

# Notes to Consolidated Financial Statements (Unaudited)

Nichirei Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2022 and 2023

## Note 1: Basis of Presentation

The accompanying consolidated financial statements of Nichirei Corporation (the “Company”) and its consolidated subsidiaries (together, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals in yen shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

For the convenience of the reader, the accompanying consolidated financial statements have been presented in U.S. dollars by translating Japanese yen amounts at ¥133.54 = US\$1.00, the exchange rate prevailing on March 31, 2023.

Due to significance, only selected notes are disclosed in the consolidated financial statements. The other notes which are not selected are disclosed on EDINET.

## Note 2: Significant Accounting Estimates

The Company applies “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31). Under the accounting standard, item whose amount is recorded in the consolidated financial statements for the current fiscal year based on accounting estimates, and which would have a significant impact on the consolidated financial statements for the following fiscal year, should be disclosed.

## Note 3: Securities

- (1) Acquisition costs, carrying value and unrealized gain on available-for-sale securities as of March 31, 2022 and 2023:

	Millions of yen		Thousands of
	2022	2023	U.S. dollars
Equity securities:			2023
Acquisition costs	¥ 12,494	¥ 11,656	\$ 87,286
Carrying value	29,149	28,755	215,332
Unrealized gain	¥ 16,654	¥ 17,099	\$ 128,045

Non-listed equity securities amounting to ¥1,937 million as of March 31, 2022 are not included in the above table because they are not traded on the market and it is very difficult to determine their fair market value as of March 31, 2022.

Non-listed equity securities amounting to ¥2,013 million (\$15,076 thousand) as of March 31, 2023 are not included in the above table because they are equity securities without market prices, etc.

- (2) Sales of available-for-sale securities for the years ended March 31, 2022 and 2023:

	Millions of yen		Thousands of
	2022	2023	U.S. dollars
Proceeds from sales	¥ 6,029	¥ 1,545	\$ 11,570
Gains on sales	3,924	674	5,050
Losses on sales	—	—	—

- (3) Impairment loss of securities for the years ended March 31, 2022 and 2023:

	Millions of yen		Thousands of
	2022	2023	U.S. dollars
Available-for-sale securities:			2023
Stocks with market value	¥ 1	¥ —	\$ —
Stocks without market value	4	—	—
Total	¥ 6	¥ —	\$ —

## Note 4: Investments and Rental Properties

The Company and part of its subsidiaries own buildings and land for lease in Tokyo and other areas.

Net rent income and gain on sales on the property related to the investments and rental properties were ¥1,786 million and ¥31 million, respectively, for the year ended March 31, 2022.

Net rent income on the property related to the investments and rental properties were ¥1,898 million (\$14,214 thousand) for the year ended March 31, 2023.

Gross rent revenue and expense are included in net sales and cost of sales, respectively, on the consolidated statements of income. Gain on sales of the property is included in other income on the consolidated statements of income.

Carrying value on the consolidated balance sheet, increase or decrease during the year, as well as market value of the investments and rental properties as of March 31, 2022 and 2023:

	Millions of yen		Thousands of
	2022	2023	U.S. dollars
Carrying value as of April 1	¥ 9,354	¥ 9,337	\$ 69,925
Net increase (decrease)	(16)	315	2,358
Carrying value as of March 31	¥ 9,337	¥ 9,652	\$ 72,284
Market value as of March 31	¥ 45,106	¥ 46,232	\$ 346,205

- Carrying value on the consolidated balance sheets is calculated as acquisition costs deducting accumulated depreciation and cumulative impairment losses.
- For the year ended March 31, 2022, major increase represents capital expenditures of ¥1,087 million. Major decrease represents depreciation of ¥550 million and change in the use of property of ¥460 million.
- For the year ended March 31, 2023, major increase represents capital expenditures of ¥379 million (\$2,841 thousand) and change in the use of property of ¥467 million (\$3,502 thousand). Major decrease represents depreciation of ¥510 million (\$3,821 thousand).
- Market value of major assets is based on appraisals obtained from outside real estate appraisers. The market value of other relatively immaterial assets is based on certain valuation and other indicators properly reflected by market prices.

