end.

(Cash Flows)

Cash and cash equivalents (hereinafter, "cash") as of March 31, 2013 amounted to ¥2,827 million, an increase of ¥127 million compared with the previous fiscal year-end (September 30, 2012). The main factors affecting cash flows during the first six months of the fiscal year under review are summarized as follows.

1) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥6,651 million, compared with net cash used of ¥4,102 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 ¥2,399 million, depreciation and amortization of ¥1,713 million, a decline of ¥611 million in accounts receivable—trade, a decline of ¥1,276 million in inventories, and an increase of ¥202 million in accounts payable—trade, the sum of which was partially offset by income tax payments of ¥105 million.

2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥1,536 million, compared with ¥3,520 million in the same period of the previous fiscal year. Major investment outflows included the ¥1,883 million used for the purchase of property, plant and equipment.

3) Cash flows from financing activities

Net cash used in financing activities amounted to ¥4,996 million, compared with ¥7,026 million in net cash provided in the same period of the previous fiscal year. This was mainly the result of a net decrease in loans payable of ¥4,387 million and cash dividends paid of ¥517 million.

(3) Consolidated Earnings Forecast

The Company has revised its the earnings forecast for the year ending September 30, 2013, announced on November 14, 2012, as follows.

Net sales are forecast at ¥112,000 million, operating income at ¥4,000 million, ordinary income at ¥4,000 million, and net income at ¥2,300 million.

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:

Changes in accounting policy

Change in depreciation method

In response to Japan's recent corporate tax law amendments and effective from the first quarter of the fiscal year ending September 30, 2013, the method which Yokohama Reito Co., Ltd. and its domestic consolidated subsidiaries use for depreciation of property, plant, and equipment acquired on or after October 1, 2012 will be adjusted to reflect the revised corporate tax code. The impact of this change on consolidated operating income, ordinary income and net income for the six months ended March 31, 2013 was negligible.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of September 30, 2012	As of March 31, 2013
	Amount	Amount
Assets		
Current assets		
Cash and deposits	2,700	2,827
Notes and accounts receivable - trade	14,402	13,808
Merchandise	14,003	12,744
Deferred tax assets	441	520
Other	985	437
Allowance for doubtful accounts	(26)	(25)
Total current assets	<u>32,507</u>	<u>30,312</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	26,243	25,443
Machinery, equipment and vehicles, net	4,912	4,657
Land	19,382	19,079
Leased assets, net	212	203
Construction in progress	8	261
Other, net	366	336
Total property, plant and equipment	<u>51,125</u>	<u>49,982</u>
Intangible fixed assets		
Goodwill	848	772
Other	1,630	1,630
Total intangible fixed assets	<u>2,479</u>	<u>2,402</u>
Investments and other assets		
Investment securities	3,616	4,561
Long-term loans receivable	71	97
Other	1,190	1,145
Allowance for doubtful accounts	(53)	(56)
Total investments and other assets	<u>4,825</u>	<u>5,747</u>
Total noncurrent assets	<u>58,430</u>	<u>58,133</u>
Total assets	90,937	88,446

	As of September 30, 2012	As of March 31, 2013	(Millions of yen)
	Amount	Amount	
Liabilities			
Current liabilities			
Notes and accounts payable - trade	5,314	5,518	
Short-term loans payable	10,509	5,147	
Current portion of long-term loans payable	2,211	2,468	
Bonds due within one year	47	-	
Lease obligations	69	75	
Income taxes payable	191	1,079	
Accrued employees' bonuses	619	464	
Accrued bonuses for directors and corporate auditors	27	13	
Other	3,802	2,616	
Total current liabilities	22,793	17,383	
Noncurrent liabilities			
Long-term loans payable	11,242	12,054	
Lease obligations	153	137	
Deferred tax liabilities	23	295	
Provision for employees' retirement benefits	605	628	
Provision for directors' and corporate auditors' retirement benefits	302	308	
Asset retirement obligations	105	105	
Other	72	73	
Total noncurrent liabilities	12,504	13,602	
Total liabilities	35,297	30,986	
Net assets			
Shareholders' equity			
Common stock	11,065	11,065	
Capital surplus	11,109	11,109	
Retained earnings	34,061	35,028	
Treasury stock	(520)	(520)	
Total shareholders' equity	55,716	56,682	
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	(214)	434	
Deferred gain (loss) on derivatives under hedge accounting	(28)	37	
Foreign currency translation adjustments	(197)	(119)	
Total accumulated other comprehensive income	(439)	352	
Minority interests	362	424	
Total net assets	55,639	57,459	
Total liabilities and net assets	90,937	88,446	

