

Consolidated Financial Statements – Summary

November 1, 2022

(For the six months ended September 30, 2022)

English translation from the original Japanese-language document

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

Company name: **NICHIREI CORPORATION** (Code number 2871)

1. Results for the Six Months Ended September 30, 2022 (April 1, 2022 through September 30, 2022)

(1) Consolidated financial results

(Amounts less than one million yen are omitted)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
	Million yen	Million yen	Million yen	Million yen
Six months ended September 30, 2022	321,836	14,709	15,009	9,798
Six months ended September 30, 2021	294,578	16,020	16,217	11,115

(Note) Comprehensive income: Six months ended September 30, 2022: 20,872 million yen (54.8%)
Six months ended September 30, 2021: 13,482 million yen (28.6%)

	E.P.S.	Diluted E.P.S.
	Yen	Yen
Six months ended September 30, 2022	75.67	–
Six months ended September 30, 2021	83.40	–

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of September 30, 2022	464,400	235,568	48.9	1,752.99
As of March 31, 2022	427,606	217,903	49.4	1,630.84

(Note) Shareholders' equity: As of September 30, 2022: 227,046 million yen
As of March 31, 2022: 211,169 million yen

2. Dividend Status

	Dividend per share				
(Base date)	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2022	–	25.00	–	25.00	50.00
FY ending March 31, 2023	–	26.00			
FY ending March 31, 2023 (Forecast)			–	26.00	52.00

(Note) Revisions to dividend forecasts published most recently (Y/N): No

3. Estimation of Business Results of Fiscal Year Ending March 31, 2023 (April 1, 2022 through March 31, 2023)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	E.P.S.
	Million yen	Million yen	Million yen	Million yen	Yen
FY ending March 31, 2023	660,000	31,500	31,900	21,200	163.73

(Note) Revisions to financial estimation published most recently (Y/N): Yes

*** Notes**

- (1) Any changes in important subsidiaries during the term (Change in specific subsidiaries as a result of a change in the scope of consolidation): No

New inclusion: — companies (company name)

Elimination: — companies (company name)

- (2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statements: Yes

(Calculation of tax cost)

With respect to tax cost, an effective tax rate was reasonably estimated after applying tax effect accounting to profit before taxes for the fiscal year including the six-month period ended September 30, 2022, and tax cost was calculated by multiplying profit before taxes by the effective tax rate.

- (3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies associated with the revision of accounting standards, etc.: Yes

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has been applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Fair Value Measurement Accounting Standard Implementation Guidance") since the beginning of the first quarter of the fiscal year under review and has decided to apply the new accounting policy specified by the Fair Value Measurement Accounting Standard Implementation Guidance into the future under the transitional provisions of paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. This does not have any impact on the results in the first six months ended September 30, 2022.

- (4) Total number of outstanding shares (Common stock)

(i) Total number of outstanding shares at term end (Includes treasury stock):

As of September 30, 2022: 134,042,599 shares

As of March 31, 2022: 134,007,795 shares

(ii) Total treasury stock at term end:

As of September 30, 2022: 4,523,293 shares

As of March 31, 2022: 4,522,808 shares

(iii) Average number of outstanding shares during the period:

For the six months ended September 30, 2022: 129,499,699 shares

For the six months ended September 30, 2021: 133,277,668 shares

* Quarterly financial summaries are not subject to quarterly review by any certified public accountant or auditing firm.

* Note to proper use of forecast of operating results and other special remarks

This statement was prepared based on information available at the time of disclosure. The Company makes no guarantee that the forecasts will be achieved. Actual results may vary significantly as a result of a variety of factors. Please refer to the "Cautionary Statements" on page 9.

