

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

(1) Qualitative Information on the Consolidated Operating Performance

(Operating environment)

In the first quarter of the fiscal year (October 1, 2011 – December 31, 2011), the Japanese economy sustained its moderate recovery path, but the future outlook remained uncertain due to a number of factors, including a slowdown in overseas economic activity and yen appreciation stemming from the European sovereign debt crisis, a sharp drop in exports to Europe and Asia due to the Thai floods, and a tepid recovery in domestic manufacturing activity.

In the food-related sector, though personal consumption maintained its underlying firmness, overall conditions remained severe due to harsh employment and income conditions.

Amid this environment, in October 2011 the Yokohama Reito Group initiated 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.

The results of the Group’s consolidated operating performance for the first quarter ended December 31, 2011 were as follows. Net sales totaled ¥31,744 million, a 7.5% decrease compared to the same period of the previous fiscal year. Operating income totaled ¥1,104 million, a year-on-year decrease of 28.7%, ordinary income totaled ¥1,147 million, a year-on-year decrease of 28.6%, and net income totaled ¥663 million, a year-on-year decrease of 23.1%.

(Results by business segment)

Refrigerated Warehousing Business

Amid a gradual recovery in cargo movement, the Group implemented cargo operations geared towards profitability and meeting the precise needs of customers. As part of the measures, the Hokko Logistics Center and the Kagoshima Logistics Center, which were completed the previous fiscal year under a scrap-and-build program, began operating smoothly from the first quarter and contributed to results.

With regard to inventory volume, the volume of both frozen foods and livestock products increased. As a result, first-quarter inbound cargo volume increased by about 32,000 tons over the same quarter of the previous year, and the volume of outbound cargo increased by about 12,000 tons year on year. Overall, average inventory volume increased 2.9% year on year.

Net sales for the segment increased, mainly on the rise in storage fees and loading/unloading fees. Operating income, meanwhile, remained on par with the same period the previous year, despite an increase in the depreciation and amortization stemming from the construction of new logistics centers.

As a result, net sales for this segment increased 5.8% year on year to ¥5,327 million, and segment operating income remained unchanged year on year at ¥1,313 million,.

Consolidated subsidiary Thai Yokorei Co., Ltd. was not damaged by the flooding in Thailand last October, and the newly constructed Wang Noi Logistics Center in Thailand is also operating normally.

Food Sales Business

The segment posted lower net sales and income due mainly to lower catches of mainstay eel and autumn salmon amid significantly worse fishing conditions, along with lower exports of mackerel due to the radiation issues surrounding the nuclear power plant accident. In the livestock products category, market prices for chicken declined due to a continued inventory surplus, causing a decline in the category’s sales and income. Agricultural product results also declined year on year.

As a result, total net sales for the segment declined 9.8% year on year to ¥26,414 million, and segment operating income declined 56.6% to ¥296 million.

(2) Qualitative Information on the Consolidated Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the first quarter (December 31, 2011) amounted to ¥99,383 million, an increase of ¥6,317 million compared with the previous fiscal year-end (September 30, 2011). This change was mainly attributable to increases of ¥6,250 million in merchandise and ¥1,778 million in accounts receivable, which were partially offset by declines of ¥1,129 million in cash and deposits, ¥310 million in deferred tax assets, and ¥284 million in property, plant, and equipment.

Total liabilities amounted to ¥42,740 million, an increase of ¥6,236 million compared with the previous fiscal year-end. This change was mainly attributable to an increase of ¥8,160 million in loans payable, partially offset by declines of ¥483 million in accrued employees' bonuses and ¥339 million in income taxes payable.

Total net assets amounted to ¥56,642 million, an increase of ¥80 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 ¥3,434 million, a decrease of ¥1,129 million compared with the previous fiscal year-end (September 30, 2011). The main factors affecting cash flows during the first quarter are summarized as follows.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥6,839 million, compared with net cash used of ¥4,052 million in the same period of the previous fiscal year. This net outflow was mainly attributable to income before income taxes and minority interests of ¥1,231 million, depreciation and amortization of ¥841 million, and an increase in accrued expenses of ¥462 million, which were outweighed by an increase of ¥6,238 million in inventories, an increase of ¥1,782 million in accounts receivable-trade, and ¥616 million in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥1,874 million, compared with net cash used of ¥361 million in the same period of the previous fiscal year. The major investment outflow was purchase of property, plant and equipment of ¥1,754 million.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥7,590 million, compared with ¥4,304 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 ¥8,175 million, which was partly offset by cash dividends paid of ¥517 million.

