

## **1. Qualitative Information on the Consolidated Business Results for the Six Months Ended March 31, 2014**

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

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

In the first six months of the fiscal year ending September 30, 2014 (October 1, 2013 – March 31, 2014), the Japanese economy demonstrated a moderate recovery undertone owing to increased capital spending driven by higher corporate earnings, and firm personal consumption supported by an improved employment environment. The economic outlook remained uncertain, however, due to concerns over the impact of increases in power rates and the consumption tax, along with a number of factors undermining the global economy, including slowing growth in emerging countries and European debt problems.

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

In the refrigerated warehousing business, cargo movement grew brisk as inventories normalized following a long period of high inventories after the Great East Japan Earthquake. In the food sales business, prices for both marine products and livestock products rebounded from the sharp decline experienced in 2012, and high prices for mainstay products were sustained by a tight supply-demand balance.

As a result, the Group’s consolidated net sales for the six months ended March 31, 2014 totaled ¥68,146 million, a 21.2% increase compared to the same period of the previous fiscal year. Operating income totaled ¥2,668 million, a year-on-year increase of 16.5%, ordinary income totaled ¥2,648 million, a year-on-year increase of 10.4%, and net income totaled ¥1,614 million, a year-on-year increase of 8.8%.

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, promoted as part of the “strengthening the core businesses” strategy, took root in all the logistics centers and made a steady contribution to earnings. The Customs Broker Section, which was newly established at the beginning of this fiscal year, expanded its growth opportunities to increase customs clearance revenues and contribute to earnings.

Average inventory volume decreased by approx. 22,000 tons, or 1.4% compared with the same period of the previous year. A decline in cargo handling of foreign goods caused by yen depreciation was partially offset by saw an increase in domestic goods. However, the volume of inbound cargo increased by approx. 17,000 tons, a year-on-year increase of 3.0%, and the volume of outbound cargo rose slightly approx. 2,000 tons, a year-on-year increase of 0.3%.

Overseas, our Thai consolidated subsidiary, Thai Yokorei Co., Ltd., completed the Wang Noi Logistics Center No. 2 in December 2013, strengthening its ability to meet robust demand for low-temperature logistics services. The company continued to perform well in both of inbound and outbound cargo in the six-month period, posting increases in revenue and profit.

As a result, net sales for the segment increased 2.7% compared with the same period of the previous fiscal year to ¥11,041 million, and operating income rose 3.7% to ¥2,860 million.

### **Food Sales Business**

In the marine products category, after bottoming out in the previous fiscal year, prices have remained firm amid a tight supply-demand balance. Despite a 1.8% year-on-year decline in marine product handling volume, revenues and profits increased year on year as a result of higher unit prices and steady sales. By product, sales of imported salmon/trout, shrimp and mackerel contributed to sales and profits due to declining supplies. Sales of crab also greatly contributed to profits as a result of timely purchases in anticipation of rising prices. Sales of eel rebounded after four consecutive years of poor catches, but coupled with good catch of whitebait the profits declined as robust catches drove down inventory prices in anticipation of a fall. In the livestock products category, pork sales and profits surged as a result of an increase in E.U. imports and rising unit prices. Overall, however, livestock category profits declined on higher sales due to lower profit margins on products other than pork. The agricultural products category posted higher revenues and profits as a result of efforts to improve profit margins for potatoes and onions.

As a result, segment sales amounted to ¥57,088 million, an increase of 25.6% compared with the same period of the previous fiscal year, and the segment posted operating income of ¥757 million, a year-on-year increase of 75.5%.

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

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

Total assets at March 31, 2014 amounted to ¥107,009 million, an increase of ¥9,416 million compared with the previous fiscal year-end (September 30, 2013). This change was mainly attributable to increases of ¥7,599 million in merchandise and ¥4,057 million in property, plant, and equipment, which were partially offset by a decrease of ¥2,000 million in marketable securities.

Total liabilities amounted to ¥47,631 million, an increase of ¥8,198 million compared with the previous fiscal year-end. This change was mainly attributable to an increase of ¥8,332 million in loans payable.

