



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2022 (Japanese GAAP)

August 12, 2022

Company name: Nishimoto Co., Ltd. Listed exchange: Tokyo
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 Scheduled date of filing of quarterly report: August 12, 2022
 Scheduled date of commencement of dividend payments: September 16, 2022
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (For institutional investors and analysts)
 (Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the second quarter of the fiscal year ending December 31, 2022 (from January 1, 2022 to June 30, 2022)

(1) Consolidated results of operations (cumulative) (Percentages denote year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|---|-------------|------|------------------|------|-----------------|------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Second quarter of FY ending December 31, 2022 | 130,742 | 30.9 | 6,051 | 84.7 | 6,441 | 93.2 | 4,504 | 74.1 |
| Second quarter of FY ended December 31, 2021 | 99,917 | 25.2 | 3,275 | — | 3,334 | — | 2,587 | — |

(Note) Comprehensive income

Second quarter of FY ending December 31, 2022: 14,204 million yen (155.8%)

Second quarter of FY ended December 31, 2021: 5,553 million yen (—%)

| | Net income per share | Diluted net income per share |
|---|----------------------|------------------------------|
| | Yen | Yen |
| Second quarter of FY ending December 31, 2022 | 313.84 | 312.75 |
| Second quarter of FY ended December 31, 2021 | 180.26 | — |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-----------------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of June 30, 2022 (FY 2022 2Q) | 173,984 | 73,139 | 41.7 |
| As of December 31, 2021 (FY 2021) | 141,769 | 59,862 | 41.9 |

(Reference) Shareholders' equity

Second quarter of FY ending December 31, 2022: 72,621 million yen

FY ended December 31, 2021: 59,440 million yen

2. Dividends

| | Annual dividends | | | | |
|--|-------------------|--------------------|-------------------|----------|--------|
| | First quarter-end | Second quarter-end | Third quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY ended December 31, 2021 | — | 35.00 | — | 70.00 | 105.00 |
| FY ending December 31, 2022 | — | 70.00 | — | — | — |
| FY ending December 31, 2022 (Forecast) | — | — | — | 75.00 | 145.00 |

(Note) Revision to the forecast for dividends announced most recently: Yes

For details, refer to the "Notice Regarding Revision of Consolidated Earnings Forecasts for the Fiscal Year Ending December 2022, and Revision of Dividend of Surplus (Interim Dividend) and Year-End Dividend Forecasts" announced today.

3. Consolidated financial results forecast for the fiscal year ending December 31, 2022
(from January 1, 2022 to December 31, 2022)

(Percentages denote year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Net income per share |
|-----------------------------|-------------|------|------------------|------|-----------------|------|---|------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| FY ending December 31, 2022 | 265,000 | 24.3 | 10,500 | 43.8 | 10,500 | 45.7 | 7,000 | 39.2 | 487.70 |

(Note) Revision to the forecast for financial results announced most recently: Yes
For details, refer to the "Notice Regarding Revision of Consolidated Earnings Forecasts for the Fiscal Year Ending December 2022, and Revision of Dividend of Surplus (Interim Dividend) and Year-End Dividend Forecasts" announced today.

* Notes

- (1) Changes in significant subsidiaries during the first six months of the fiscal year: None
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)
New – companies (Company name) / Excluded – companies (Company name)
- (2) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes to accounting estimates, and restatements
- (i) Changes in accounting policies due to revisions of accounting standards: Yes
- (ii) Changes in accounting policies other than (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

(4) Number of shares outstanding (common stock)

| | | | | |
|---|---------------------|-------------------|-------------------|-------------------|
| (i) Number of shares outstanding at the end of the period (including treasury shares) | As of June 30, 2022 | 14,353,140 shares | December 31, 2021 | 14,353,140 shares |
| (ii) Number of treasury shares at the end of the period | As of June 30, 2022 | 220 shares | December 31, 2021 | 153 shares |
| (iii) Average number of shares during the period (six months ended June 30, 2022) | As of June 30, 2022 | 14,352,980 shares | June 30, 2021 | 14,352,996 shares |

* These quarterly financial results are not subject to quarterly review procedures.

* Explanation of the proper use of financial results forecasts and other notes

(Cautionary note on forward-looking statements, etc.)

The forward-looking statements such as financial results forecasts contained in this document are based on information currently available to the Company and certain reasonable assumptions. Thus, these statements are not intended for management to promise the achievement of the forecast. Actual financial results may differ materially due to various factors. For conditions of the assumptions in the forecast and notes to use of the forecast, please see the section titled "(3) Explanation of future forecasts such as consolidated financial results forecasts" under the chapter titled "1. Qualitative information on quarterly financial results" on the page 5 of the attachment.

