



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2023 (Japanese GAAP)

August 10, 2023

Company name: Nishimoto Co., Ltd. Listed exchange: Tokyo
 Code: 9260 URL: <http://www.wismettac.com/>
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 Scheduled date of filing of quarterly report: August 14, 2023
 Scheduled date of commencement of dividend payments: September 19, 2023
 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, 2023 (from January 1, 2023 to June 30, 2023)

(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, 2023	146,281	11.9	5,737	(5.2)	6,453	0.2	4,378	(2.8)
Second quarter of FY ended December 31, 2022	130,742	30.9	6,051	84.7	6,441	93.2	4,504	74.1

(Note) Comprehensive income
 Second quarter of FY ending December 31, 2023: 10,925 million yen (-23.1%)
 Second quarter of FY ended December 31, 2022: 14,206 million yen (155.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Second quarter of FY ending December 31, 2023	305.07	303.01
Second quarter of FY ended December 31, 2022	313.84	312.75

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023 (FY 2023 2Q)	193,763	81,005	41.8
As of December 31, 2022 (FY 2022)	179,222	72,063	39.9

(Reference) Shareholders' equity
 Second quarter of FY ending December 31, 2023: 80,982 million yen
 FY ended December 31, 2022: 71,559 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, 2022	—	70.00	—	75.00	145.00
FY ending December 31, 2023	—	80.00	—	—	—
FY ending December 31, 2023 (Forecast)	—	—	—	80.00	160.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated financial results forecast for the fiscal year ending December 31, 2023
(from January 1, 2023 to December 31, 2023)

(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, 2023	304,000	10.5	12,000	14.3	12,500	15.9	7,500	10.0	522.54

(Note) Revision to the forecast for financial results announced most recently: Yes
For details, please refer to the "Notice Regarding Revision of Consolidated Earnings Forecasts for the Fiscal Year Ending December 2023, and Dividend of Surplus (Interim Dividend)" announced today.

* Notes

- (1) Changes in significant subsidiaries during the first six months of the fiscal year: Yes
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)

New 1 company (Company name) Wismettac EMEA Holdings Limited

Excluded – companies (Company name) –

(Note) For details, please see the section titled "(4) Notes to the quarterly consolidated financial statements (Changes in significant subsidiaries during the first six months of the fiscal year)" under the chapter titled "2. Quarterly consolidated financial statements and major notes" on the page 10 of the attachment.

- (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, 2023	14,353,140 shares	December 31, 2022	14,353,140 shares
(ii) Number of treasury shares at the end of the period	As of June 30, 2023	241 shares	December 31, 2022	220 shares
(iii) Average number of shares during the period (six months ended June 30, 2023)	As of June 30, 2023	14,352,917 shares	June 30, 2022	14,352,980 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 4 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 10, 2023 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, 2023, based on these materials.

○ Attachment: Table of Contents

1. Qualitative information on quarterly financial results.....	2
(1) Explanation of operating results	2
(2) Explanation of financial position	4
(3) Explanation of future forecasts such as consolidated financial results forecasts.....	5
2. Quarterly consolidated financial statements and major notes	6
(1) Quarterly consolidated balance sheet.....	6
(2) Quarterly consolidated statements of income and comprehensive income	8
(3) Quarterly consolidated statement of cash flows.....	10
(4) Notes to the quarterly consolidated financial statements	11
(Notes to assumption of going concern)	11
(Notes on significant changes in shareholders' equity)	11
(Application of an accounting treatment specific to the preparation of quarterly consolidated financial statements).....	11
(Changes in accounting policy)	11
(Changes in significant subsidiaries during the first six months of the fiscal year)	11
(Additional information).....	11
(Segment information).....	12
(Significant subsequent events)	13

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.

[Outline of the second quarter of the current consolidated fiscal year]

During the first six months of the current fiscal year, uncertainty about the global economic outlook has increased due to the materialization of various events that have an impact on inflation and economic growth, such as economic malaise, the protracted situation in Ukraine, and abnormal weather around the world, in addition to ongoing monetary tightening against inflation.