Total net assets amounted to ¥59,377 million, an increase of ¥1,218 million compared with the previous fiscal year-end.

### **Cash Flows**

Cash and cash equivalents (hereinafter, “cash”) at the end of the second quarter amounted to ¥3,098 million, a decrease of ¥3,060 million compared with the previous fiscal year-end (September 30, 2013). 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 used in operating activities amounted to ¥5,537 million compared with ¥6,651 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 ¥2,648 million and depreciation and amortization of ¥1,742 million, the sum of which was partially offset by factors such as an increase in accounts receivable-trade of ¥325 million, an increase in inventories of ¥7,555 million, a decrease in accounts payable-trade of ¥170 million, and income taxes paid of ¥1,309 million.

#### 2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥5,272 million, compared with ¥1,536 million used in the same period of the previous fiscal year. Major investment outflows included the ¥5,136 million used to purchase property, plant and equipment.

3) Cash flows from financing activities

Net cash provided by financing activities amounted to ¥7,753 million, compared with ¥4,996 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 ¥8,314 million, which was partly offset by dividends paid to shareholders 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 Amount	(Millions of yen) As of March 31, 2014 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	4,159	3,098
Notes and accounts receivable – trade	16,035	16,363
Marketable securities	2,000	-
Merchandise	14,177	21,776
Deferred tax assets	624	643
Other	360	654
Allowance for doubtful accounts	(29)	(33)
Total current assets	<u>37,328</u>	<u>42,503</u>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures, net	25,182	27,012
Machinery, equipment and vehicles, net	4,699	6,271
Land	19,106	19,126
Leased assets, net	175	156
Construction in progress	1,937	2,444
Other, net	302	449
Total property, plant and equipment	<u>51,403</u>	<u>55,461</u>
Intangible fixed assets		
Goodwill	696	620
Other	1,627	1,700
Total intangible fixed assets	<u>2,324</u>	<u>2,320</u>
Investments and other assets		
Investment securities	4,993	5,131
Long-term loans receivable	87	155
Deferred tax assets	33	79
Other	1,465	1,433
Allowance for doubtful accounts	(43)	(76)
Total investments and other assets	<u>6,537</u>	<u>6,724</u>
Total noncurrent assets	<u>60,265</u>	<u>64,506</u>
<b>Total assets</b>	<u>97,593</u>	<u>107,009</u>

	As of September 30, 2013 Amount	(Millions of yen) As of March 31, 2014 Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	6,515	6,344
Short-term loans payable	5,145	8,296
Current portion of long-term loans payable	2,201	2,729
Lease obligations	72	70
Income taxes payable	1,398	1,139
Accrued employees' bonuses	639	496
Accrued bonuses for directors and corporate auditors	30	15
Other	3,346	3,774
Total current liabilities	19,348	22,866
<b>Noncurrent liabilities</b>		
Convertible bonds	7,000	7,000
Long-term loans payable	11,470	16,124
Lease obligations	110	92
Deferred tax liabilities	357	367
Provision for employees' retirement benefits	636	653
Provision for directors' and corporate auditors' retirement benefits	331	349
Asset retirement obligations	105	105
Other	73	73
Total noncurrent liabilities	20,085	24,765
<b>Total liabilities</b>	39,433	47,631
<b>Net assets</b>		
Shareholders' equity		
Common stock	11,065	11,065
Capital surplus	11,109	11,109
Retained earnings	35,335	36,427
Treasury stock	(521)	(521)
Total shareholders' equity	56,989	58,080
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	734	818
Deferred gain (loss) on derivatives under hedge accounting	5	0
Foreign currency translation adjustments	(39)	(28)
Total accumulated other comprehensive income	700	790
<b>Minority interests</b>	469	506
<b>Total net assets</b>	58,159	59,377
<b>Total liabilities and net assets</b>	97,593	107,009