(How to obtain the quarterly financial results supplementary materials)

The quarterly financial results supplementary materials will be disclosed on TDnet on August 12, 2022 and will also be posted on the Company's website. The Company plans to hold a briefing meeting on the financial results for institutional investors and analysts on August 17, 2022, based on these materials.

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1. Qualitative information on quarterly financial results

(1) Explanation of operating results

Forward-looking statements in the document are based on the judgment of the Company Group as of the end of the second quarter of the current consolidated fiscal year.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard") has been applied since the beginning of the first quarter of the current consolidated fiscal year, and compared to the previous accounting method, net sales for the second quarter of the current consolidated fiscal year increased by 103 million yen. The impact on gross profit, operating income, ordinary income, and profit before income taxes is immaterial. For details, please refer to "2. Quarterly consolidated financial statements and major notes, (4) Notes to the quarterly consolidated financial statements (Changes in accounting policy)."

Year-on-year comparisons in the document refer to the results for the same period of the previous year before the application of the Revenue Recognition Accounting Standard and other accounting standards.

[Outline of the first six months of the fiscal year]

During the consolidated cumulative second quarter for the fiscal year ending December 31, 2022, while the global economy moved toward normalization of economic activities due to the removal of regulations as a result of policy shifting to with-coronavirus in various countries, progression of inflation led to a sharp rise in prices of raw materials and fuels worldwide. Furthermore, the rising geopolitical risks stemming from the situation in Ukraine have spurred food prices to soar, and combined with the impact of the Shanghai lockdown, supply chain issues are still muddled.

Under such circumstances, the Company Group reacknowledged its mission as a food distributor and has been making efforts to steadily supply goods while ensuring employee safety. The main businesses of the Company Group are the Asian Food Global Business that distributes Asian food products and ingredients such as Japanese food around the world with a focus on North America, as well as in Europe, China, South East Asia, Australia, etc., and the Agricultural & Seafood Products Trading Business that distributes fruits and vegetables, fishery products, etc. in domestic markets, as well as overseas markets through exports and offshore trading. In addition, the Company Group engages in business that distributes foreign brand foods, seasonal goods planned and developed by the Company Group, and character goods to imported food stores, daily sundry shops, etc. in Japan, and in business that manufactures and distributes natural supplements. Also, the Company Group is expanding its business in new areas where the "food" and different domains, such as "healthcare," converge, with the aim to evolve into a company that uncover and provide solutions for various challenges facing the food industry.

As for the Asian Food Global Business, the Company Group has been actively promoting initiatives to achieve sustainable and stable incomes from the North America region and an expansion of the business platform in regions outside of North America as one of our growth strategies. In the Agricultural & Seafood Products Trading Business, the Company Group has been working to expand sales to its mainstay wholesale markets, mass retailers, home-meal replacement industries, and restaurant chains, etc., while also developing overseas distribution routes, including export of domestic fruits and vegetables, offshore trading, and the wholesale business in China.

As a result, with respect to the financial results for this consolidated cumulative second quarter, the Company had net sales of 130,742 million yen (30.9% increase year-on-year), operating income of 6,051 million yen (84.7% increase year-on-year), ordinary income of 6,441 million yen (93.2% increase year-on-year), and profit attributable to owners of parent of 4,504 million yen (74.1% increase year-on-year).

Financial results by segment are as follows: It is noted that net sales of segments are net sales to external customers.

Effective from the first quarter of the current consolidated fiscal year, the Company has changed the classification method of business segments to be indicated as reporting segments, and comparisons and analysis for the second quarter of the current consolidated fiscal year are based on the classification after the change.

[Outline of operating results by segment]

(i) Asian Food Global Business

In the Asian Food Global Business, for this consolidated cumulative second quarter, the Company had net sales of 100,426 million yen (37.4% increase year-on-year) and operating income of 6,560 million yen (94.8% increase year-on-year).

In the North American region, sales to both restaurant and grocery stores remained strong as COVID-19-related regulations were lifted and the region recovered to its pre-pandemic normality. In addition to a recovery in demand, efforts to appropriately pass on overall cost increases (manufacturers' selling prices, ocean freight, and other logistics expenses) resulting from inflation and other factors contributed to the year-on-year increase in net sales. Besides, the rapid

depreciation of the yen boosted net sales in yen terms (the yen exchange rate for the cumulative second quarter of the current fiscal year was 122.89 yen, versus 107.69 yen in the same period of the previous year).