(3) Qualitative Information on the Consolidated Earnings Forecast

There is no change to the earnings forecast of the fiscal year ending September 30, 2012 announced on November 14, 2011.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of September 30, 2011	As of December 31, 2011	(Millions of yen)
	Amount	Amount	
Assets			
Current assets			
Cash and deposits	4,563	3,434	
Notes and accounts receivable - trade	15,902	17,680	
Merchandise	13,985	20,235	
Deferred tax assets	728	423	
Other	568	843	
Allowance for doubtful accounts	(31)	(36)	
Total current assets	35,716	42,581	
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	24,778	24,630	
Machinery, equipment and vehicles, net	4,727	4,869	
Land	18,401	18,386	
Leased assets, net	174	207	
Construction in progress	1,280	991	
Other, net	344	336	
Total property, plant and equipment	49,706	49,421	
Intangible fixed assets			
Goodwill	1,001	963	
Other	1,419	1,416	
Total intangible fixed assets	2,420	2,379	
Investments and other assets			
Investment securities	3,775	3,586	
Long-term loans receivable	500	69	
Deferred tax assets	10	4	
Other	1,007	1,397	
Allowance for doubtful accounts	(72)	(57)	
Total investments and other assets	5,222	5,000	
Total noncurrent assets	57,349	56,801	
Total assets	93,065	99,383	

	As of September 30, 2011	As of December 31, 2011	(Millions of yen)
	Amount	Amount	
Liabilities			
Current liabilities			
Notes and accounts payable - trade	6,765	6,717	
Short-term loans payable	7,335	15,142	
Current portion of long-term loans payable	2,100	2,261	
Bonds due within one year	140	135	
Lease obligations	52	60	
Income taxes payable	722	382	
Accrued employees' bonuses	614	130	
Accrued bonuses for directors and corporate auditors	30	7	
Other	4,949	4,039	
Total current liabilities	22,710	28,877	
Noncurrent liabilities			
Bonds	90	47	
Long-term loans payable	12,465	12,657	
Lease obligations	130	156	
Deferred tax liabilities	95	15	
Provision for employees' retirement benefits	536	551	
Provision for directors' and corporate auditors' retirement benefits	302	259	
Asset retirement obligations	105	105	
Other	68	70	
Total noncurrent liabilities	13,793	13,862	
Total liabilities	36,503	42,740	
Net assets			
Shareholders' equity			
Common stock	11,065	11,065	
Capital surplus	11,109	11,109	
Retained earnings	34,897	35,044	
Treasury stock	(520)	(520)	
Total shareholders' equity	56,553	56,699	
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	35	(134)	
Deferred gain (loss) on derivatives under hedge accounting	(224)	(81)	
Foreign currency translation adjustments	(168)	(203)	
Total accumulated other comprehensive income	(358)	(420)	
Minority interests	367	363	
Total net assets	56,562	56,642	
Total liabilities and net assets	93,065	99,383	

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

	Three months ended December 31, 2010	Three months ended December 31, 2011	(Millions of yen)
	Amount	Amount	
Net sales	34,317	31,744	
Cost of sales	30,862	28,800	
Gross profit	3,455	2,943	
Selling, general and administrative expenses	1,906	1,839	
Operating income	1,548	1,104	
Other income			
Interest income	4	4	
Dividend income	16	22	
Insurance dividends	29	28	
Other	70	83	
	Total other income	120	138
Other expenses			
Interest expense	50	66	
Other	10	29	
	Total other expenses	60	95
Ordinary income		1,608	1,147
Extraordinary gains			
Gain on reversal of allowance for doubtful accounts	0	-	
Gain on sales of noncurrent assets	0	-	
Gain on sales of investment securities	1	-	
Refund of prior-year real estate taxes	74	84	
	Total extraordinary gains	76	84
Extraordinary losses			
Loss on sales and retirement of noncurrent assets	7	-	
Loss on sales of golf club membership	2	-	
Effect of adopting accounting standards for assets retirement obligations	132	-	
	Total extraordinary losses	141	-
Income before income taxes and minority interests		1,542	1,231
Income taxes—Current		533	339
Income taxes—Deferred		134	222
	Total income taxes	667	561
Income before minority interests		875	670
Minority interests		12	7
Net income		863	663