**Note 5: Changes in Net Assets**

## (1) Types and numbers of outstanding shares and treasury stock

## (a) For the year ended March 31, 2022

Type of stock	As of April 1, 2021	Increases	Decreases	As of March 31, 2022
Issued shares:				
Common stock (1,2)	140,003,877	37,518	6,033,600	134,007,795
Treasury shares:				
Common stock (3,4)	6,741,928	3,814,668	6,033,788	4,522,808

(Number of shares)

## (Reasons for changes)

- The increase in the number of issued shares of common stock resulted from the following:
  - Issuance of new shares for stock-based compensation with restriction on transfer 37,518 shares
- The decrease in the number of issued shares of common stock resulted from the following:
  - Retirement of treasury shares 6,033,600 shares
- The increase in the number of treasury shares of common stock resulted from the following:
  - Acquisition of treasury shares based on the resolution at the Board of Directors' meeting 3,810,000 shares
  - Increase of shares, of which restriction on transfer are released, acquired without contribution 2,363 shares
  - Request for redemption of odd-lot stock 2,305 shares
- The decrease in the number of treasury shares of common stock resulted from the following:
  - Retirement of treasury shares 6,033,600 shares
  - Request for purchase of odd-lot stock 188 shares

## (b) For the year ended March 31, 2023

Type of stock	As of April 1, 2022	Increases	Decreases	As of March 31, 2023
Issued shares:				
Common stock (1)	134,007,795	34,804	—	134,042,599
Treasury shares:				
Common stock (2,3)	4,522,808	1,828,501	63	6,351,246

(Number of shares)

## (Reasons for changes)

- The increase in the number of issued shares of common stock resulted from the following:
  - Issuance of new shares for stock-based compensation with restriction on transfer 34,804 shares
- The increase in the number of treasury shares of common stock resulted from the following:
  - Acquisition of treasury shares based on the resolution at the Board of Directors' meeting 1,826,400 shares
  - Request for redemption of odd-lot stock 2,101 shares
- The decrease in the number of treasury shares of common stock resulted from the following:
  - Request for purchase of odd-lot stock 63 shares

## (2) Cash dividends distributed

Dividends paid during the year ended March 31, 2023

Resolution	Type of stock	Source of dividends	Total dividends (Millions of yen and Thousands of U.S. dollars)	Dividend per share (Yen and U.S. dollars)	Record date	Effective date
General shareholders' meeting on June 24, 2022	Common stock	Retained earnings	¥ 3,237 \$ 24,240	¥ 25 \$ 0.18	March 31, 2022	June 27, 2022
Board of Directors' meeting on November 1, 2022	Common stock	Retained earnings	¥ 3,367 \$ 25,217	¥ 26 \$ 0.19	September 30, 2022	December 2, 2022

Dividends of which the record date falls in the current fiscal year but the effective date falls in the following fiscal year

Resolution	Type of stock	Source of dividends	Total dividends (Millions of yen and Thousands of U.S. dollars)	Dividend per share (Yen and U.S. dollars)	Record date	Effective date
General shareholders' meeting on June 27, 2023	Common stock	Retained earnings	¥ 3,319 \$ 24,861	¥ 26 \$ 0.19	March 31, 2023	June 28, 2023

**Note 6: Income Taxes**

## (1) Tax rate reconciliation for the years ended March 31, 2022 and 2023

## (a) For the year ended March 31, 2022

Since the difference between statutory tax rate and effective tax rate is less than 5% of the statutory tax rate, note related to reconciliation between the tax rates is omitted.