As for income, the cost of goods sold and overhead expenses continued to rise, but the tight supply-demand situation remained due to delays in improving logistics and inventory conditions, and efforts to appropriately pass on prices, as mentioned above, helped to maintain a high profit margin. While the market as a whole continued to experience supply shortages, the Company Group was able to maintain a relatively stable supply of products and service level by implementing group-wide, well-organized inventory securing and personnel measures. As a result, the Company achieved a significant increase in both net sales and income during this consolidated cumulative second quarter compared to the same period of the previous year, when it was still under the strong impact of regulations related to COVID-19.

In regions outside of North America, in Europe, the number of newly infected cases remained high, similar to North America, but net sales achieved a steady recovery as economic activities were promoted along with the easing of COVID-19-related regulations. In the Asia and Oceania region, net sales declined in the first half of the period due to tightened regulations brought on by the spread of a new variant and shortages of products due to a deteriorating supply chain, but net sales recovered steadily in the second half as regulations were eased and supply shortages began to abate. Despite higher costs due to soaring raw material and ocean freight, losses on disposal due to logistics disruptions, and higher overhead expenses, mainly fuel and labor costs, the Company achieved year-on-year increases in both net sales and income.

(ii) Agricultural & Seafood Products Trading Business

In the Agricultural & Seafood Products Trading Business, for this consolidated cumulative second quarter, the Company had net sales of 28,630 million yen (13.1% increase year-on-year) and operating losses of 138 million yen (operating income of 188 million yen in the same period of the previous year).

As for imported fruits, our main product, inflation in the country of origin, soaring ocean freight, and disruptions in arrival shipping schedules increased logistics-related costs, while the rapid depreciation of the yen reduced the price competitiveness against domestically-produced fruits and vegetables. Besides, the Company struggled to secure sales in the domestic market in the face of the trend among consumers to reduce the frequency and amount of fruit purchases amid the continuing price hikes of daily necessities in general. Nevertheless, the segment as a whole posted a year-on-year increase in net sales thanks to the contribution of making Ban Choon Marketing Pte. Ltd., a major fruit and vegetable wholesaler in Singapore, a consolidated subsidiary in January of this year.

As for income, income from imported fruits, a core product, declined significantly due to the aforementioned soaring costs and frequent quality deterioration caused by the delayed arrival of container ships. Besides, despite our efforts to implement various measures such as price pass-through to cope with soaring costs, the aforementioned business environment also had a negative impact on delivery and forced us to choose sales measures that prioritize delivery in order to avoid inventory backlogs, resulting in a year-on-year decrease in income.

(iii) Other businesses

In other businesses, for this consolidated cumulative second quarter, the Company had net sales of 1,685 million yen (11.5% increase year-on-year) and operating losses of 119 million yen (operating losses of 2 million yen in the same period of the previous year).

In the mainstay imported foods business, net sales and income grew steadily in the first half thanks to the success of the Valentine's Day event, the biggest sales event of the year, but in the second half, both net sales and income declined due to a slowdown in sales to the supermarkets, our main customer, caused by price hikes of daily necessities in general, and the sharp depreciation of the yen combined with price increases of raw materials.

In the supplement business, both net sales and income grew steadily due to the introduction of new products and expansion of the e-commerce business. On the other hand, for the other businesses as a whole, the development of new businesses in the domestic market, such as the expansion of a ready-made meal support business in collaboration with well-known restaurants and a food supply business catering to post-operative and post-acute care patients, resulted in prior selling, general and administrative expenses related to these new businesses, which led to a year-on-year increase in net sales and decrease in income.

(2) Explanation of financial position

1. Assets, liabilities and net assets

(Assets)

Total assets as of June 30, 2022 stood at 173,984 million yen, an increase of 32,214 million yen compared to December 31, 2021, and was mainly attributable to the following.

Total current assets as of June 30, 2022 amounted to 142,892 million yen, an increase of 18,154 million yen compared to December 31, 2021. The increase in total current assets was due to an increase of 17,857 million yen in inventories and an increase of 6,503 million yen in notes and accounts receivable—trade, despite a decrease of 7,398 million yen in cash and deposits.

Total non-current assets as of June 30, 2022 amounted to 31,092 million yen, an increase of 14,060 million yen compared to December 31, 2021. The increase in total non-current assets was due to an increase of 11,122 million yen in leased assets, net and an increase of 1,770 million yen in goodwill.

