



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

May 13, 2022

Company name: Nishimoto Co., Ltd. Listed exchange: Tokyo  
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 Representative: Yoshiro Susaki, Chairman & President CEO  
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 Scheduled date of filing of quarterly report: May 13, 2022  
 Scheduled date of commencement of dividend payments: —  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results presentation meeting: No

(Amounts are rounded down to the nearest million yen)

## 1. Consolidated financial results for the first quarter of the fiscal year ending December 31, 2022 (from January 1, 2022 to March 31, 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                             | %     |
| First quarter of FY ending December 31, 2022 | 59,005      | 32.3 | 2,902            | 158.6 | 3,197           | 173.9 | 2,163                                   | 139.2 |
| First quarter of FY ended December 31, 2021  | 44,611      | 3.6  | 1,122            | —     | 1,167           | —     | 904                                     | 695.9 |

(Note) Comprehensive income

First quarter of FY ending December 31, 2022: 5,559 million yen (50.0%)

First quarter of FY ended December 31, 2021: 3,706 million yen (—%)

|  | Net income per share | Diluted net income per share |
|--|----------------------|------------------------------|
|  | Yen                  | Yen                          |
| First quarter of FY ending December 31, 2022 | 150.77               | 150.52                       |
| First quarter of FY ended December 31, 2021  | 63.03                | —                            |

### (2) Consolidated financial position

|                                      | Total assets | Net assets  | Equity ratio |
|--------------------------------------|--------------|-------------|--------------|
|                                      | Million yen  | Million yen | %            |
| As of March 31, 2022<br>(FY 2022 1Q) | 163,406      | 64,494      | 39.2         |
| As of December 31, 2021<br>(FY 2021) | 141,769      | 59,862      | 41.9         |

(Reference) Shareholders' equity

First quarter of FY ending December 31, 2022: 64,004 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         |
| FY ended December 31, 2021                | Yen<br>—          | Yen<br>35.00       | Yen<br>—          | Yen<br>70.00 | Yen<br>105.00 |
| FY ending December 31, 2022               | —                 | —                  | —                 | —            | —             |
| FY ending December 31, 2022<br>(Forecast) | —                 | 65.00              | —                 | 60.00        | 125.00        |

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

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                  |
| First half of FY ending December 31, 2022 | 130,000     | 30.1 | 5,000            | 52.7 | 5,000           | 49.9 | 3,500                                   | 35.3 | 243.85               |
| FY ending December 31, 2022               | 254,000     | 19.1 | 9,000            | 23.3 | 9,000           | 24.9 | 6,000                                   | 19.3 | 418.03               |

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

\* Notes

(1) Changes in significant subsidiaries during the first three 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 March 31, 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 March 31, 2022 | 153 shares        | December 31, 2021 | 153 shares        |
| (iii) Average number of shares during the period (three months ended March 31, 2022)  | As of March 31, 2022 | 14,352,987 shares | March 31, 2021    | 14,353,006 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 May 13, 2022 and will also be posted on the Company's website.

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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 first 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 first quarter of the current consolidated fiscal year increased by 340 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, (3) 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 quarter of the current consolidated fiscal year]

During the first quarter of the current consolidated fiscal year, the global economy faced an environment of increasing uncertainty against the backdrop of the spread of a new variant of COVID-19 and continued inflationary pressures, exacerbated by Russia's aggression towards Ukraine and lockdowns in China.

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 a structural reform to continuously 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 the first quarter of the current consolidated fiscal year, net sales stood at 59,005 million yen (32.3% increase year-on-year), operating income amounted to 2,902 million yen (158.6% increase year-on-year), ordinary income amounted to 3,197 million yen (173.9% increase year-on-year), and profit attributable to owners of parent totaled 2,163 million yen (139.2% 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 first 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 the first quarter of the current consolidated fiscal year, the Company had net sales of 46,360 million yen (39.0% increase year-on-year) and operating income of 2,985 million yen (139.0% increase year-on-year).

In the North America region, sales to restaurants in particular grew significantly, while sales to grocery stores also remained strong, as measures to prevent COVID-19 infection have largely been removed and the region regains its pre-pandemic routine.