## (b) For the year ended March 31, 2023

The Company and its consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a statutory tax rate of approximately 30.6% for the year ended March 31, 2023. Reconciliation between the statutory tax rate and the effective tax rate reflected in the accompanying consolidated statement of income is as follows:

	2023
Statutory tax rate	30.6%
Entertainment and other non-deductible expenses	0.5
Dividends exempted for income tax purposes	0.2
Inhabitants' tax per capita	0.4
Change in valuation allowance	(1.6)
Tax credit for research and development expenses, etc.	(0.7)
Tax rate differences of overseas affiliates	(3.1)
Equity in earnings of affiliates accounted for by the equity method	(0.4)
Undistributed earnings of affiliates	1.1
Other, net	1.3
Effective tax rate	28.3%

- (2) A breakdown of tax loss carryforwards and deferred tax assets by expiry date as of March 31, 2022 and 2023

(Millions of Yen)

Fiscal Year Ending March 31, 2022	2023	2024	2025	2026	2027	2028 and thereafter	Total
Tax loss carryforwards (a) .....	¥ 7	¥ 21	¥ 28	¥ 31	¥ 43	¥ 964	¥ 1,096
Valuation allowance .....	(7)	(21)	(28)	(31)	(43)	(834)	(966)
Deferred tax assets .....	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 129	¥ 129

(b)

(Millions of Yen)

Fiscal Year Ending March 31, 2023	2024	2025	2026	2027	2028	2029 and thereafter	Total
Tax loss carryforwards (a) .....	¥ 19	¥ 28	¥ 27	¥ 36	¥ 33	¥ 974	¥ 1,120
Valuation allowance .....	(19)	(28)	(27)	(36)	(32)	(860)	(1,005)
Deferred tax assets .....	¥ —	¥ —	¥ —	¥ —	¥ 1	¥ 113	¥ 115

(b)

(Thousands of U.S. Dollars)

Fiscal Year Ending March 31, 2023	2024	2025	2026	2027	2028	2029 and thereafter	Total
Tax loss carryforwards (a) .....	\$ 149	\$ 210	\$ 206	\$ 275	\$ 254	\$ 7,294	\$ 8,390
Valuation allowance .....	(149)	(210)	(206)	(275)	(243)	(6,442)	(7,527)
Deferred tax assets .....	\$ —	\$ —	\$ —	\$ —	\$ 10	\$ 851	\$ 862

(b)

(a) Tax loss carryforwards represent the amount multiplied by effective statutory tax rate.

(b) Since taxable income is expected for the next fiscal year, the Group considers a part of the tax loss carryforwards is recoverable.

#### Note 7: Per Share Information

Net assets per share as of March 31, 2022 and 2023 are calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net assets	¥ 217,903	¥ 233,513	\$ 1,748,642
Amounts excluded from net assets:			
For non-controlling interests	6,733	9,070	67,922
Net assets attributable to common stock	211,169	224,443	1,680,719
Number of common stock used for the calculation of net assets per share (in thousands)	129,484	127,691	127,691

Profit per share for the years ended March 31, 2022 and 2023 are calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Profit attributable to owners of parent	¥ 23,382	¥ 21,568	\$ 161,516
Amounts not attributable to common shareholders	—	—	—
Profit attributable to owners of parent for common stock	23,382	21,568	161,516
Average number of common stock during the fiscal year (in thousands)	132,317	129,046	129,046

#### Note 8: Segment Information

- (1) General information about reportable segments

Reportable segments are components of the Company and its consolidated subsidiaries for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segments and to assess their performance. Reportable segments are determined by product and service as “Processed foods,” “Marine,” “Meat, and poultry,” “Logistics,” and “Real estate.”

General information about the segments is as follows:

- (a) Processed foods: Production, processing and sales of frozen cooked foods, agricultural processed foods, retort-pouch foods, wellness foods, acerola and packed ice  
(b) Marine: Processing and sales of marine products  
(c) Meat, and poultry: Processing and sales of meat and poultry products, and breeding and sales of chicken  
(d) Logistics: Providing distribution/transportation services and distribution center functions, logistics consulting, providing storage services, production and sales of ice, and construction work and planning  
(e) Real estate: Leasing of office buildings and parking lots and management of real estate

- (2) The basis of measurement for sales, profit or loss, assets, liabilities and other items of reportable segments

Accounting policies and methods used at operating segments are the same as those applied to the Company. Profit or loss of reportable segments is equal to operating profit on the consolidated statements of income. Intercompany sales and transfers are based on third-party transaction prices.