Consolidated Balance Sheets

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	FY 2022 (As of March 31, 2022)	As of September 30, 2022
<Assets>		
Current assets		
Cash and deposits	23,413	26,363
Notes and accounts receivable – trade	90,965	98,868
Merchandise and finished goods	41,077	51,220
Work in process	1,189	1,100
Raw materials and supplies	9,861	10,571
Other	13,904	19,169
Allowance for doubtful accounts	(112)	(119)
Total current assets	180,299	207,174
Non-current assets		
Property, plant and equipment		
Buildings and structures	261,489	270,993
Accumulated depreciation	(179,393)	(184,513)
Buildings and structures, net	82,095	86,479
Machinery, equipment and vehicles	125,441	131,345
Accumulated depreciation	(88,650)	(94,239)
Machinery, equipment and vehicles, net	36,790	37,106
Land	41,075	41,368
Leased assets	36,267	33,306
Accumulated depreciation	(22,777)	(19,293)
Leased assets, net	13,490	14,012
Construction in progress	4,904	5,448
Other	12,866	14,903
Accumulated depreciation	(10,117)	(10,918)
Other, net	2,748	3,984
Total property, plant and equipment	181,106	188,400
Intangible assets		
Goodwill	6,700	6,960
Other	8,080	7,720
Total	14,781	14,680
Investments and other assets		
Investment securities	38,106	39,252
Net defined benefit asset	49	49
Deferred tax assets	2,607	2,788
Other	11,024	12,456
Allowance for doubtful accounts	(369)	(402)
Total	51,419	54,143
Total non-current assets	247,307	257,225
Total assets	427,606	464,400

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	FY 2022 (As of March 31, 2022)	As of September 30, 2022
<Liabilities>		
Current liabilities		
Accounts payable – trade	26,778	31,495
Electronically recorded obligations – operating	2,476	1,232
Short-term borrowings	13,490	24,304
Commercial papers	2,000	7,000
Current portion of long-term borrowings	14,798	15,811
Lease obligations	3,395	3,378
Accrued expenses	34,909	33,865
Income taxes payable	4,779	3,931
Provision for directors' bonuses	198	102
Other	17,947	16,737
Total current liabilities	120,775	137,857
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term borrowings	19,882	19,949
Lease obligations	11,149	11,640
Deferred tax liabilities	5,853	7,850
Provision for retirement benefits for directors (and other officers)	102	69
Net defined benefit liability	2,029	2,164
Asset retirement obligations	4,180	4,611
Long-term guarantee deposited	2,181	2,222
Other	3,548	2,465
Total non-current liabilities	88,928	90,973
Total liabilities	209,703	228,831
<Net assets>		
Shareholders' equity		
Share capital	30,472	30,512
Capital surplus	5,495	5,535
Retained earnings	172,369	178,930
Treasury shares	(11,841)	(11,842)
Total shareholders' equity	196,494	203,135
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,984	12,588
Deferred gains or losses on hedges	2,360	5,670
Foreign currency translation adjustment	329	5,653
Total accumulated other comprehensive income	14,674	23,911
Non-controlling interests	6,733	8,521
Total net assets	217,903	235,568
Total liabilities and net assets	427,606	464,400

Consolidated Statements of Income

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	Six months ended September 30, 2021 (Apr. 2021–Sep. 2021)	Six months ended September 30, 2022 (Apr. 2022–Sep. 2022)
Net sales	294,578	321,836
Cost of sales	243,775	269,937
Gross profit	50,802	51,898
Selling, general and administrative expenses		
Transportation and warehousing expenses	9,848	11,035
Promotion expenses	597	628
Advertising expenses	2,116	1,758
Directors' compensations, employees' salaries, bonuses and allowance	9,917	10,169
Retirement benefit expenses	526	553
Legal and employee benefits expenses	1,862	1,878
Transportation and communication expenses	566	811
Rent expenses	1,087	1,175
Business consignment expenses	2,114	2,187
Research and development expense	875	933
Other	5,270	6,056
Total	34,782	37,189
Operating profit	16,020	14,709
Non-operating income		
Interest income	41	79
Dividend income	503	479
Share of profit of entities accounted for using equity method	41	11
Other	209	308
Total	795	878
Non-operating expenses		
Interest expenses	317	354
Other	281	224
Total	598	579
Ordinary profit	16,217	15,009
Extraordinary income		
Gain on sales of non-current assets	23	39
Gain on sales of investment securities	1,275	54
Compensation for expropriation	157	–
Gain on bargain purchase	–	543
Other	–	0
Total	1,456	638
Extraordinary losses		
Loss on sales of non-current assets	4	31
Loss on retirement of non-current assets	525	333
Impairment loss	104	202
Other	55	154
Total	690	722
Profit before income taxes	16,983	14,926
Income taxes	5,366	4,216
Profit	11,617	10,709
Profit attributable to non-controlling interests	501	911
Profit attributable to owners of parent	11,115	9,798