As for income, although personnel and other expenses are on an upward trend, the tight supply-demand balance due to delays in distribution and improvement of the inventory situation continue, resulting in a profit margin at about the same level as in

the second half of the previous fiscal year. In addition, delays occurred not only in distribution but also in the manufacturing process of the source of product procurement, stemming from an increasingly deteriorating situation of container vessels unable to enter seaports and general personnel shortages. The Company Group worked to maintain stable supply of products and service level by maintaining inventory and implementing personnel measures in a controlled manner. These group-wide sales measures proved successful, resulting in a significant increase in both net sales and income in the first quarter of the current consolidated fiscal year compared to same period of the previous year, when the Company was still under the strong influence of measures put in place to prevent the spread of COVID-19 infections.

In regions outside of North America, in Europe, the number of newly infected patients remained high, similar to North America, but net sales achieved a steady recovery as result of deregulation and promotion of economic activities. In the Asia and Oceania region, net sales temporarily declined due to tightened regulations brought on by the spread of COVID-19 variants and shortages caused by break-down in the supply chain, but net sales recovered steadily as the region gradually adapted to coexisting with COVID-19 and migrated toward deregulation. Both net sales and income increased year-on-year despite higher raw material and ocean freight costs, as well as higher distribution and labor costs.

The direct impact of the situation in Ukraine on our business results for the first quarter of the current consolidated fiscal year was nominal.

(ii) Agricultural & Seafood Products Trading Business

In the Agricultural & Seafood Products Trading Business, for the first quarter of the current consolidated fiscal year, the Company had net sales of 11,497 million yen (11.8% increase year-on-year) and operating income of 0 million yen (operating loss of 71 million yen in the same period of the previous year).

Net sales increased year-on-year due to contribution from acquisition of a major fruit and vegetable wholesaler in Singapore, Ban Choon Marketing Pte. Ltd., who became a consolidated subsidiary in January, although the Company struggled to secure sales in the domestic market due to supply shortages caused by unstable delivery schedules, the ongoing enforcement of "Law on Measures to Prevent the Spread of COVID-19" in major metropolitan areas, and the price impact of higher purchase costs due to increase in distribution cost and exchange rate volatilities.

As for income, both net sales and income decreased during the same period of the previous year due to sluggish prices in the domestic market, due mainly to increasing competition with domestic fruits and vegetables and lower sales from the restaurant chains. During the first quarter of the current consolidated fiscal year, however, the market was relatively favorable and sales promotion in collaboration with major suppliers also proved successful, resulting in a year-on-year increase in income.

(iii) Other businesses

In other businesses, for the first quarter of the current consolidated fiscal year, the Company had net sales of 1,148 million yen (17.0% increase year-on-year) and operating income of 54 million yen (29.0% decrease year-on year).

During the same period of the previous year, as the State of Emergency was declared, sales for Valentine's Day, the largest sales opportunity, was carried out in conjunction with inventory adjustments in preplanned manner. During the first quarter of the current consolidated fiscal year, both net sales and income grew steadily as a result of the successful expansion of consumer demand due to deregulation of sales activities, as well as the launch of new products and focus on the EC business in the supplement business.

On the other hand, during the first quarter of the current consolidated fiscal year, the Company embarked on new businesses in Japan, including expansion of its ready-made meal support business in collaboration with well-known restaurants and food supply business catering to post-operative and post-acute care patients. Selling, general and administrative expenses related to these new businesses resulted in an increase in net sales and a decrease in income compared to the same period of the previous year.

## (2) Explanation of financial position

### (Assets)

Total assets as of March 31, 2022 stood at 163,406 million yen, an increase of 21,637 million yen compared to December 31, 2021, and was mainly attributable to the following.

Total current assets as of March 31, 2022 amounted to 133,715 million yen, an increase of 8,978 million yen compared to December 31, 2021. The increase in total current assets was due to an increase of 11,404 million yen in inventories and an increase of 2,863 million yen in notes and accounts receivable—trade, despite a decrease of 5,446 million yen in cash and deposits.

Total non-current assets as of March 31, 2022, came to 29,690 million yen, an increase of 12,658 million yen compared to December 31, 2021. The increase in total non-current assets was due to an increase of 10,275 million yen in leased assets, net and an increase of 1,615 million yen in goodwill.

