

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

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

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

In the first three months of the fiscal year ending September 30, 2015 (October 1, 2014 – December 31, 2014), Japan's corporate earnings and employment environment improved amid the government's economic stimulus program. Concerns over the economic outlook remained, however, due to weaker-than-expected consumer spending stemming from the impact of the consumption tax increase.

Reviewing global economic trends, although the U.S. economy was on solid footing following the monetary easing program, deflation in Europe, slowing growth among emerging economies, and the emergence of geopolitical risks were among the factors clouding the global economy.

In food industries related to the Yokohama Reito Group's business, the business environment remained unstable due to soaring raw materials prices and higher logistics costs amid the sharp depreciation of the yen in currency markets.

In this environment, the Yokohama Reito Group launched its Fifth Medium-Term Management Plan (three-year plan), "Flap The Wings 2017," in October 2014. Through this plan, the Group is aiming to become a leading "COOL" network company in the refrigerated warehousing business. In the food sales business, the Group is aiming to generate stable profits while expanding its mainstay products across the company. The Group is taking various initiatives on the basis of these business operation policies.

In the refrigerated warehousing business, while inventories were stable during the three-month period, cargo movements slumped due to the depreciation of the yen and other factors. Three new logistics centers opened during the previous fiscal year, along with the Miyakonojo 2nd Logistics Center completed at the start of the current fiscal year, generally performed according to plan. In the food sales business, although market prices for marine and livestock products generally remained high during the period, softer prices for some products caused profit margins to decline.

As a result, the Group's consolidated net sales for the first three months of the fiscal year ending September 30, 2015 totaled ¥39,938 million, a 9.8% increase compared to the same period of the previous fiscal year. Operating income totaled ¥1,295 million, a year-on-year decline of 30.3%, ordinary income totaled ¥1,345 million, a year-on-year decline of 27.3%, and net income totaled ¥880 million, a year-on-year decline of 20.1%.

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

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

As of the end of the first quarter, the Group's total refrigerated warehouse storage capacity in and outside Japan totaled 888,000 tons, an increase of approx. 96,000 tons owing to the completion of the previously mentioned four new logistics centers. The capacity expansion led to steady growth in revenues. Profit margins declined, however, due to start-up costs for the new logistics centers booked during the current fiscal year as well as a slump in cargo movement stemming from the sharp yen depreciation and the impact of the consumption tax increase.

In terms of cargo handling, the volume of inbound cargo increased by approx. 800 tons, a slight increase of 0.2% compared with the same period of the previous year, and the volume of outbound cargo rose by approx. 4,000 tons, a year-on-year increase of 1.3%. The average inventory volume increased by approx. 48,000 tons, or 6.2% year on year. At Thai consolidated subsidiary Thai Yokorei Co., Ltd., the Wang Noi 2nd Distribution Center completed in the previous fiscal year successfully responded to robust local demand for low-temperature logistics to steadily expand its business.

As a result, the segment's net sales increased 6.9% compared with the same period of the previous fiscal year to ¥6,339 million, while operating income declined 14.7% year on year to ¥1,469 million.

### **Food Sales Business**

In the food sales business, the earnings environment for imported products was generally severe due to the rapid depreciation of the yen. In the marine products category, although the business conducted steady purchasing and sales programs, market prices for some mainstay products slumped, and category revenues rose while profits declined. By product, the handling volumes of mackerel and crab increased, leading to higher sales and profits for these products. The year-on-year growth for crab sales and profit was particularly strong as a result of timely purchases to meet year-end demand. Market prices for some stocks of salmon/trout fell, and both sales and profits for the products declined due to a reduction of imports. In the livestock products category, sales increased while profits declined. The supply-demand balance for pork, which had been the key driver of the category in the previous year, deteriorated due to the government's safeguard system and other factors. The agricultural product category posted lower sales and profits due to slumping sales of mainstay potatoes and onions.

As a result, segment sales amounted to ¥33,590 million, an increase of 10.4% compared with the same period of the previous fiscal year, and the segment posted operating income of ¥330 million, a year-on-year decline of 46.6%.

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

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

Total assets at December 31, 2014 amounted to ¥126,091 million, an increase of ¥11,880 million compared with the previous fiscal year-end (September 30, 2014). This change was mainly attributable to increases of ¥6,331 million in merchandise, ¥1,728 million in property, plant and equipment, ¥1,304 million in notes and accounts receivable-trade, and ¥1,097 million in cash and deposits.

Total liabilities amounted to ¥65,254 million, an increase of ¥10,678 million compared with the previous fiscal year-end, mainly due to an increase of ¥11,861 million in loans payable.

Total net assets amounted to ¥60,837 million, an increase of ¥1,202 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 ¥5,481 million, an increase of ¥1,050 million compared with the previous fiscal year-end (September 30, 2014). The main factors affecting cash flows during the period under review are summarized as follows.