Consolidated Statements of Comprehensive Income

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	Six months ended September 30, 2021 (Apr. 2021–Sep. 2021)	Six months ended September 30, 2022 (Apr. 2022–Sep. 2022)
Profit	11,617	10,709
Other comprehensive income		
Valuation difference on available-for-sale securities	558	599
Deferred gains or losses on hedges	(555)	3,297
Foreign currency translation adjustment	1,728	5,990
Share of other comprehensive income of entities, accounted for using equity method	134	276
Total other comprehensive income	1,865	10,162
Comprehensive income	13,482	20,872
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,962	19,035
Comprehensive income attributable to non-controlling interests	520	1,837

Consolidated Statements of Cash Flows

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	Six months ended September 30, 2021 (Apr. 2021–Sep. 2021)	Six months ended September 30, 2022 (Apr. 2022–Sep. 2022)
Cash flows from operating activities		
Income before income taxes	16,983	14,926
Depreciation	10,265	10,863
Impairment losses	104	202
Increase (decrease) in allowance for doubtful accounts	(26)	3
Interest and dividend income	(544)	(558)
Interest expenses	317	354
Share of loss (profit) of entities accounted for using equity method	(41)	(11)
Gain on bargain purchase	–	(543)
Loss (gain) on sale of non-current assets	(18)	(7)
Loss on retirement of non-current assets	525	333
Loss (gain) on sale of investment securities	(1,275)	(54)
Decrease (increase) in trade receivables	(6,659)	(5,887)
Decrease (increase) in inventories	(2,104)	(8,890)
Increase (decrease) in trade payables	561	2,706
Compensation for expropriation	(157)	–
Other, net	(1,420)	(2,929)
Subtotal	16,509	10,504
Interest and dividends received	642	735
Proceeds from compensation for expropriation	157	–
Interest paid	(317)	(346)
Income taxes refund (paid)	(5,258)	(4,678)
Net cash provided by (used in) operating activities	11,734	6,214
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,539)	(11,908)
Proceeds from sale of property, plant and equipment	51	67
Purchase of intangible assets	(725)	(528)
Purchase of investment securities	(65)	(1,550)
Proceeds from sale of investment securities	2,303	665
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(307)	(313)
Other, net	566	(483)
Net cash provided by (used in) investing activities	(11,716)	(14,051)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,839	9,594
Net increase (decrease) in commercial papers	2,000	5,000
Proceeds from long-term borrowings	–	400
Repayments of long-term borrowings	(955)	(1,136)
Repayments of lease obligations	(1,851)	(1,854)
Purchase of treasury shares	(2)	(1)
Dividends paid	(3,725)	(3,230)
Dividends paid to non-controlling interests	(1)	(41)
Other, net	0	0
Net cash provided by (used in) financing activities	(1,697)	8,730
Effect of exchange rate change on cash and cash equivalents	979	2,047
Net increase (decrease) in cash and cash equivalents	(700)	2,941
Cash and cash equivalents at beginning of period	28,011	23,340
Cash and cash equivalents at end of period	27,311	26,281

Industrial Segment Information

NICHIREI CORPORATION

(1) Six Months Ended September 30, 2021 (April 1, 2021 through September 30, 2021)

(Million yen; amounts less than one million yen are omitted)

	Processed Foods	Marine Products	Meat and Poultry Products	Logistics	Real Estate	Other	Total	Adjustments	Consolidated
Net sales	120,632	31,628	38,387	100,896	1,437	1,595	294,578	–	294,578
Intra-group sales and transfers	134	38	1,312	8,733	711	442	11,372	(11,372)	–
Total	120,766	31,667	39,700	109,629	2,148	2,038	305,951	(11,372)	294,578
Operating profit	6,766	626	580	7,813	836	(182)	16,441	(421)	16,020