### (Liabilities)

Total liabilities as of March 31, 2022 stood at 98,912 million yen, an increase of 17,005 million yen compared to December 31, 2021, and was mainly attributable to the following.

Total current liabilities as of March 31, 2022, amounted to 41,922 million yen, an increase of 5,229 million yen compared to December 31, 2021. The increase in total current liabilities was due to an increase of 3,361 million yen in notes and accounts payable—trade, increase of 1,377 million yen in lease obligations, increase of 1,333 million yen in short-term loans payable, increase of 1,105 million yen in income taxes payable, despite a decrease of 2,750 million yen in the current portion of long-term loans payable.

Total non-current liabilities as of March 31, 2022 was 56,989 million yen (an increase of 11,776 million yen compared to December 31, 2021). The increase in total non-current liabilities was due to an increase of 9,283 million yen in lease obligations and an increase of 2,738 million yen in long-term loans payable.

### (Net assets)

Total net assets as of December 31, 2022 amounted to 64,494 million yen, an increase of 4,631 million yen compared to December 31, 2021. The increase in total net assets was mainly due to an increase of 3,337 million yen in foreign currency translation adjustment and an increase of 1,196 million yen in retained earnings.

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

With respect to the earnings forecast for the fiscal year ending December 2022, which was released on February 14, 2022, while net sales are expected to recover steadily in accordance with the gradual easing of restrictions to prevent the spread of COVID-19, as for income, the Company had assumed that, as global distribution regains stability and the supply-demand balance shifts towards normalization, in addition to a price adjustment phase due to price competition, increase in expenses, mainly from raw material and ocean freight costs, will have material impact on gross profit.

Although the trend of rising costs and increasing expenses were as initially expected, current business conditions, particularly in the mainstay North America region, are such that price adjustments reflecting the tight supply-demand balance and other factors have enabled the Company to absorb a certain degree of cost increase and maintain income levels. From the second quarter onward, a strong sense of uncertainty concerning the future remains due to such concerns as the sharp rise in the price of energy and raw materials worldwide due to the situation in Ukraine, the rapid depreciation of the yen, and the impact of the lockdown in China. However, the Company has decided to revise its cumulative second quarter and full-year forecasts in view of the current business conditions.

For details, refer to the "Notification Regarding Revision of Earnings Forecast and Dividend Forecast for the Fiscal Year Ending December 2022" which will be released today.

## 2. Quarterly consolidated financial statements and major notes

## (1) Quarterly consolidated balance sheet

(Millions of yen)

|  | FY 2021<br>(As of December 31, 2021) | First quarter of FY 2022<br>(As of March 31, 2022) |
|--|--------------------------------------|--|
| <b>Assets</b>                          |                                      |  |
| Current assets                         |                                      |  |
| Cash and deposits                      | 65,647                               | 60,201   |
| Notes and accounts receivable—trade    | 22,454                               | 25,317   |
| Inventories                            | 34,497                               | 45,902   |
| Other                                  | 2,539                                | 2,692  |
| Allowance for doubtful accounts        | (402)                                | (397)  |
| Total current assets                   | 124,737                              | 133,715  |
| Non-current assets                     |                                      |  |
| Property, plant and equipment          |                                      |  |
| Buildings and structures, net          | 2,909                                | 3,156  |
| Machinery, equipment and vehicles, net | 421                                  | 491  |
| Tools, furniture and fixtures, net     | 357                                  | 371  |
| Leased assets, net                     | 1,453                                | 11,729   |
| Other, net                             | 201                                  | 217  |
| Total property, plant and equipment    | 5,344                                | 15,966   |
| Intangible assets                      |                                      |  |
| Goodwill                               | 4,096                                | 5,712  |
| Software                               | 290                                  | 279  |
| Software in progress                   | 790                                  | 1,049  |
| Customer-related assets                | 4,415                                | 4,507  |
| Other                                  | 51                                   | 50   |
| Total intangible assets                | 9,644                                | 11,599   |
| Investments and other assets           |                                      |  |
| Investment securities                  | 262                                  | 290  |
| Guarantee deposits                     | 893                                  | 945  |
| Deferred tax assets                    | 746                                  | 742  |
| Other                                  | 148                                  | 151  |
| Allowance for doubtful accounts        | (7)                                  | (5)  |
| Total investments and other assets     | 2,043                                | 2,125  |
| Total non-current assets               | 17,032                               | 29,690   |
| Total assets                           | 141,769                              | 163,406  |

