

## **1. Qualitative Information on the Consolidated Business Results for the Six Months Ended March 31, 2015**

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

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

In the first six months of the fiscal year ending September 30, 2015 (October 1, 2014 – March 31, 2015), although there was steady improvement in corporate earnings at export-related and other companies as well as in the employment environment, caution over Japan's economic outlook remained due to a sluggish recovery in personal consumption. Reviewing global economic trends, the U.S. economy exhibited mixed macroeconomic indicators amid a shift away from quantitative easing. In China, the economy continued to transition away from the previous high-growth model, while in Europe, the Greek debt problem reemerged. Overall, many uncertainties clouded the global economic landscape.

In food industries related to the Yokohama Reito Group's business, food manufacturers and retailers began to raise prices to offset the impact of yen depreciation and soaring raw ingredients prices. Overall, however, the business environment was severe amid the delayed recovery in consumption.

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, the Group absorbed a significant rise in depreciation expenses and start-up costs associated with the opening of four new logistics centers in the previous and current fiscal year. As a result, the business performed as originally planned. In the food sales business, the business environment was severe. Profit margins declined significantly amid softer prices for some mainstay products since the start of the fiscal year, as well as higher import costs caused by the rapid depreciation of the yen.

As a result, the Group's consolidated net sales for the first six months of the fiscal year ending September 30, 2015 totaled ¥74,983 million, a 10.0% increase compared to the same period of the previous fiscal year. Operating income totaled ¥1,823 million, a year-on-year decline of 31.7%, ordinary income totaled ¥1,856 million, a year-on-year decline of 29.9%, and net income totaled ¥1,129 million, a year-on-year decline of 30.0%.

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

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

Amid a dramatic rise in depreciation expenses and start-up costs for four new logistics centers, the business performed according to original plans as the Group promoted the establishment of storage and logistics sites and building a nationwide network under its Fifth Medium-Term Management Plan.

In terms of cargo handling, the volume of inbound cargo increased by approx. 11,000 tons, an increase of 1.9% compared with the same period of the previous year, and the volume of outbound cargo rose by approx. 9,000 tons, a year-on-year increase of 1.5%. The average inventory volume increased by approx. 96,000 tons, or 6.3% year on year. At Thai consolidated subsidiary Thai Yokorei Co., Ltd., although profits declined year on year due to increased depreciation costs and start-up expenses for the new Wang Noi 2nd Distribution Center, the center has started full-fledged operations and has nearly reached its maximum storage capacity.

As a result, the segment's net sales increased 8.2% compared with the same period of the previous fiscal year to ¥11,949 million, while operating income declined 11.2% year on year to ¥2,539 million.

### **Food Sales Business**

In the food sales business, the business environment was very severe, as previously high market prices for mainstay products gradually softened from the start of the year, and the rapid depreciation of the yen impacted the business. In the marine products category, amid an outlook for price declines for mainstay products, the business conducted bold and flexible sales programs. As a result, the business posted higher sales and lower profit. By product, sales and profits for scallops, mackerel and other products rose on the back of export promotions. Although crab prices soared after Russia tightened export restrictions, the expansion of procurement routes led to higher sales and profits. On the other hand, sales and profits for shrimp and imported salmon/trout declined as handling volumes dropped amid unstable market prices. In the livestock products category, sales increased while profits declined. The supply-demand balance for pork deteriorated and profit margins declined amid higher domestic inventories stemming from concerns over the invocation of the government's safeguard measure. Beef demand declined amid higher market prices, while the chicken market was impacted by an oversupply of imports. The agricultural product category posted lower sales and profits due to lower handling volumes of produce from Kyushu due to unfavorable weather.

As a result, segment sales amounted to ¥63,017 million, an increase of 10.4% compared with the same period of the previous fiscal year, and the segment posted operating income of ¥263 million, a year-on-year decline of 65.2%.

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

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

Total assets at March 31, 2015 amounted to ¥121,295 million, an increase of ¥7,084 million compared with the previous fiscal year-end (September 30, 2014). This change was mainly attributable to increases of ¥3,698 million in merchandise, ¥1,758 million in property, plant and equipment, and ¥1,018 million in investment securities.

Total liabilities amounted to ¥59,629 million, an increase of ¥5,054 million compared with the previous fiscal year-end, mainly due to an increase of ¥9,339 million in loans payable and a decrease of ¥1,862 million in notes and accounts payable-trade.