Under these circumstances, our Company Group, as a global food-related company, has been striving to deliver products safely and stably while responding to various changing business environments. The main businesses of the Company Group are the Asian Food Global Business, which sells Japanese and other Asian foods and food ingredients mainly in North America, but also in Europe, China, Southeast Asia, Australia, etc., and the Agricultural & Seafood Products Trading Business, which engages in domestic sales of fruits and vegetables, as well as export and trilateral trade. We are also engaged in the business of selling overseas branded food products, seasonal products planned and developed in-house, and character products to imported food stores and general merchandise stores in Japan, as well as the business of manufacturing and selling natural supplements. In addition, we aim to become a company that identifies and provides solutions to various issues facing the food industry, by developing businesses in new areas where ‘food’ and ‘healthcare’ converge, and providing solutions using digital technology for companies involved in the food industry.

In the Asian Food Global Business, we have aggressively pursued structural reforms to achieve sustainable and stable earnings in our core region of North America and to expand our operating base outside North America, which is 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 the second quarter of the current consolidated fiscal year, net sales stood at 146,281 million yen (11.9% increase year-on-year), operating income amounted to 5,737 million yen (5.2% decrease year-on-year), ordinary income amounted to 6,453 million yen (0.2% increase year-on-year), and profit attributable to owners of parent totaled 4,378 million yen (2.8% decrease year-on-year).

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

[Outline of operating results by segment]

(i) Asian Food Global Business

In the Asian Food Global Business, for the second quarter of the current consolidated fiscal year, the Company had net sales of 113,462 million yen (13.0% increase year-on-year) and operating income of 6,738 million yen (2.7% increase year-on-year).

In the North America region, net sales increased from the same period of the previous year both in the restaurant and grocery markets with robust sales. The expansion of sales to major grocery chains, the promotion of switching from national brands to private labels, and sales activities focused on market share retention have been successful.

In terms of profit, the company endeavored to maintain the profit margin through appropriate price pass-through and other measures. However, due to increased expenses resulting from salary adjustments to retain human resources and broad-based price increases, the profit margin declined from the same period last year when it was at a higher level than in the past on the back of product shortages caused by global logistics disruptions.

Outside of North America, although the economy was sluggish in Europe due to the continuation of inflation and rate hikes, net sales increased from the same period of the previous year mainly driven by sales to chain restaurants. As detailed in 2. Quarterly consolidated financial statements and major notes (4) Notes to the quarterly consolidated financial statements (Additional information), the Company plans to acquire all shares of Uniontrade S.p.A. and Uni Logistic S.r.l., which are headquartered in Italy, on October 31, 2023. In the Asia and Oceania region, the performance in the same period of the previous year was affected by the spread of COVID-19 variants and deteriorating supply chains, but the economy continued to grow moderately this year despite ongoing inflation and rate hikes similar to those in the U.S. and Europe, and net sales increased from the same period of the previous year.

(ii) Agricultural & Seafood Products Trading Business

In the Agricultural & Seafood Products Trading Business, for the second quarter of the current consolidated fiscal year, the Company had net sales of 30,947 million yen (8.1% increase year-on-year) and operating losses of 93 million yen (operating losses of 138 million yen in the same period of the previous year).

Net sales increased from the same period of the previous year mainly due to relatively steady shipment for both imported fruits and vegetables and frozen processed food.

In terms of profit, while lowering selling prices of lemons, our mainstay products, under a sales policy that prioritizes sales volume during the first half of the period under review, we passed on higher costs to selling prices of other imported fruits and vegetables and frozen processed food. As a result, profits increased from the same period of the previous year.

(iii) Other businesses

In other businesses, for the second quarter of the current consolidated fiscal year, the Company had net sales of 1,871 million yen (11.0% increase year-on-year) and operating losses of 94 million yen (operating losses of 119 million yen in the same period of the previous year).

In the mainstay imported food business, the Valentine's Day event, which is our biggest sales event, was a success, and both net sales and profits increased steadily in the first half of the period under review. In the second half, daily imported branded products performed well despite the effect of inflation, while sales of dietary supplements grew steadily, mainly through the core medical channel and EC. We also developed new businesses, such as the provision of food for people recovering from surgery or illness, which incurred start-up costs. However, the other businesses as a whole achieved growth in both sales and profits.

(2) Explanation of financial position

1. Assets, liabilities and net assets

(Assets)

Total assets as of June 30, 2023 stood at 193,763 million yen, an increase of 14,540 million yen compared to December 31, 2022, and was mainly attributable to the following.