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

	(Millions of yen)	
	Six months ended March 31, 2013	Six months ended March 31, 2014
	Amount	Amount
Net sales	56,216	68,146
Cost of sales	50,489	61,817
Gross profit	5,727	6,329
Selling, general and administrative expenses	3,436	3,661
Operating income	2,290	2,668
Other income		
Interest income	9	6
Dividend income	33	35
Insurance dividends	29	28
Gain on sales of noncurrent assets	43	1
Other	176	73
Total other income	292	145
Other expenses		
Interest expense	125	117
Loss on sales and retirement of noncurrent assets	35	25
Other	22	22
Total other expenses	183	165
Ordinary income	2,399	2,648
Income before income taxes and minority interests	2,399	2,648
Income taxes—Current	1,022	1,089
Income taxes—Deferred	(140)	(89)
Total income taxes	881	1,000
Income before minority interests	1,517	1,647
Minority interests	33	33
Net income	1,483	1,614

## Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Six months ended March 31, 2013	Six months ended March 31, 2014
	Amount	Amount
Income before income taxes and minority interests	1,517	1,647
Other comprehensive income		
Unrealized gain on available-for-sale securities	648	83
Deferred gain (loss) on derivatives under hedge accounting	65	(5)
Foreign currency translation adjustments	106	15
Total other comprehensive income	821	94
Comprehensive income	2,338	1,741
Breakdown:		
Comprehensive income attributable to owners of the parent	2,276	1,704
Comprehensive income attributable to minority interests	62	37

### (3) Consolidated Statements of Cash flows

	(Millions of yen)	
	Six months ended March 31, 2013	Six months ended March 31, 2014
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	2,399	2,648
Depreciation and amortization	1,713	1,742
Amortization of goodwill	76	76
Increase (decrease) in accrued employees' bonuses	(155)	(142)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(13)	(15)
Increase (decrease) in provision for employees' retirement benefits	22	17
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	5	18
Increase (decrease) in allowance for doubtful accounts	2	37
Interest and dividend income	(43)	(42)
Interest expenses paid on loans and bonds	125	117
Decrease (increase) in accounts receivable – trade	611	(325)
Decrease (increase) in inventories	1,276	(7,555)
Increase (decrease) in accounts payable – trade	202	(170)
Increase (decrease) in accrued expenses	(30)	39
Other – net	647	(599)
<b>Sub total</b>	<b>6,839</b>	<b>(4,154)</b>
Interest and dividend income received	43	40
Interest paid	(126)	(114)
Income taxes paid	(105)	(1,309)
<b>Net cash provided by (used in) operating activities</b>	<b>6,651</b>	<b>(5,537)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,883)	(5,136)
Proceeds from sales of property, plant and equipment	415	8
Purchase of investment securities	(2)	(17)
Payments of loans receivable	(102)	(69)
Collection of loans receivable	76	55
Other – net	(40)	(112)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,536)</b>	<b>(5,272)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(5,456)	3,139
Proceeds from long-term loans payable	2,283	6,406
Repayments of long-term loans payable	(1,214)	(1,231)
Purchase of treasury stock	(0)	(0)
Dividends paid to shareholders	(517)	(517)
Payments for redemption of bonds	(47)	-
Other – net	(43)	(43)
<b>Net cash provided by (used in) financing activities</b>	<b>(4,996)</b>	<b>7,753</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>9</b>	<b>(4)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>127</b>	<b>(3,060)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,700</b>	<b>6,159</b>
<b>Cash and cash equivalents, end of period</b>	<b>2,827</b>	<b>3,098</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. Six months ended March 31, 2013(October 1, 2012 – March 31, 2013)

1. Net sales, income/loss by reportable segment

(Millions of yen)

	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.

II. Six months ended March 31, 2014 (October 1, 2013 – March 31, 2014)

1. Net sales, income/loss by reportable segment

(Millions of yen)

	Reportable segment				Adjustments *1	Amounts reported on consolidated financial statements*2
	Refrigerated warehousing	Food sales	Other businesses	Total		
Net sales						
Sales to outside customers	11,041	57,088	15	68,146	-	68,146
Intersegment sales or transfers	944	-	22	966	(966)	-
Total	11,986	57,088	38	69,112	(966)	68,146
Segment income	2,860	757	17	3,634	(966)	2,668

Notes: 1. The minus 966 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.