(Liabilities)

Total liabilities as of June 30, 2022 stood at 100,844 million yen, an increase of 18,938 million yen compared to December 31, 2021, and was mainly attributable to the following.

Total current liabilities as of June 30, 2022 amounted to 42,240 million yen, an increase of 5,547 million yen compared to December 31, 2021. The increase in total current liabilities was due to an increase of 3,119 million yen in notes and accounts payable—trade, an increase of 2,583 million yen in short-term loans payable, and an increase of 2,082 million yen in lease obligations, despite a decrease of 2,796 million yen in the current portion of long-term loans payable.

Total non-current liabilities as of June 30, 2022 amounted to 58,603 million yen, an increase of 13,390 million yen compared to December 31, 2021. The increase in total non-current liabilities was due to an increase of 9,498 million yen in lease obligations and an increase of 4,192 million yen in long-term loans payable.

(Net assets)

Total net assets as of June 30, 2022 amounted to 73,139 million yen, an increase of 13,276 million yen compared to December 31, 2021. The increase in total net assets was mainly due to an increase of 9,597 million yen in foreign currency translation adjustment and an increase of 3,536 million yen in retained earnings.

2. Cash flows

Cash and cash equivalents (hereinafter referred to as "Funds") for the first six months of the current consolidated fiscal year stood at 58,248 million yen, a decrease of 7,398 million yen compared to December 31, 2021.

Cash flows for the first six months of the current consolidated fiscal year and the main factors affecting them are as follows.

(Cash flows from operating activities)

Cash flows from operating activities were negative at 8,939 million yen. This was mainly attributable to an increase of 11,686 million yen in inventories, an increase of 2,154 million yen in notes and accounts receivable—trade, and income taxes paid of 2,055 million yen, despite profit before income taxes of 6,441 million yen.

Cash outflows increased by 9,560 million yen compared to the same period of the previous consolidated fiscal year (cash inflows of 621 million yen in the same period of the previous year). This was mainly due to an increase of 8,355 million yen in a cash outflow for a change in inventories, a decrease of 1,370 million yen in a cash inflow for a change in notes and accounts payable—trade, and an increase of 1,265 million yen in a cash outflow for a change in notes and accounts receivable—trade, despite an increase of 2,932 million yen in profit before income taxes.

(Cash flows from investing activities)

Cash flows from investing activities were negative at 2,637 million yen. This was mainly attributable to a cash outflow of 2,043 million yen for the purchase of shares of subsidiaries resulting in a change in the scope of consolidation and a cash outflow of 425 million yen for the purchase of intangible assets.

Cash outflows increased by 2,528 million yen compared to the same period of the previous consolidated fiscal year (a 2,329.3% increase in cash outflows from the same period of the previous year). This was mainly due to the absence of a cash inflow of 1,685 million yen for a net change in time deposits accrued in the same period of the previous year, and an increase of 873 million yen in a cash outflow for the purchase of shares of subsidiaries resulting in a change in the scope of consolidation.

(Cash flows from financing activities)

Cash flows from financial activities were negative at 383 million yen. This was mainly attributable to a cash outflow of 3,292 million yen for repayments of long-term borrowings and a cash outflow of 1,004 million yen for cash dividends paid, despite a cash inflow of 2,250 million yen for proceeds from long-term borrowings and a cash inflow of 1,917 million yen for a net change in proceeds from short-term borrowings.

Cash outflows increased by 1,110 million yen compared to the same period of the previous consolidated fiscal year (cash inflows of 727 million yen in the same period of the previous year). This was mainly due to an increase of 2,952 million yen in a cash outflow for repayments of long-term loans payable and an increase of 716 million yen in a cash outflow for cash dividends paid, despite an increase of 1,650 million yen in a cash inflow for a net change in short-term loans payable and an increase of 1,000 million yen in a cash inflow for proceeds from long-term loans payable.

(3) Explanation of future forecasts such as consolidated financial results forecasts

With respect to the consolidated financial results forecasts for the full year ending December 31, 2022, net sales are expected to recover steadily. Besides, we have considered the price competition phase as the supply-demand balance moves toward normalization, and the impact of higher purchase costs, ocean freight, and logistics costs on profit margins.

Even though the business environment in this consolidated cumulative second quarter was as assumed as described above, we could maintain profit levels that absorbed cost increases to a certain extent, especially in our mainstay North American region, and the effect of currency translation resulting from the weaker yen boosted our income.