Total current assets as of June 30, 2023 amounted to 164,178 million yen, an increase of 13,147 million yen compared to December 31, 2022. The increase in total current assets was due to an increase of 9,142 million yen in cash and deposits and an increase of 2,926 million yen in notes and accounts receivable—trade.

Total non-current assets as of June 30, 2023 amounted to 29,585 million yen, an increase of 1,393 million yen compared to December 31, 2022. The increase in total non-current assets was due to an increase of 424 million yen in other, net, including construction in progress, and an increase of 321 million yen in software.

(Liabilities)

Total liabilities as of June 30, 2023 stood at 112,758 million yen, an increase of 5,599 million yen compared to December 31, 2022, and was mainly attributable to the following.

Total current liabilities as of June 30, 2023 amounted to 36,438 million yen, an increase of 2,825 million yen compared to December 31, 2022. The increase in total current liabilities was due to an increase of 2,126 million yen in notes and accounts payable—trade, an increase of 607 million yen in other, including accrued expenses, despite a decrease of 457 million yen in provision for bonuses.

Total non-current liabilities as of June 30, 2023 amounted to 76,319 million yen, an increase of 2,773 million yen compared to December 31, 2022. The increase in total non-current liabilities was due to an increase of 2,597 million yen in long-term loans payable.

(Net assets)

Total net assets as of June 30, 2023 amounted to 81,005 million yen, an increase of 8,941 million yen compared to December 31, 2022. The increase in total net assets was mainly due to an increase of 6,431 million yen in foreign currency translation adjustment and an increase of 3,302 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 84,930 million yen, an increase of 9,142 million yen compared to December 31, 2022.

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 positive at 9,004 million yen. This was mainly attributable to profit before income taxes of 6,347 million yen, a decrease of 2,091 million yen in inventories, and depreciation and amortization of 1,376 million yen, which are non-cash expenses, despite income taxes paid of 1,618 million yen.

Cash inflows increased by 17,944 million yen compared to the same period of the previous consolidated fiscal year (cash outflows of 8,939 million yen in the same period of the previous year). This was mainly due to an increase of 13,777 million yen in cash inflow from a change in inventories and a decrease of 1,427 million yen in cash outflow for a change in notes and accounts payable—trade.

(Cash flows from investing activities)

Cash flows from investing activities were negative at 824 million yen. This was mainly attributable to a cash outflow of 495 million yen for the purchase of property, plant and equipment and a cash outflow of 252 million yen for the purchase of intangible assets.

Cash outflows decreased by 1,813 million yen compared to the same period of the previous consolidated fiscal year (a 68.7% decrease in cash outflows from the same period of the previous year). This was mainly due to the absence of a cash outflow of 2,043 million yen for the purchase of shares of subsidiaries resulting in a change in the scope of consolidation that arose in the same period of the previous year.

(Cash flows from financing activities)

Cash flows from financial activities were negative at 2,568 million yen. This was mainly attributable to a cash outflow of 1,076 million yen for cash dividends paid, a cash outflow of 907 million yen for the purchase of shares of subsidiaries not

resulting in change in scope of consolidation, and a cash outflow of 843 million yen for net increase (decrease) in short-term borrowings, despite a cash inflow of 881 million yen from proceeds from long-term borrowings.

Cash outflows increased by 2,185 million yen compared to the same period of the previous consolidated fiscal year (up 570.2% year on year). This was mainly due to a decrease of 2,760 million yen in cash inflow from net increase (decrease) in short-term borrowings, a decrease of 1,368 million yen in proceeds from long-term borrowings, and an increase of 907 million yen in cash outflow for the purchase of shares of subsidiaries not resulting in a change in the scope of consolidation, despite a decrease of 2,951 million yen in cash outflow for repayments of long-term borrowings.

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

In view of the earnings results for the first six months of the current fiscal year, the profit-boosting impact of continued depreciation of the yen, and the impact of higher interest rates on the financial position of the Company, among other things, we have revised our annual consolidated earnings forecasts, which were previously announced on February 14, 2023, upward.