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

Net cash used in operating activities amounted to ¥6,646 million compared with ¥8,181 million used in the same period of the previous fiscal year. This net outflow was mainly attributable to income before income taxes and minority interests of ¥1,345 million, depreciation and amortization of ¥1,081 million, and an increase of ¥727 million in accrued expenses, the sum of which was outweighed by factors such as an increase in inventories of ¥6,235 million and an increase in accounts receivable-trade of ¥1,288 million.

#### **2) Cash flows from investing activities**

Net cash used in investing activities amounted to ¥3,388 million, compared with ¥2,164 million used in the same period of the previous fiscal year. The main investment outflow was ¥3,239 million used for the purchase of property, plant and equipment.

3) Cash flows from financing activities

Net cash provided by financing activities amounted to ¥11,017 million, compared with ¥7,673 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 ¥11,569 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, 2015 announced on November 14, 2014 with the financial results for the year ended September 30, 2014.

## 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:

(Application of accounting standard for retirement benefit)

The provisions of Article 35 of the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan - ASBJ - Statement No. 26 of May 17, 2012) and the provisions of Article 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of May 17, 2012) are applied, effective the first quarter of the fiscal year ending September 30, 2015. Accordingly, the method of calculating retirement benefit obligations and prior service costs has been revised, and the method of attributing projected retirement benefits has been changed from the straight-line attribution method to the benefit formula. Additionally, the method of determining the discount rate has been changed from the method in which the discount rate based on the average remaining years of service of the employees is used to the method in which a single weighted average discount rate is used that reflects the estimated timing of benefit payments and the amount of benefit payment for each estimated payment period.

The application of the Accounting Standard for Retirement Benefits, etc. is subject to the tentative treatment provided for in Article 37 of the Accounting Standard for Retirement Benefits. Consequently, the impact of the change in the method of calculating retirement benefit obligations and prior service costs as of October 1, 2014, has been added to or subtracted from retained earnings.

As a result, as of October 1, 2014, net defined benefit liability increased by ¥77 million and retained earnings decreased by ¥49 million. The impact of the above changes on operating income, ordinary income and income before income taxes and minority interests for the three months ended December 31, 2014 was minimal.

### (4) Additional information

Previously, to prepare for the payment of retirement benefits for directors and corporate auditors, a provision for directors' and corporate auditor's retirement benefits had been reported in the necessary amount at the end of the fiscal year in accordance with internal regulations. However, the system of retirement benefits for directors and corporate auditors was abolished upon conclusion of the Ordinary General Meeting of Shareholders held on December 19, 2014. In conjunction with this change, a resolution was passed at the said General Meeting of Shareholders to approve final payments to directors and corporate auditors commensurate with their respective terms of office, and the outstanding balance of retirement benefits for directors and corporate auditors has been included in “Other” under noncurrent liabilities.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	As of September 30, 2014 Amount	(Millions of yen) As of December 31, 2014 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	4,993	6,090
Notes and accounts receivable - trade	19,646	20,951
Merchandise	17,405	23,736
Deferred tax assets	550	307
Other	1,001	1,975
Allowance for doubtful accounts	(19)	(21)
Total current assets	<u>43,577</u>	<u>53,039</u>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures, net	32,482	34,672
Machinery, equipment and vehicles, net	6,810	7,337
Land	19,176	19,211
Leased assets, net	281	292
Construction in progress	2,236	1,101
Other, net	711	813
Total property, plant and equipment	<u>61,700</u>	<u>63,429</u>
Intangible fixed assets		
Goodwill	600	570
Other	1,721	1,738
Total intangible fixed assets	<u>2,321</u>	<u>2,309</u>
Investments and other assets		
Investment securities	5,513	6,228
Long-term loans receivable	110	85
Other	1,096	1,108
Allowance for doubtful accounts	(109)	(109)
Total investments and other assets	<u>6,610</u>	<u>7,313</u>
Total noncurrent assets	<u>70,632</u>	<u>73,051</u>
<b>Total assets</b>	<u>114,210</u>	<u>126,091</u>

	As of September 30, 2014 Amount	(Millions of yen) As of December 31, 2014 Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	7,315	7,188
Short-term loans payable	12,289	21,643
Current portion of long-term loans payable	3,029	3,256
Lease obligations	95	92
Income taxes payable	797	298
Accrued employees' bonuses	651	131
Accrued bonuses for directors and corporate auditors	30	7
Other	5,439	5,245
<b>Total current liabilities</b>	<b>29,646</b>	<b>37,864</b>
<b>Noncurrent liabilities</b>		
Convertible bonds	7,000	7,000
Long-term loans payable	15,956	18,235
Lease obligations	170	179
Deferred tax liabilities	436	532
Provision for directors' and corporate auditors' retirement benefits	382	-
Net defined benefit liability	804	872
Asset retirement obligations	105	105
Other	73	463
<b>Total noncurrent liabilities</b>	<b>24,928</b>	<b>27,389</b>
<b>Total liabilities</b>	<b>54,575</b>	<b>65,254</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	11,065	11,065
Capital surplus	11,109	11,109
Retained earnings	36,145	36,459
Treasury stock	(522)	(522)
<b>Total shareholders' equity</b>	<b>57,799</b>	<b>58,112</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	1,087	1,668
Deferred gain (loss) on derivatives under hedge accounting	46	65
Foreign currency translation adjustments	(63)	136
Remeasurements of defined benefit plans	(91)	(82)
<b>Total accumulated other comprehensive income</b>	<b>978</b>	<b>1,787</b>
<b>Minority interests</b>	<b>857</b>	<b>937</b>
<b>Total net assets</b>	<b>59,635</b>	<b>60,837</b>
<b>Total liabilities and net assets</b>	<b>114,210</b>	<b>126,091</b>