There is a strong sense of uncertainty about the business environment toward the end of the current fiscal year, including further increases in expenses and the impact of prolonged inflation on consumer trends. However, we have decided to revise our full-year consolidated financial results forecasts, considering the first half results and the positive effect on income resulting from the continued trend of yen's depreciation.

For details, refer to the "Notice Regarding Revision of Consolidated Earnings Forecasts for the Fiscal Year Ending December 2022, and Revision of Dividend of Surplus (Interim Dividend) and Year-End Dividend Forecasts" announced today.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

| | FY 2021 (As of December 31, 2021) | Second quarter of FY 2022 (As of June 30, 2022) |
|--|--------------------------------------|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 65,647 | 58,248 |
| Notes and accounts receivable—trade | 22,454 | 28,958 |
| Inventories | 34,497 | 52,355 |
| Other | 2,539 | 3,738 |
| Allowance for doubtful accounts | (402) | (409) |
| Total current assets | 124,737 | 142,892 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 2,909 | 3,241 |
| Machinery, equipment and vehicles, net | 421 | 511 |
| Tools, furniture and fixtures, net | 357 | 379 |
| Leased assets, net | 1,453 | 12,576 |
| Other, net | 201 | 231 |
| Total property, plant and equipment | 5,344 | 16,941 |
| Intangible assets | | |
| Goodwill | 4,096 | 5,866 |
| Software | 290 | 272 |
| Software in progress | 790 | 1,124 |
| Customer-related assets | 4,415 | 4,579 |
| Other | 51 | 52 |
| Total intangible assets | 9,644 | 11,896 |
| Investments and other assets | | |
| Investment securities | 262 | 347 |
| Guarantee deposits | 893 | 965 |
| Deferred tax assets | 746 | 781 |
| Other | 148 | 166 |
| Allowance for doubtful accounts | (7) | (6) |
| Total investments and other assets | 2,043 | 2,254 |
| Total non-current assets | 17,032 | 31,092 |
| Total assets | 141,769 | 173,984 |

(Millions of yen)

| | FY 2021 (As of December 31, 2021) | Second quarter of FY 2022 (As of June 30, 2022) |
|---|--------------------------------------|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable—trade | 15,269 | 18,389 |
| Short-term loans payable | 3,395 | 5,978 |
| Current portion of long-term loans payable | 9,221 | 6,424 |
| Lease obligations | 386 | 2,469 |
| Accounts payable—other | 3,347 | 3,889 |
| Income taxes payable | 363 | 430 |
| Provision for bonuses | 1,279 | 893 |
| Provision for directors' bonuses | 157 | 60 |
| Provision for shareholders' benefits | 15 | 4 |
| Other | 3,256 | 3,701 |
| Total current liabilities | 36,693 | 42,240 |
| Non-current liabilities | | |
| Long-term loans payable | 40,015 | 44,207 |
| Lease obligations | 1,115 | 10,614 |
| Deferred tax liabilities | 1,209 | 1,279 |
| Provision for bonuses | 135 | 119 |
| Provision for share-based remuneration | 111 | 273 |
| Net defined benefit liability | 131 | 120 |
| Other | 2,494 | 1,990 |
| Total non-current liabilities | 45,213 | 58,603 |
| Total liabilities | 81,906 | 100,844 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,646 | 2,646 |
| Capital surplus | 6,531 | 6,531 |
| Retained earnings | 47,578 | 51,115 |
| Treasury shares | (0) | (0) |
| Total shareholders' equity | 56,755 | 60,292 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 8 | 10 |
| Deferred gains or losses on hedges | 9 | 54 |
| Foreign currency translation adjustment | 2,666 | 12,264 |
| Total accumulated other comprehensive income | 2,684 | 12,328 |
| Non-controlling interests | 422 | 518 |
| Total net assets | 59,862 | 73,139 |
| Total liabilities and net assets | 141,769 | 173,984 |

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

First six months ended June 30, 2022

(Millions of yen)