Total net assets amounted to ¥61,665 million, an increase of ¥2,030 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 ¥4,471 million, an increase of ¥39 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 ¥1,688 million compared with ¥5,537 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 ¥1,856 million and depreciation and amortization of ¥2,184 million, the sum of which was outweighed by such factors as an increase in inventories of ¥3,629 million and a decrease in accounts payable-trade of ¥1,862 million.

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

Net cash used in investing activities amounted to ¥6,549 million, compared with ¥5,272 million used in the same period of the previous fiscal year. The main investment outflow was ¥5,702 million used for the purchase of property, plant and equipment.

**3) Cash flows from financing activities**

Net cash provided by financing activities amounted to ¥8,140 million, compared with ¥7,753 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 ¥8,723 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 March 26, 2015) 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 six months ended March 31, 2015 was minimal.

#### **(4) Additional information**

(Abolishment of the retirement benefits system for officers)

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.

(Delivery of the Company's own stock to officers through a trust)

The Company, by resolution of the Ordinary General Meeting of Shareholders held on December 19, 2014, adopted the Executive Compensation BIP Trust as a method of providing incentives to its directors.

The Executive Compensation BIP Trust makes a one-time purchase of the Company's stock from the Company in numbers, which it expects to deliver to its directors, in accordance with the Stock Delivery Regulations, which have been established in advance, and delivers the Company's stock to the directors commensurate with their position and years of service. As a general rule, the directors receive delivery of such stock upon retirement.

The trust is accounted for by application of the total amount method, in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc." (PITF No. 30, March 26, 2015). Accordingly, the Company's stock held in trust are recognized under "Treasury stock" in "Shareholders' equity" in the carrying amount of the stock in the trust.

The carrying amount and the number of shares of such treasury stock as of March 31, 2015 were ¥299 million and 373,100 shares.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	As of September 30, 2014 Amount	(Millions of yen) As of March 31, 2015 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	4,993	5,131
Notes and accounts receivable - trade	19,646	19,037
Merchandise	17,405	21,103
Deferred tax assets	550	496
Other	1,001	2,237
Allowance for doubtful accounts	(19)	(19)
<b>Total current assets</b>	<b>43,577</b>	<b>47,988</b>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures, net	32,482	34,407
Machinery, equipment and vehicles, net	6,810	7,109
Land	19,176	19,373
Leased assets, net	281	309
Construction in progress	2,236	1,436
Other, net	711	823
<b>Total property, plant and equipment</b>	<b>61,700</b>	<b>63,459</b>
Intangible fixed assets		
Goodwill	600	541
Other	1,721	1,743
<b>Total intangible fixed assets</b>	<b>2,321</b>	<b>2,284</b>
Investments and other assets		
Investment securities	5,513	6,532
Long-term loans receivable	110	63
Other	1,096	1,072
Allowance for doubtful accounts	(109)	(106)
<b>Total investments and other assets</b>	<b>6,610</b>	<b>7,561</b>
<b>Total noncurrent assets</b>	<b>70,632</b>	<b>73,306</b>
<b>Total assets</b>	<b>114,210</b>	<b>121,295</b>

	As of September 30, 2014 Amount	(Millions of yen) As of March 31, 2015 Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	7,315	5,452
Short-term loans payable	12,289	19,445
Current portion of long-term loans payable	3,029	3,312
Lease obligations	95	88
Income taxes payable	797	726
Accrued employees' bonuses	651	511
Accrued bonuses for directors and corporate auditors	30	15
Other	5,439	3,025
Total current liabilities	<u>29,646</u>	<u>32,578</u>
<b>Noncurrent liabilities</b>		
Convertible bonds	7,000	7,000
Long-term loans payable	15,956	17,855
Lease obligations	170	194
Deferred tax liabilities	436	560
Provision for directors' and corporate auditors' retirement benefits	382	-
Net defined benefit liability	804	871
Asset retirement obligations	105	105
Other	73	464
Total noncurrent liabilities	<u>24,928</u>	<u>27,051</u>
<b>Total liabilities</b>	<u>54,575</u>	<u>59,629</u>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	11,065	11,065
Capital surplus	11,109	11,132
Retained earnings	36,145	36,704
Treasury stock	(522)	(545)
Total shareholders' equity	<u>57,799</u>	<u>58,357</u>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	1,087	1,958
Deferred gain (loss) on derivatives under hedge accounting	46	54
Foreign currency translation adjustments	(63)	357
Remeasurements of defined benefit plans	(91)	(78)
Total accumulated other comprehensive income	<u>978</u>	<u>2,292</u>
<b>Minority interests</b>	<u>857</u>	<u>1,015</u>
<b>Total net assets</b>	<u>59,635</u>	<u>61,665</u>
<b>Total liabilities and net assets</b>	<u>114,210</u>	<u>121,295</u>