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

(Millions of yen)

	Three months ended December 31, 2013	Three months ended December 31, 2014
	Amount	Amount
Net sales	36,374	39,938
Cost of sales	32,592	36,608
Gross profit	3,781	3,330
Selling, general and administrative expenses	1,923	2,034
Operating income	1,857	1,295
Other income		
Interest income	3	6
Dividend income	28	25
Insurance dividends	2	31
Incentives received	-	29
Gain on sales of noncurrent assets	0	0
Other	35	49
Total other income	70	142
Other expenses		
Interest expense	53	82
Loss on sales and retirement of noncurrent assets	11	3
Other	13	6
Total other expenses	78	92
Ordinary income	1,850	1,345
Income before income taxes and minority interests	1,850	1,345
Income taxes—Current	469	233
Income taxes—Deferred	259	218
Total income taxes	728	452
Income before minority interests	1,121	893
Minority interests	19	12
Net income	1,102	880

## Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended December 31, 2013	Three months ended December 31, 2014
	Amount	Amount
Income before income taxes and minority interests	1,121	893
Other comprehensive income		
Unrealized gain on available-for-sale securities	77	580
Deferred gain (loss) on derivatives under hedge accounting	(40)	19
Foreign currency translation adjustments	(18)	267
Remeasurements of defined benefit plans	-	8
Total other comprehensive income	<u>18</u>	<u>875</u>
Comprehensive income	<u>1,140</u>	<u>1,769</u>
Breakdown:		
Comprehensive income attributable to owners of the parent	1,126	1,689
Comprehensive income attributable to minority interests	13	79

### (3) Consolidated Statements of Cash flows

(Millions of yen)

	Three months ended December 31, 2013	Three months ended December 31, 2014
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	1,850	1,345
Depreciation and amortization	846	1,081
Amortization of goodwill	38	29
Increase (decrease) in accrued employees' bonuses	(516)	(519)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(22)	(22)
Increase (decrease) in provision for employees' retirement benefits	13	-
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	(6)	(390)
Increase (decrease) in allowance for doubtful accounts	39	1
Increase (decrease) in net defined benefit liability	-	(10)
Interest and dividend income	(31)	(32)
Interest expenses paid on loans and bonds	53	82
Decrease (increase) in accounts receivable - trade	(3,066)	(1,288)
Decrease (increase) in inventories	(6,429)	(6,235)
Increase (decrease) in accounts payable - trade	785	(126)
Increase (decrease) in accrued expenses	382	727
Other - net	(806)	(581)
Sub total	(6,868)	(5,939)
Interest and dividend income received	30	27
Interest paid	(47)	(71)
Income taxes paid	(1,294)	(662)
<b>Net cash provided by (used in) operating activities</b>	<b>(8,181)</b>	<b>(6,646)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,027)	(3,239)
Proceeds from sales of property, plant and equipment	0	0
Purchase of investment securities	(15)	(1)
Payments of loans receivable	(96)	(148)
Collection of loans receivable	32	24
Other – net	(58)	(23)
<b>Net cash provided by (used in) investing activities</b>	<b>(2,164)</b>	<b>(3,388)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	8,140	9,280
Proceeds from long-term loans payable	832	2,946
Repayments of long-term loans payable	(760)	(656)
Purchase of treasury stock	(0)	(0)
Dividends paid to shareholders	(517)	(517)
Other – net	(21)	(34)
<b>Net cash provided by (used in) financing activities</b>	<b>7,673</b>	<b>11,017</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(2)</b>	<b>67</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,673)</b>	<b>1,050</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>6,159</b>	<b>4,431</b>
<b>Cash and cash equivalents, end of period</b>	<b>3,485</b>	<b>5,481</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. Three months ended December 31, 2013 (October 1, 2013 – December 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	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 (loss)	1,722	619	8	2,351	(493)	1,857

Notes: 1. The minus 493 million yen adjustment for segment income (loss) was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.

2. Segment income (loss) was adjusted based on operating income reported on the consolidated financial statements for the corresponding period.

II. Three months ended December 31, 2014 (October 1, 2014 – December 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	6,339	33,590	8	39,938	-	39,938
Intersegment sales or transfers	531	-	11	542	(542)	-
Total	6,870	33,590	19	40,480	(542)	39,938
Segment income (loss)	1,469	330	10	1,811	(515)	1,295

Notes: 1. The minus 515 million yen adjustment for segment income (loss) was unallocated corporate expenses, consisting principally of general administrative expenses that are not attributable to reportable segments.

2. Segment income (loss) was adjusted based on operating income reported on the consolidated financial statements for the corresponding period.