For details, refer to the “Notice Regarding Revision of Consolidated Earnings Forecasts for the Fiscal Year Ending December 2023, and Revision of Dividend of Surplus (Interim Dividend)” announced today.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	FY 2022 (As of December 31, 2022)	Second quarter of FY 2023 (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	75,787	84,930
Notes and accounts receivable—trade	29,317	32,244
Inventories	42,584	43,883
Other	3,765	3,565
Allowance for doubtful accounts	(423)	(444)
Total current assets	151,030	164,178
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,839	2,853
Machinery, equipment and vehicles, net	462	439
Tools, furniture and fixtures, net	325	352
Leased assets, net	11,198	11,152
Other, net	252	676
Total property, plant and equipment	15,079	15,474
Intangible assets		
Goodwill	4,546	4,772
Software	326	648
Software in progress	1,221	1,216
Customer-related assets	4,754	5,000
Other	51	49
Total intangible assets	10,899	11,686
Investments and other assets		
Investment securities	392	561
Guarantee deposits	967	963
Deferred tax assets	703	766
Other	149	132
Total investments and other assets	2,213	2,423
Total non-current assets	28,191	29,585
Total assets	179,222	193,763

(Millions of yen)

	FY 2022 (As of December 31, 2022)	Second quarter of FY 2023 (As of June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	15,171	17,297
Short-term loans payable	6,528	6,272
Current portion of long-term loans payable	448	410
Lease obligations	2,479	2,656
Accounts payable—other	3,518	3,854
Income taxes payable	213	368
Provision for bonuses	1,427	969
Provision for directors' bonuses	142	75
Provision for share-based remuneration	-	259
Provision for shareholders' benefits	23	4
Other	3,660	4,268
Total current liabilities	33,613	36,438
Non-current liabilities		
Long-term loans payable	60,573	63,171
Lease obligations	9,250	9,081
Deferred tax liabilities	1,197	1,317
Provision for bonuses	86	40
Provision for share-based remuneration	455	575
Net defined benefit liability	129	105
Other	1,853	2,028
Total non-current liabilities	73,545	76,319
Total liabilities	107,158	112,758
Net assets		
Shareholders' equity		
Capital stock	2,646	2,646
Capital surplus	6,531	6,145
Retained earnings	52,435	55,737
Treasury shares	(0)	(1)
Total shareholders' equity	61,612	64,528
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15	21
Deferred gains or losses on hedges	(43)	25
Foreign currency translation adjustment	9,975	16,406
Total accumulated other comprehensive income	9,947	16,453
Non-controlling interests	504	23
Total net assets	72,063	81,005
Total liabilities and net assets	179,222	193,763

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

First six months ended June 30, 2023

(Millions of yen)

	First six months of FY 2022 (January 1, 2022 to June 30, 2022)	First six months of FY 2023 (January 1, 2023 to June 30, 2023)
Net sales	130,742	146,281
Cost of sales	104,075	116,457
Gross profit	26,667	29,824
Selling, general and administrative expenses	20,616	24,087
Operating income	6,051	5,737
Non-operating income		
Interest and dividend income	61	838
Share of profit of entities accounted for using equity method	42	27
Insurance benefits received	0	0
Foreign exchange gains	494	237
Reversal of allowance for doubtful accounts	3	4
Other	49	79
Total non-operating income	651	1,187
Non-operating expenses		
Interest expenses	256	460
Other	4	11
Total non-operating expenses	261	471
Ordinary income	6,441	6,453
Extraordinary income		
Total extraordinary income	-	-
Extraordinary losses		
Business restructuring expenses	-	105
Total extraordinary losses	-	105
Profit before income taxes	6,441	6,347
Income taxes—current	1,950	1,970
Income taxes—deferred	(29)	(13)
Total income taxes	1,921	1,956
Net income	4,520	4,390
Profit attributable to non-controlling interests	15	11
Profit attributable to owners of parent	4,504	4,378

Quarterly consolidated statement of comprehensive income

First six months ended June 30, 2023

(Millions of yen)

	First six months of FY 2022 (January 1, 2022 to June 30, 2022)	First six months of FY 2023 (January 1, 2023 to June 30, 2023)
Net income	4,520	4,390
Other comprehensive income		
Valuation difference on available-for-sale securities	1	5
Deferred gains or losses on hedges	45	69
Foreign currency translation adjustment	9,601	6,429
Share of other comprehensive income of entities accounted for using equity method	37	30
Total other comprehensive income	9,686	6,535
Comprehensive income	14,206	10,925
(Breakdown)		
Comprehensive income attributable to owners of parent	14,150	10,885
Comprehensive income attributable to non-controlling interests	56	40