| | First six months of FY 2021 (January 1, 2021 to June 30, 2021) | First six months of FY 2022 (January 1, 2022 to June 30, 2022) |
|---|--|--|
| Net sales | 99,917 | 130,742 |
| Cost of sales | 81,173 | 104,075 |
| Gross profit | 18,744 | 26,667 |
| Selling, general and administrative expenses | 15,469 | 20,616 |
| Operating income | 3,275 | 6,051 |
| Non-operating income | | |
| Interest and dividend income | 28 | 61 |
| Share of profit of entities accounted for using equity method | — | 42 |
| Insurance benefits received | 3 | 0 |
| Foreign exchange gains | 181 | 494 |
| Reversal of allowance for doubtful accounts | 2 | 3 |
| Other | 29 | 49 |
| Total non-operating income | 245 | 651 |
| Non-operating expenses | | |
| Interest expenses | 175 | 256 |
| Loss on equity-method investments | 0 | — |
| Provision of allowance for doubtful accounts | 3 | — |
| Other | 5 | 4 |
| Total non-operating expenses | 186 | 261 |
| Ordinary income | 3,334 | 6,441 |
| Extraordinary income | | |
| Gain on revision of retirement benefit plan | 174 | — |
| Total extraordinary income | 174 | — |
| Extraordinary losses | | |
| Total extraordinary losses | — | — |
| Profit before income taxes | 3,509 | 6,441 |
| Income taxes—current | 1,054 | 1,950 |
| Income taxes—deferred | (149) | (29) |
| Total income taxes | 905 | 1,921 |
| Net income | 2,604 | 4,520 |
| Profit attributable to non-controlling interests | 16 | 15 |
| Profit attributable to owners of parent | 2,587 | 4,504 |

Quarterly consolidated statement of comprehensive income

First six months ended June 30, 2022

(Millions of yen)

| | First six months of FY 2021 (January 1, 2021 to June 30, 2021) | First six months of FY 2022 (January 1, 2022 to June 30, 2022) |
|--|--|--|
| Net income | 2,604 | 4,520 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6 | 1 |
| Deferred gains or losses on hedges | 15 | 45 |
| Foreign currency translation adjustment | 2,895 | 9,600 |
| Remeasurements of defined benefit plans | 18 | — |
| Share of other comprehensive income of entities accounted for using equity method | 13 | 37 |
| Total other comprehensive income | 2,949 | 9,684 |
| Comprehensive income | 5,553 | 14,204 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 5,522 | 14,148 |
| Comprehensive income attributable to non-controlling interests | 31 | 56 |

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

| | First six months of FY 2021 (January 1, 2021 to June 30, 2021) | First six months of FY 2022 (January 1, 2022 to June 30, 2022) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 3,509 | 6,441 |
| Depreciation and amortization | 1,039 | 1,307 |
| Gain on revision of retirement benefit plan | (174) | — |
| Increase (decrease) in allowance for doubtful accounts | (148) | (38) |
| Interest and dividend income | (28) | (61) |
| Interest expenses | 175 | 256 |
| Share of (profit) loss of entities accounted for using equity method | 0 | (42) |
| Foreign exchange losses (gains) | 78 | 242 |
| Decrease (increase) in notes and accounts receivable—trade | (889) | (2,154) |
| Decrease (increase) in inventories | (3,330) | (11,686) |
| Increase (decrease) in notes and accounts payable—trade | 1,812 | 441 |
| Increase (decrease) in accounts payable—other | 552 | 348 |
| Increase (decrease) in provision for bonuses | (99) | (565) |
| Increase (decrease) in provision for directors' bonuses | (61) | (108) |
| Increase (decrease) in provision for shareholder privilege program | (9) | (10) |
| Increase (decrease) in provision for share-based payments | 31 | 157 |
| Increase (decrease) in net defined benefit liability | (2,231) | (12) |
| Other | 1,610 | (1,355) |
| Subtotal | 1,836 | (6,840) |
| Interest and dividend income received | 17 | 62 |
| Interest expenses paid | (174) | (240) |
| Income taxes paid | (1,058) | (2,055) |
| Income taxes reimbursed | — | 135 |
| Cash flows from operating activities | 621 | (8,939) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (399) | (151) |
| Purchase of intangible assets | (264) | (425) |
| Expenditures due to payment for guarantee deposits | — | (54) |
| Payments for acquiring shares of subsidiaries resulting in changes in the scope of consolidation | (1,169) | (2,043) |
| Net decrease (increase) in time deposits | 1,685 | — |
| Other | 39 | 38 |
| Cash flows from investing activities | (108) | (2,637) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 266 | 1,917 |
| Income from long-term loans payable | 1,250 | 2,250 |
| Repayments of long-term loans payable | (339) | (3,292) |
| Purchase of treasury shares | (0) | (0) |
| Repayments of finance lease obligations | (161) | (253) |
| Cash dividends paid | (287) | (1,004) |
| Cash flows from financing activities | 727 | (383) |
| Effect of exchange rate change on cash and cash equivalents | 1,786 | 4,561 |
| Net increase (decrease) in cash and cash equivalents | 3,025 | (7,398) |
| Cash and cash equivalents at beginning of period | 50,941 | 65,647 |
| Closing balance of cash and cash equivalents | 53,967 | 58,248 |

(4) Notes to the quarterly consolidated financial statements

(Notes to assumption of going concern)

No relevant items.