(Millions of yen)

|   | FY 2021<br>(As of December 31, 2021) | First quarter of FY 2022<br>(As of March 31, 2022) |
|---|--------------------------------------|--|
| <b>Liabilities</b>                                    |                                      |  |
| Current liabilities                                   |                                      |  |
| Notes and accounts payable—trade                      | 15,269                               | 18,630   |
| Short-term loans payable                              | 3,395                                | 4,728  |
| Current portion of long-term loans payable            | 9,221                                | 6,470  |
| Lease obligations                                     | 386                                  | 1,764  |
| Accounts payable—other                                | 3,347                                | 4,314  |
| Income taxes payable                                  | 363                                  | 1,469  |
| Provision for bonuses                                 | 1,279                                | 1,060  |
| Provision for directors' bonuses                      | 157                                  | 165  |
| Provision for shareholders' benefits                  | 15                                   | 14   |
| Other   | 3,256                                | 3,304  |
| Total current liabilities                             | 36,693                               | 41,922   |
| Non-current liabilities                               |                                      |  |
| Long-term loans payable                               | 40,015                               | 42,753   |
| Lease obligations                                     | 1,115                                | 10,399   |
| Deferred tax liabilities                              | 1,209                                | 1,232  |
| Provision for bonuses                                 | 135                                  | 88   |
| Provision for share-based remuneration                | 111                                  | 131  |
| Net defined benefit liability                         | 131                                  | 118  |
| Other   | 2,494                                | 2,265  |
| Total non-current liabilities                         | 45,213                               | 56,989   |
| Total liabilities                                     | 81,906                               | 98,912   |
| Net assets  |                                      |  |
| Shareholders' equity                                  |                                      |  |
| Capital stock   | 2,646                                | 2,646  |
| Capital surplus                                       | 6,531                                | 6,531  |
| Retained earnings                                     | 47,578                               | 48,774   |
| Treasury shares                                       | (0)                                  | (0)  |
| Total shareholders' equity                            | 56,755                               | 57,952   |
| Accumulated other comprehensive income                |                                      |  |
| Valuation difference on available-for-sale securities | 8                                    | 11   |
| Deferred gains or losses on hedges                    | 9                                    | 36   |
| Foreign currency translation adjustment               | 2,666                                | 6,004  |
| Total accumulated other comprehensive income          | 2,684                                | 6,052  |
| Non-controlling interests                             | 422                                  | 490  |
| Total net assets                                      | 59,862                               | 64,494   |
| Total liabilities and net assets                      | 141,769                              | 163,406  |



## (2) Quarterly consolidated statements of income and comprehensive income

## Quarterly consolidated statement of income

First three months ended March 31, 2022

(Millions of yen)

|   | First three months of FY 2021<br>(January 1, 2021<br>to March 31, 2021) | First three months of FY 2022<br>(January 1, 2022<br>to March 31, 2022) |
|---|---|---|
| Net sales   | 44,611  | 59,005  |
| Cost of sales   | 36,066  | 46,463  |
| Gross profit  | 8,545   | 12,542  |
| Selling, general and administrative expenses                  | 7,423   | 9,639   |
| Operating income  | 1,122   | 2,902   |
| Non-operating income  |   |   |
| Interest and dividend income                                  | 14  | 14  |
| Share of profit of entities accounted for using equity method | 1   | 13  |
| Insurance benefits received                                   | 3   | 0   |
| Foreign exchange gains  | 110   | 354   |
| Reversal of allowance for doubtful accounts                   | 1   | 1   |
| Other   | 9   | 29  |
| Total non-operating income                                    | 139   | 414   |
| Non-operating expenses  |   |   |
| Interest expenses   | 86  | 118   |
| Provision of allowance for doubtful accounts                  | 3   | –   |
| Other   | 4   | 1   |
| Total non-operating expenses                                  | 95  | 119   |
| Ordinary income   | 1,167   | 3,197   |
| Extraordinary income  |   |   |
| Total extraordinary income                                    | –   | –   |
| Extraordinary losses  |   |   |
| Total extraordinary losses                                    | –   | –   |
| Profit before income taxes                                    | 1,167   | 3,197   |
| Income taxes—current  | 425   | 1,066   |
| Income taxes—deferred   | (172)   | (40)  |
| Total income taxes  | 252   | 1,025   |
| Net income  | 914   | 2,171   |
| Profit attributable to non-controlling interests              | 9   | 7   |
| Profit attributable to owners of parent                       | 904   | 2,163   |