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	First six months of FY 2022 (January 1, 2022 to June 30, 2022)	First six months of FY 2023 (January 1, 2023 to June 30, 2023)
Cash flows from operating activities		
Profit before income taxes	6,441	6,347
Depreciation and amortization	1,307	1,376
Increase (decrease) in allowance for doubtful accounts	(38)	(14)
Interest and dividend income	(61)	(838)
Interest expenses	256	460
Share of (profit) loss of entities accounted for using equity method	(42)	(27)
Foreign exchange losses (gains)	242	97
Decrease (increase) in notes and accounts receivable—trade	(2,154)	(727)
Decrease (increase) in inventories	(11,686)	2,091
Increase (decrease) in notes and accounts payable—trade	441	905
Increase (decrease) in accounts payable—other	348	29
Increase (decrease) in provision for bonuses	(565)	(583)
Increase (decrease) in provision for directors' bonuses	(108)	(71)
Increase (decrease) in provision for shareholder privilege program	(10)	(18)
Increase (decrease) in provision for share-based payments	157	354
Increase (decrease) in net defined benefit liability	(12)	(27)
Other	(1,355)	843
Subtotal	(6,840)	10,197
Interest and dividend income received	62	836
Interest expenses paid	(240)	(456)
Income taxes paid	(2,055)	(1,618)
Income taxes reimbursed	135	46
Cash flows from operating activities	(8,939)	9,004
Cash flows from investing activities		
Purchase of property, plant and equipment	(151)	(495)
Purchase of intangible assets	(425)	(252)
Payments for acquiring shares of subsidiaries resulting in changes in the scope of consolidation	(2,043)	—
Other	(16)	(76)
Cash flows from investing activities	(2,637)	(824)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,917	(843)
Income from long-term loans payable	2,250	881
Repayments of long-term loans payable	(3,292)	(341)
Purchase of treasury shares	(0)	(0)
Repayments of finance lease obligations	(253)	(281)
Cash dividends paid	(1,004)	(1,076)
Purchase of shares of subsidiaries not resulting in a change in the scope of consolidation	—	(907)
Cash flows from financing activities	(383)	(2,568)
Effect of exchange rate change on cash and cash equivalents	4,561	3,530
Net increase (decrease) in cash and cash equivalents	(7,398)	9,142
Cash and cash equivalents at beginning of period	65,647	75,787
Closing balance of cash and cash equivalents	58,248	84,930

(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 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 International Accounting Standard IAS 12—Income taxes)

With effect from the beginning of the first quarter of the current consolidated fiscal year, the Company Group's foreign consolidated subsidiaries that apply International Financial Reporting Standards have adopted International Accounting Standard IAS 12—Income Taxes (as revised in May 2021; hereafter referred to as "the standard" in this section). Accordingly, deferred tax assets relating to leased and abandoned assets are recognized.

The change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the previous fiscal year have been retrospectively applied, and the cumulative effect has been reflected in net assets at the beginning of the previous consolidated fiscal year.

The application of the standard did not have a material impact on the quarterly consolidated financial statements.

(Application of US GAAP ASU No. 2016-13 Financial Instruments—Credit Losses)

With effect from the beginning of the first quarter of the current consolidated fiscal year, the Company Group's foreign consolidated subsidiaries that apply US GAAP have adopted ASU No. 2016-13, Financial Instruments—Credit Losses (hereafter referred to as "the standard" in this section). Accordingly, impairment losses on financial assets are recognized based on the expected credit loss model.

In applying this standard, the cumulative effect of adopting this standard, which is permitted as a transitional measure, is recognized at the date of adoption and the effect is added to or deducted from retained earnings at the beginning of the first quarter of the current fiscal year.

The application of the standard did not have a material impact on the quarterly consolidated financial statements.

(Changes in significant subsidiaries during the first six months of the fiscal year)

Wismettac EMEA Holdings Limited is included in the scope of consolidation from the first quarter of the current fiscal year, because it has become a consolidated subsidiary due to its incorporation.