(Notes on significant changes in shareholders' equity)

No relevant items.

(Application of an accounting treatment specific to the preparation of the quarterly consolidated financial statements)

Calculation of tax expenses

The tax expenses of some of non-Japan consolidated subsidiaries were calculated by multiplying net income before taxes by an effective tax rate, which was estimated as the rate after the application of tax effect accounting to net income before taxes for the fiscal year including the second quarter of the fiscal year.

(Changes in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard") from the beginning of the first quarter of the current consolidated fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services has been transferred to the customer.

As a result, in the domestic sales of fresh fruits and vegetables in the Agricultural & Seafood Products Trading Business, the Company previously recognized revenue when the selling price to the customer was determined but changed the method to recognize revenue when the customer is able to pick up the product from the designated warehouse at its discretion. In addition, center fees and other payments made to customers, which were previously treated as cost of sales are now deducted from the transaction price.

As for the application of the Revenue Recognition Accounting Standard and other accounting standards, in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the current consolidated fiscal year is added to or deducted from retained earnings at the beginning of the first quarter of the current consolidated fiscal year, and the new accounting policy is applied from such beginning balance.

As a result, net sales increased by 103 million yen, and gross profit, operating income, ordinary income, and profit before income taxes each increased by 30 million yen during the second quarter of the current consolidated fiscal year. In addition, the balance of retained earnings at the beginning of the period increased by 36 million yen.

In accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information disaggregating revenue from contracts with customers for the second quarter of the previous consolidated fiscal year is not presented.

(Application of Accounting Standard for Calculation of Fair Value)

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as "Fair Value Calculation Accounting Standard") is applied from the beginning of the first quarter of the current consolidated fiscal year, and in accordance with Paragraph 19 of the Fair Value Calculation Accounting Standard and transitional treatment prescribed in Paragraph 44-2 of "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed by the Fair Value Calculation Accounting Standard will be applied prospectively. There is no impact on the quarterly consolidated financial statements.

(Application of U.S. GAAP ASU No. 2016-02 "Leases")

The Company and its consolidated subsidiaries in the United States have applied ASU No. 2016-02 "Leases" (hereinafter referred to as the "Standard") effective from the first quarter of the current consolidated fiscal year. As a result, in principle, all leases of lessees are accounted for as leased assets, net and lease obligations.

As a result of the application of this standard, property, plant and equipment, current liabilities, and non-current liabilities increased by 10,482 million yen, 2,007 million yen, and 8,979 million yen, respectively, in the consolidated balance sheet for

the second quarter of the current consolidated fiscal year. The effect of this change on profit and loss for the second quarter of the current consolidated fiscal year and segment information is immaterial.

(Additional information)

Accounting estimate associated with the novel coronavirus pandemic

There have been no significant changes in the assumptions regarding the impact of the COVID-19 pandemic, which were described under Additional information—Accounting estimate associated with the novel coronavirus pandemic in the Consolidated Financial Results for the Fiscal Year Ended December 31, 2020.

(Segment information)

I. First six months of the fiscal year (from January 1, 2021 to June 30, 2021)

1. Information related to net sales and profits/losses by reporting segment

(Millions of yen)

| | Reporting segment | | | Total | Adjustment (Note 1) | Amounts recorded in the quarterly consolidated statement of income (Note 2) |
|---------------------------------|-------------------------------|--|----------------|---------|------------------------|---|
| | Asian Food Global Business | Agricultural & Seafood Products Trading Business | Other business | | | |
| Net sales | | | | | | |
| Sales to external customers | 73,092 | 25,313 | 1,511 | 99,917 | — | 99,917 |
| Intersegment sales or transfers | 4,416 | 0 | — | 4,416 | (4,416) | — |
| Total | 77,509 | 25,313 | 1,511 | 104,334 | (4,416) | 99,917 |
| Segment profit/loss | 3,367 | 188 | (2) | 3,552 | (277) | 3,275 |

(Note) 1. "Adjustment" for segment profit or loss in the amount of (277) million yen includes (119) million yen for elimination of intersegment transactions and (157) million yen for company profit/loss not allotted to reporting segments (net company profits and net company expenses). Company profits consist mainly of management guidance fees from reporting segments, and company expenses mainly comprise general and administrative expenses not attributed to reporting segments.