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

	Six months ended March 31, 2012	Six months ended March 31, 2013	(Millions of yen)
	Amount	Amount	
Net sales	57,494	56,216	
Cost of sales	52,500	50,489	
Gross profit	4,994	5,727	
Selling, general and administrative expenses	3,629	3,436	
Operating income	1,365	2,290	
Other income			
Interest income	9	9	
Dividend income	31	33	
Insurance dividends	28	29	
Gain on sales of noncurrent assets	1	43	
Other	164	176	
Total other income	235	292	
Other expenses			
Interest expense	145	125	
Loss on sales and retirement of noncurrent assets	28	35	
Other	31	22	
Total other expenses	206	183	
Ordinary income	1,393	2,399	
Extraordinary gains			
Refund of prior-year real estate taxes	84	-	
Total extraordinary gains	84	-	
Income before income taxes and minority interests	1,477	2,399	
Income taxes—Current	706	1,022	
Income taxes—Deferred	(5)	(140)	
Total income taxes	701	881	
Income before minority interests	776	1,517	
Minority interests	6	33	
Net income	769	1,483	

Consolidated Statements of Comprehensive Income

	Six months ended March 31, 2012	Six months ended March 31, 2013	(Millions of yen)
	Amount	Amount	
Income before income taxes and minority interests	776	1,517	
Other comprehensive income			
Unrealized gain on available-for-sale securities	31	648	
Deferred gain (loss) on derivatives under hedge accounting	220	65	
Foreign currency translation adjustments	(51)	106	
Total other comprehensive income	199	821	
Comprehensive income	976	2,338	
Breakdown:			
Comprehensive income attributable to owners of the parent	979	2,276	
Comprehensive income attributable to minority interests	(3)	62	

(3) Consolidated Statements of Cash flows

	Six months ended March 31, 2012	Six months ended March 31, 2013	(Millions of yen)
	Amount	Amount	
Cash flows from operating activities			
Income before income taxes and minority interests	1,477	2,399	
Depreciation and amortization	1,721	1,713	
Amortization of goodwill	76	76	
Increase (decrease) in accrued employees' bonuses	(153)	(155)	
Increase (decrease) in accrued bonuses for directors and corporate auditors	(15)	(13)	
Increase (decrease) in provision for employees' retirement benefits	35	22	
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	(28)	5	
Increase (decrease) in allowance for doubtful accounts	(11)	2	
Interest and dividend income	(41)	(43)	
Interest expenses paid on loans and bonds	145	125	
Decrease (increase) in accounts receivable - trade	1,515	611	
Decrease (increase) in inventories	(6,098)	1,276	
Increase (decrease) in accounts payable - trade	(2,013)	202	
Increase (decrease) in accrued expenses	273	(30)	
Other - net	(255)	647	
Sub total	(3,370)	6,839	
Interest and dividend income received	40	43	
Interest paid	(143)	(126)	
Income taxes paid	(629)	(105)	
Net cash provided by (used in) operating activities	(4,102)	6,651	
Cash flows from investing activities			
Purchase of property, plant and equipment	(3,008)	(1,883)	
Proceeds from sales of property, plant and equipment	1	415	
Purchase of investment securities	(99)	(2)	
Payments of loans receivable	(295)	(102)	
Collection of loans receivable	28	76	
Other – net	(147)	(40)	
Net cash provided by (used in) investing activities	(3,520)	(1,536)	
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	7,714	(5,456)	
Proceeds from long-term loans payable	1,000	2,283	
Repayments of long-term loans payable	(1,061)	(1,214)	
Purchase of treasury stock	(0)	(0)	
Dividends paid to shareholders	(517)	(517)	
Payments for redemption of bonds	(70)	(47)	
Dividends paid to minority shareholders	(2)	-	
Other – net	(36)	(43)	
Net cash provided by (used in) financing activities	7,026	(4,996)	
Effect of exchange rate changes on cash and cash equivalents	(6)	9	
Net increase (decrease) in cash and cash equivalents	(603)	127	
Cash and cash equivalents, beginning of period	4,563	2,700	
Cash and cash equivalents, end of period	3,959	2,827	

(4) Notes on the Going-concern Assumption

Not applicable

(5) Notes on Significant Changes in Shareholders' Equity

Not applicable

(6) Segment information

I. Six months ended March 31, 2012 (October 1, 2011 – March 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	10,083	47,405	5	57,494	-	57,494
Intersegment sales or transfers	895	-	24	920	(920)	-
Total	10,978	47,405	30	58,414	(920)	57,494
Segment income	2,392	2	7	2,402	(1,037)	1,365

Notes: 1. The minus 1,037 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. Six months ended March 31, 2013 (October 1, 2012 – March 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	10,749	45,461	5	56,216	-	56,216
Intersegment sales or transfers	794	-	22	816	(816)	-
Total	11,543	45,461	28	57,032	(816)	56,216
Segment income	2,758	431	7	3,196	(906)	2,290

Notes: 1. The minus 906 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.