## Quarterly consolidated statement of comprehensive income

First three months ended March 31, 2022

(Millions of yen)

|  | First three months of FY 2021<br>(January 1, 2021<br>to March 31, 2021) | First three months of FY 2022<br>(January 1, 2022<br>to March 31, 2022) |
|--|---|---|
| Net income   | 914   | 2,171   |
| Other comprehensive income   |   |   |
| Valuation difference on available-for-sale securities                                | 7   | 3   |
| Deferred gains or losses on hedges   | 36  | 26  |
| Foreign currency translation adjustment  | 2,734   | 3,349   |
| Remeasurements of defined benefit plans  | 0   | –   |
| Share of other comprehensive income of entities<br>accounted for using equity method | 13  | 8   |
| Total other comprehensive income   | 2,792   | 3,388   |
| Comprehensive income   | 3,706   | 5,559   |
| (Breakdown)  |   |   |
| Comprehensive income attributable to owners of parent                                | 3,698   | 5,531   |
| Comprehensive income attributable to non-controlling<br>interests                    | 7   | 28  |

### (3) 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 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 first 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 340 million yen, and gross profit, operating income, ordinary income, and profit before income taxes each increased by 21 million yen during the first 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 first 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 9,868 million yen, 1,332 million yen, and 8,815 million yen, respectively, in the consolidated balance sheet for the first quarter of the current consolidated fiscal year. The effect of this change on profit and loss for the first quarter of the current consolidated fiscal year and segment information is immaterial.

## (Additional information)

Accounting estimates 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 estimates associated with the novel coronavirus pandemic in the Consolidated Financial Results for the Fiscal Year Ended December 31, 2021.

## (Segment information)

First three months of the fiscal year (from January 1, 2021 to March 31, 2021)

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

(Millions of yen)

|                                 | Reporting segment             |  |                | Total  | Adjustment<br>(Note 1) | Amounts recorded<br>in the quarterly<br>consolidated<br>statement of income<br>(Note 2) |
|---------------------------------|-------------------------------|--|----------------|--------|------------------------|---|
|                                 | Asian Food<br>Global Business | Agricultural &<br>Seafood Products<br>Trading Business | Other business |        |                        |   |
| Net sales                       |                               |  |                |        |                        |   |
| Sales to external customers     | 33,348                        | 10,281   | 981            | 44,611 | –                      | 44,611  |
| Intersegment sales or transfers | 2,329                         | 0  | –              | 2,329  | (2,329)                | –   |
| Total                           | 35,677                        | 10,281   | 981            | 46,940 | (2,329)                | 44,611  |
| Segment profit/loss             | 1,248                         | (71)   | 76             | 1,253  | (131)                  | 1,122   |

(Note) 1. "Adjustment" for segment profit or loss in the amount of (131) million yen includes (119) million yen for elimination of intersegment transactions and (11) million yen for company profit/loss not allotted to reporting segments (net company profits and net company expenses). Company profits consist mainly of dividend income 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. The increase in goodwill attributable to this event is 828 million yen in the first quarter of the previous consolidated fiscal year.