Consolidated Statements of Comprehensive Income

	Three months ended December 31, 2010	Three months ended December 31, 2011
	Amount	Amount
Income before income taxes and minority interests	875	670
Other comprehensive income		
Unrealized gain on available-for-sale securities	56	(170)
Deferred gain (loss) on derivatives under hedge accounting	(28)	146
Foreign currency translation adjustments	13	(48)
Total other comprehensive income	42	(72)
Comprehensive income	917	598
Breakdown:		
Comprehensive income attributable to owners of the parent	906	601
Comprehensive income attributable to minority interests	11	(2)

(3) Consolidated Statements of Cash flows

	Three months ended December 31, 2010	Three months ended December 31, 2011	(Millions of yen)
	Amount	Amount	
Cash flows from operating activities			
Income before income taxes and minority interests	1,542	1,231	
Depreciation and amortization	718	841	
Amortization of goodwill	37	38	
Increase (decrease) in accrued employees' bonuses	(465)	(483)	
Increase (decrease) in accrued bonuses for directors and corporate auditors	(22)	(22)	
Increase (decrease) in provision for employees' retirement benefits	26	14	
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	9	(42)	
Increase (decrease) in allowance for doubtful accounts	22	(10)	
Effect of adopting accounting standards for assets retirement obligations	132	-	
Interest and dividends income	(20)	(27)	
Interest expenses paid on loans and bonds	50	66	
Loss (gain) on sales and retirement of noncurrent assets	6	-	
Loss (gain) on sales and valuation of investment securities	(1)	-	
Decrease (increase) in accounts receivable - trade	(3,464)	(1,782)	
Decrease (increase) in inventories	(4,590)	(6,238)	
Increase (decrease) in accounts payable - trade	2,730	(48)	
Increase (decrease) in accrued expenses	229	462	
Other - net	145	(179)	
Sub total	<u>(2,912)</u>	<u>(6,180)</u>	
Interest and dividends received	23	24	
Interest paid	(57)	(67)	
Income taxes paid	<u>(1,105)</u>	<u>(616)</u>	
Net cash provided by (used in) operating activities	<u>(4,052)</u>	<u>(6,839)</u>	
Cash flows from investing activities			
Purchase of property, plant and equipment	(370)	(1,754)	
Proceeds from sales of property, plant and equipment	1	0	
Purchase of investment securities	(1)	(68)	
Proceeds from sales of investment securities	1	-	
Payments of loans receivable	-	(1)	
Collection of loans receivable	8	18	
Other – net	(0)	(69)	
Net cash provided by (used in) investing activities	<u>(361)</u>	<u>(1,874)</u>	
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	5,400	7,821	
Proceeds from long-term loans payable	-	1,000	
Repayments of long-term loans payable	(463)	(646)	
Purchase of treasury stock	(0)	(0)	
Dividends paid to shareholders	(518)	(517)	
Dividends paid to minority shareholders	(0)	(0)	
Payments for redemption of bonds	(97)	(47)	
Other – net	(15)	(18)	
Net cash provided by (used in) financing activities	<u>4,304</u>	<u>7,590</u>	
Effect of exchange rate changes on cash and cash equivalents	<u>3</u>	<u>(6)</u>	
Net increase (decrease) in cash and cash equivalents	<u>(106)</u>	<u>(1,129)</u>	
Cash and cash equivalents, beginning of period	<u>3,877</u>	<u>4,563</u>	
Cash and cash equivalents, end of period	<u>3,771</u>	<u>3,434</u>	

(4) Notes on the Going-concern Assumption

Not applicable

(5) Segment information

I. Three months ended December 31, 2010 (October 1, 2010 – December 31, 2010)

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	5,036	29,272	8	34,317	-	34,317
Intersegment sales or transfers	415	-	12	427	(427)	-
Total	5,452	29,272	20	34,745	(427)	34,317
Segment income	1,313	683	7	2,004	(455)	1,548

Notes: 1. The minus 455 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. Three months ended December 31, 2011 (October 1, 2011 – December 31, 2011)

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	5,327	26,414	2	31,744	-	31,744
Intersegment sales or transfers	439	-	12	451	(451)	-
Total	5,766	26,414	15	32,196	(451)	31,744
Segment income	1,313	296	4	1,614	(509)	1,104

Notes: 1. The minus 509 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.

(6) Note on Significant Changes in Shareholders' Equity

Not applicable