(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, 2022.

(Acquisition of companies through the acquisition of shares)

The Company resolved, at the meeting of its Board of Directors held on June 12, 2023, to acquire 100% of the shares of Uniontrade S.p.A. (head office: Italy; "UT") and Uni Logistic S.r.l. (head office: Italy; "UL") through Wismettac Harro Foods Limited, a consolidated subsidiary of the Company, and to convert the two companies into its subsidiaries (sub-subsidiaries of the Company). On June 30, 2023, the Company entered into a share transfer agreement.

Based on the agreement, the Company plans to acquire 100% of shares of UT and UL on October 31, 2023, the execution date of the share transfer.

(1) Names of the acquired companies and their business

Name of the acquired company: Uniontrade S.p.A.

Business: Wholesale business of Japanese and other Asian food products and operation of cash and carry

Name of the acquired company: Uni Logistic S.r.l.

Business: Provision of logistics services to UT and its subsidiary Plaza Latina S.r.l.

(2) Purpose of acquiring the shares

The Company, as part of its Asian Food Global Business in the European region, conducts the import and wholesale of Japanese and other Asian food products mainly in the U.K., Germany, and France. The Company has resolved to acquire 100% of the shares of UT, which conducts a wholesale business for Japanese and other Asian food products in Italy, and 100% of the shares of UL, which performs certain logistics functions of UT, making them sub-subsidiaries of the Company. There are three operating companies in total, including UT as a core company, all of which will become sub-subsidiaries of the Company. Wismettac Harro Foods Limited is expected to be the company acquiring the shares, but the purchasing company will be finalized by the execution date of the share transfer. From a strategic perspective, the warehouses and other facilities owned and rented by UT will be spun off by the share transfer date and rented by UT after the share acquisition.

UT is one of the leading wholesalers of Japanese and other Asian food products in Italy. Based on its long-standing business relationships with restaurants and retailers, UT sells food products and ingredients such as seafood, rice, and seasonings, and is also engaged in the cash and carry (purchasing and taking out goods from a warehouse) of commercial food products for restaurants. The Company plans to leverage the Wismettac Group's product lineup to offer a wider range of value-added products to its customers.

One of the growth strategies of the Group's Asian Food Global Business is to expand our business foundation outside of North America. We have been developing the business foundation of our Asian Food Global Business with a focus on Japanese food in Europe by converting our business bases in major countries such as the U.K., Germany, and France into group companies, and now we will establish a sales channel in the Italian market through UT.

(3) Share acquisition date

October 31, 2023 (scheduled)

(4) Percentage of voting rights to be acquired

UT: 100%

UL: 100%

(Segment information)

I. 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 and decomposition of income

(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. 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% of shares of Ban Choon Marketing Pte. Ltd., making it a consolidated subsidiary. This increase in goodwill attributable to this event was 1,616 million yen in the second quarter of the previous consolidated fiscal year. The goodwill is an amount calculated provisionally because the acquisition cost is not 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, 2023 to June 30, 2023)

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

(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	3,631	25,444	1,871	30,947	–	30,947
North America	81,705	–	–	81,705	–	81,705
Europe	21,695	–	–	21,695	–	21,695
Other	6,430	5,503	–	11,933	–	11,933
Revenue from contracts with customers	113,462	30,947	1,871	146,281	–	146,281
Sales to external customers	113,462	30,947	1,871	146,281	–	146,281
Intersegment sales or transfers	535	–	38	574	(574)	–
Total	113,998	30,947	1,909	146,856	(574)	146,281
Segment profit or loss	6,738	(93)	(94)	6,550	(812)	5,737

- (Note) 1. “Adjustment” for segment profit or loss in the amount of (812) million yen includes 0 million yen for elimination of intersegment transactions and (812) 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
No relevant items.

(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 July 13, 2023.

Outline of borrowings

- | | |
|--------------------------|--|
| (1) Lenders | Seven financial institutions with which we do business |
| (2) Amount of borrowings | 10 billion yen |
| (3) Borrowing rate | Fixed interest rate |
| (4) Borrowing date | From July 19, 2023 to July 31, 2023 |
| (5) Borrowing period | 7 to 10 years |
| (6) Use of the funds | Operating funds |
| (7) Collateral | Unsecured, unguaranteed |