2. The segment profit or loss is reconciled with the operating income on the Quarterly Consolidated Statement of Income.

2. Information related to impairment loss of non-current assets and goodwill by reporting segment

(Material fluctuation in goodwill)

In the Asian Food Global Business segment, 100% of shares of Interlock Investments Limited was acquired, and the company was made into a consolidated subsidiary. This increase in goodwill attributable to this event was 839 million yen in the previous consolidated cumulative second quarter.

The goodwill is a provisionally calculated amount because the acquisition cost had not been fully distributed at the end of the second quarter of the previous consolidated fiscal year.

II. First six months of the fiscal year (from January 1, 2022 to June 30, 2022)

1. Information related to net sales and profits/losses by reporting segment

(Millions of yen)

| | Reporting segment | | | Total | Adjustment (Note 1) | Amounts recorded in the quarterly consolidated statement of income (Note 2) |
|--|-------------------------------|--|----------------|---------|------------------------|---|
| | Asian Food Global Business | Agricultural & Seafood Products Trading Business | Other business | | | |
| Net sales | | | | | | |
| Japan | 3,691 | 23,492 | 1,685 | 28,869 | – | 28,869 |
| North America | 72,373 | – | – | 72,373 | – | 72,373 |
| Europe | 19,117 | – | – | 19,117 | – | 19,117 |
| Other | 5,244 | 5,137 | – | 10,382 | – | 10,382 |
| Revenue from contracts with customers | 100,426 | 28,630 | 1,685 | 130,742 | – | 130,742 |
| Sales to external customers | 100,426 | 28,630 | 1,685 | 130,742 | – | 130,742 |
| Intersegment sales or transfers | 5,171 | 0 | – | 5,171 | (5,171) | – |
| Total | 105,597 | 28,630 | 1,685 | 135,914 | (5,171) | 130,742 |
| Segment profit or loss | 6,560 | (138) | (119) | 6,301 | (250) | 6,051 |

(Note) 1. "Adjustment" for segment profit or loss in the amount of (250) million yen includes 0 million yen for elimination of intersegment transactions and (250) million yen for company profit/loss not allotted to reporting segments (net company profits and net company expenses). Company profits consist mainly of management guidance fees from reporting segments, and company expenses mainly comprise general and administrative expenses not attributed to reporting segments.

2. The segment profit or loss is reconciled with the operating income on the Quarterly Consolidated Statement of Income.

2. Matters related to changes in reporting segments

(Change in classification of reporting segment)

Effective from the first quarter of the current consolidated fiscal year, following a partial review of performance management categories within the Company Group, the Company has revised its classification method of business segments and changed the "World Gift Business" previously included in the "Other businesses" segment to the "Agricultural & Seafood Trading Business."

The segment information for the second quarter of the previous consolidated fiscal year is presented based on the classification method after the change.

(Application of account standard for revenue recognition)

As described in "Changes in accounting policy," the Company has applied the Revenue Recognition Accounting Standard and other accounting standards from the beginning of the first quarter of the current consolidated fiscal year, and has changed its accounting method for revenue recognition, and therefore, the calculation method of profit or loss by business segment has been changed in the same manner.

As a result of this change, compared with the previous method, net sales and segment loss of the Agricultural & Seafood Products Trading Business increased by 103 million yen and decreased by 30 million yen, respectively, during the cumulative second quarter of the current consolidated fiscal year.

3. Information related to impairment loss of non-current assets and goodwill by reporting segment

(Material fluctuation in goodwill)

In the Agricultural & Seafood Products Trading Business segment, the Company acquired 100% shares of Ban Choon Marketing Pte. Ltd. as its consolidated subsidiary. The increase in goodwill attributable to this event is 1,616 million yen in this consolidated cumulative second quarter.

The goodwill is an amount calculated provisionally because the acquisition cost is not fully distributed in this consolidated financial second quarter.

(Significant subsequent events)

(Borrowing of funds)

The Company has borrowed funds as follows in accordance with the resolution of Board of Directors meeting held on June 15, 2022.

Outline of borrowings

| | |
|--------------------------|---|
| (1) Lenders | Five financial institutions with which we do business |
| (2) Amount of borrowings | 17 billion yen |
| (3) Borrowing rate | Fixed interest rate |
| (4) Borrowing date | July 1, 2022 |
| (5) Borrowing period | 7 to 10 years |
| (6) Use of the funds | Operating funds |
| (7) Collateral | Unsecured, unguaranteed |