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

First three months of the fiscal year (from January 1, 2022 to March 31, 2022)

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

(Millions of yen)

|  | Reporting segment             |  |                | Total  | Adjustment<br>(Note 1) | Amounts recorded<br>in the quarterly<br>consolidated<br>statement of income<br>(Note 2) |
|--|-------------------------------|--|----------------|--------|------------------------|---|
|  | Asian Food<br>Global Business | Agricultural &<br>Seafood Products<br>Trading Business | Other business |        |                        |   |
| Net sales                                |                               |  |                |        |                        |   |
| Japan                                    | 1,914                         | 9,347  | 1,148          | 12,410 | –                      | 12,410  |
| North America                            | 33,376                        | –  | –              | 33,376 | –                      | 33,376  |
| Europe                                   | 8,691                         | –  | –              | 8,691  | –                      | 8,691   |
| Other                                    | 2,377                         | 2,149  | –              | 4,527  | –                      | 4,527   |
| Revenue from contracts with<br>customers | 46,360                        | 11,497   | 1,148          | 59,005 | –                      | 59,005  |
| Sales to external customers              | 46,360                        | 11,497   | 1,148          | 59,005 | –                      | 59,005  |
| Intersegment sales or transfers          | 3,221                         | –  | –              | 3,221  | (3,221)                | –   |
| Total                                    | 49,581                        | 11,497   | 1,148          | 62,227 | (3,221)                | 59,005  |
| Segment profit                           | 2,985                         | 0  | 54             | 3,040  | (137)                  | 2,902   |

(Note) 1. "Adjustment" for segment profit in the amount of (137) million yen includes 2 million yen for elimination of intersegment transactions and (140) 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 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 first 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 income of the Agricultural & Seafood Products Trading Business increased by 340 million yen and 21 million yen, respectively, during the first 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 1,529 million yen in the first quarter of the current consolidated fiscal year.

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

(Business combination and other relationships)

(Business combination by acquisition)

On January 7, 2022, our consolidated subsidiary NTC Wismettac Singapore Pte. Ltd. (hereinafter referred to as "NTC Singapore") acquired 100% of the shares of Ban Choon Marketing Pte. Ltd. (hereinafter referred to as "BCM") located in Singapore. As a result, BCM became a consolidated subsidiary of the Company.

(1) Outline of business combination

(i) Name of the acquired company and its business lines

Name of the acquired company: Ban Choon Marketing Pte. Ltd.

Business lines: Wholesale of fruits and vegetables and processed foods

(ii) Main reasons for the business combination

NTC Singapore currently operates import and wholesale business of Japanese foods mainly in Singapore. NTC Singapore has recently acquired 100% of shares of BCM, a major wholesaler of fruits and vegetables in Singapore.

BCM, one of the leading companies in Singapore, is a wholesaler of vegetables and fruits serving a wide range of customers including major retailers (including NTUC FairPrice, the largest retailer in Singapore), e-commerce retailers, hotels and restaurants, and other food service operators.

The Company Group operates a business catering to major mass retailers, restaurant chains, individual restaurants, etc., in Japan, North America, Europe, China and Southeast Asia by taking advantage of its sales network infrastructure of agricultural and marine products and Japanese and other Asian processed foods.

With the acquisition of BCM, the Company aims to achieve business growth by leveraging its strong global procurement function of fruits and vegetables and to expand and strengthen its sales network infrastructure across Southeast Asia.

(iii) Date of business combination

January 7, 2022

(iv) Legal form of the business combination

Through acquisition of shares for cash consideration

(v) Name of the controlling entity after the business combination

The name remains unchanged

(vi) Percentage share of voting rights acquired

100%

(vii) Main reason for deciding to acquire the company

As the Company acquired shares of Interlock for cash.

(2) Period associated with the business results of the acquired company included in the quarterly consolidated statement of income relating to the quarterly consolidated cumulative period

From January 1, 2022 to March 31, 2022

(3) Acquisition cost of the acquired company and breakdown

|                                     |                   |
|-------------------------------------|-------------------|
| Consideration for acquisition: Cash | 2,111 million yen |
| <hr/>                               |                   |
| Acquisition cost                    | 2,111 million yen |

(4) Goodwill, reason for recognizing goodwill, amortization method and amortization period

(i) Goodwill accrued

1,476 million yen

The above is a provisional amount.

(ii) Cause of occurrence

The amount reflects the future excess earning power expected from the future business development and the synergy of the Company Group and the acquired company

(iii) Depreciation method and period

Straight-line method for 10 years