(2) Six Months Ended September 30, 2022 (April 1, 2022 through September 30, 2022)

(Million yen; amounts less than one million yen are omitted)

	Processed Foods	Marine Products	Meat and Poultry Products	Logistics	Real Estate	Other	Total	Adjustments	Consolidated
Net sales	135,189	32,438	40,555	110,141	1,512	1,999	321,836	–	321,836
Intra-group sales and transfers	145	75	1,459	9,022	738	461	11,902	(11,902)	–
Total	135,334	32,513	42,014	119,164	2,250	2,461	333,739	(11,902)	321,836
Operating profit	6,197	146	523	7,223	912	192	15,196	(486)	14,709

(3) Fiscal Year Ended March 31, 2022 (April 1, 2021 through March 31, 2022)

(Million yen; amounts less than one million yen are omitted)

	Processed Foods	Marine Products	Meat and Poultry Products	Logistics	Real Estate	Other	Total	Adjustments	Consolidated
Net sales	243,963	67,663	77,646	207,242	2,901	3,279	602,696	–	602,696
Intra-group sales and transfers	273	78	2,650	17,304	1,413	900	22,620	(22,620)	–
Total	244,236	67,741	80,297	224,547	4,314	4,179	625,317	(22,620)	602,696
Operating profit	14,244	956	1,167	14,626	1,653	(329)	32,319	(909)	31,410

Forecast of Fiscal Year Ending March 31, 2023

NICHIREI CORPORATION

Forecast of Fiscal Year Ending March 31, 2023 (April 1, 2022 through March 31, 2023)

(Million yen; amounts less than one million yen are omitted)

	Processed Foods	Marine Products	Meat and Poultry Products	Logistics	Real Estate	Other	Adjustments	Consolidated
Net sales (*1)	275,000	66,000	85,000	246,000	4,600	5,000	(21,600)	660,000
Operating profit	13,800	1,000	1,200	15,300	1,900	300	(2,000)	31,500

(*1) Net sales include Intra-group sales and transfers.

(Significant changes in the scope of consolidation or in the scope of application of the equity method)

1. Significant change in the scope of consolidation

The Company acquired additional shares in Shinmei Foods U.S.A. Corporation, which was an entity accounted for using the equity method, in the second quarter and has included Shinmei Foods U.S.A. Corporation in the scope of consolidation.

Following the acquisition of additional shares in Shinmei Foods U.S.A. Corporation, the Company changed the business name of the company to Nichirei Sacramento Foods Corporation on August 2, 2022.

2. Significant change in the scope of application of the equity method

The Company included Shinmei Foods U.S.A. Corporation in the scope of consolidation in the second quarter and excluded it from entities accounted for using the equity method.

Cautionary Statement with Respect to Forward-Looking Statements

This financial statement contains, in addition to historical facts, forward-looking statements regarding plans, outlook, strategies and future results. These explanations concerning future business results may or may not include words such as "believes," "expects," "plans," "strategy," "prospects," "estimates," and "forecasts," or variations of these words or similar expressions. All such statements are based on management's assumptions and beliefs derived from the information available to it at the time of publication of this report. A variety of important factors may cause actual results to differ significantly from these forecasts. Thus, it is advised that investors refrain from making investment decisions based solely on these forward-looking statements. Nichirei and its Group companies will not necessarily revise their forward-looking statements in accordance with new information, future events and other results. Risks and uncertainties that could affect the actual results of Nichirei and its Group companies include, but are not limited to:

- 1) Economic conditions and industry environment surrounding the business activities of Nichirei and its Group companies;
- 2) Foreign exchange rate fluctuations, particularly involving U.S. dollars and euros;
- 3) The feasibility of establishing a unified quality control structure covering product development, purchasing of ingredients, production and sales;
- 4) The feasibility of new product and service development;
- 5) Nichirei's and its Group companies' ability to implement growth strategies and build a low-cost structure;
- 6) The feasibility of achieving effective alliances between the Nichirei Group and outside companies;
- 7) Contingency and related risk, etc.

However, factors that may affect the performance of the Nichirei Group are not limited to those listed above. Further, risks and uncertainties include the possibility of future events that may have a serious and unpredictable impact on the Group.