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

	(Millions of yen)	
	Six months ended March 31, 2014	Six months ended March 31, 2015
	Amount	Amount
Net sales	68,146	74,983
Cost of sales	61,817	69,324
Gross profit	6,329	5,658
Selling, general and administrative expenses	3,661	3,834
Operating income	2,668	1,823
Other income		
Interest income	6	16
Dividend income	35	38
Insurance dividends	28	31
Incentives received	4	31
Gain on sales of noncurrent assets	1	0
Other	69	119
Total other income	145	237
Other expenses		
Interest expense	117	182
Loss on sales and retirement of noncurrent assets	25	7
Other	22	14
Total other expenses	165	204
Ordinary income	2,648	1,856
Income before income taxes and minority interests	2,648	1,856
Income taxes—Current	1,089	671
Income taxes—Deferred	(89)	39
Total income taxes	1,000	710
Income before minority interests	1,647	1,146
Minority interests	33	17
Net income	1,614	1,129

## Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Six months ended March 31, 2014	Six months ended March 31, 2015
	Amount	Amount
Income before income taxes and minority interests	1,647	1,146
Other comprehensive income		
Unrealized gain on available-for-sale securities	83	871
Deferred gain (loss) on derivatives under hedge accounting	(5)	8
Foreign currency translation adjustments	15	562
Remeasurements of defined benefit plans	-	13
Total other comprehensive income	94	1,455
Comprehensive income	1,741	2,601
Breakdown:		
Comprehensive income attributable to owners of the parent	1,704	2,442
Comprehensive income attributable to minority interests	37	159



### (3) Consolidated Statements of Cash flows

	(Millions of yen)	
	Six months ended March 31, 2014	Six months ended March 31, 2015
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	2,648	1,856
Depreciation and amortization	1,742	2,184
Amortization of goodwill	76	58
Increase (decrease) in accrued employees' bonuses	(142)	(139)
Increase (decrease) in accrued bonuses for directors and corporate auditors	(15)	(15)
Increase (decrease) in provision for employees' retirement benefits	17	-
Increase (decrease) in provision for directors' and corporate auditors' retirement benefits	18	(390)
Increase (decrease) in allowance for doubtful accounts	37	(3)
Increase (decrease) in net defined benefit liability	-	(13)
Interest and dividend income	(42)	(54)
Interest expenses paid on loans and bonds	117	182
Decrease (increase) in accounts receivable - trade	(325)	644
Decrease (increase) in inventories	(7,555)	(3,629)
Increase (decrease) in accounts payable - trade	(170)	(1,862)
Increase (decrease) in accrued expenses	39	529
Other - net	(599)	(217)
Sub total	(4,154)	(870)
Interest and dividend income received	40	49
Interest paid	(114)	(172)
Income taxes paid	(1,309)	(696)
<b>Net cash provided by (used in) operating activities</b>	(5,537)	(1,688)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(5,136)	(5,702)
Proceeds from sales of property, plant and equipment	8	1
Purchase of investment securities	(17)	(3)
Payments of loans receivable	(69)	(859)
Collection of loans receivable	55	48
Other - net	(112)	(33)
<b>Net cash provided by (used in) investing activities</b>	(5,272)	(6,549)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	3,139	7,000
Proceeds from long-term loans payable	6,406	3,246
Repayments of long-term loans payable	(1,231)	(1,523)
Proceeds from sales of treasury stock	-	299
Purchase of treasury stock	(0)	(300)
Dividends paid to shareholders	(517)	(517)
Other - net	(43)	(64)
<b>Net cash provided by (used in) financing activities</b>	7,753	8,140
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(4)	137
<b>Net increase (decrease) in cash and cash equivalents</b>	(3,060)	39
<b>Cash and cash equivalents, beginning of period</b>	6,159	4,431
<b>Cash and cash equivalents, end of period</b>	3,098	4,471

#### (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, 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 (loss)	2,860	757	17	3,634	(966)	2,668

Notes: 1. The minus 966 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. Six months ended March 31, 2015 (October 1, 2014 – March 31, 2015)

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	11,949	63,017	16	74,983	-	74,983
Intersegment sales or transfers	1,011	-	22	1,033	(1,033)	-
Total	12,960	63,017	38	76,016	(1,033)	74,983
Segment income (loss)	2,539	263	19	2,822	(998)	1,823

Notes: 1. The minus 998 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.