- (3) Sales, profit or loss, assets, liabilities and other items by reportable segment for the years ended March 31, 2022 and 2023 were summarized as follows:

	Year ended March 31, 2022 (Millions of yen)										
	Reportable segment						Total	Other (*1)	Total	Adjustment	Consolidated
	Processed foods	Marine products	Meat and poultry products	Logistics	Real estate	Total					
Sales:											
External sales	¥ 243,963	¥ 67,663	¥ 77,646	¥ 207,242	¥ 2,901	¥ 599,417	¥ 3,279	¥ 602,696	¥ —	¥ 602,696	
Intercompany sales and transfers	273	78	2,650	17,304	1,413	21,720	900	22,620	(22,620)	—	
Total	244,236	67,741	80,297	224,547	4,314	621,137	4,179	625,317	(22,620)	602,696	
Segment profit	14,244	956	1,167	14,626	1,653	32,648	(329)	32,319	(909)	31,410	
Segment assets	150,150	28,029	19,793	194,503	16,582	409,059	8,146	417,205	10,401	427,606	
Other items:											
Depreciation	7,474	182	249	10,817	771	19,495	325	19,820	1,268	21,089	
Amortization of goodwill	105	—	—	128	—	234	42	277	—	277	
Investments in equity-method investees	2,358	—	—	3,358	—	5,717	—	5,717	1,775	7,492	
Increase in property, plant and equipment and intangible assets	12,460	188	255	19,287	1,164	33,356	426	33,782	928	34,711	
Outstanding balance of goodwill	910	—	—	5,464	—	6,375	325	6,700	—	6,700	
Impairment loss on fixed assets	¥ 139	¥ —	¥ —	¥ 56	¥ —	¥ 196	¥ —	¥ 196	¥ —	¥ 196	

Notes to Consolidated Financial Statements (Unaudited)

Year ended March 31, 2023 (Millions of yen)										
	Reportable segment							Total	Adjustment	Consolidated
	Processed foods	Marine products	Meat and poultry products	Logistics	Real estate	Total	Other (*1)			
Sales:										
External sales	¥ 275,398	¥ 68,903	¥ 82,975	¥ 226,710	¥ 3,043	¥ 657,030	¥ 5,174	¥ 662,204	¥ —	¥ 662,204
Intercompany sales and transfers	299	91	2,779	17,497	1,489	22,157	917	23,075	(23,075)	—
Total	275,697	68,995	85,755	244,207	4,532	679,187	6,092	685,279	(23,075)	662,204
Segment profit	13,962	951	959	15,147	1,798	32,819	829	33,648	(713)	32,935
Segment assets	172,041	27,782	19,633	202,234	16,261	437,953	8,162	446,115	11,217	457,333
Other items:										
Depreciation	8,050	162	241	11,265	782	20,502	279	20,782	1,415	22,198
Amortization of goodwill	116	—	—	324	—	440	55	495	—	495
Investments in equity-method investees	1,362	—	—	5,168	—	6,530	—	6,530	1,847	8,378
Increase in property, plant and equipment and intangible assets	14,852	144	227	14,286	560	30,072	46	30,119	1,071	31,190
Outstanding balance of goodwill	888	—	—	5,798	—	6,687	—	6,687	—	6,687
Impairment loss on fixed assets	¥ 53	¥ 136	¥ —	¥ 28	¥ —	¥ 217	¥ 269	¥ 487	¥ —	¥ 487

Year ended March 31, 2023 (Thousands of U.S. dollars)										
	Reportable segment							Total	Adjustment	Consolidated
	Processed foods	Marine products	Meat and poultry products	Logistics	Real estate	Total	Other (*1)			
Sales:										
External sales	\$2,062,290	\$ 515,979	\$ 621,351	\$ 1,697,694	\$ 22,789	\$ 4,920,104	\$ 38,746	\$ 4,958,850	\$ —	\$ 4,958,850
Intercompany sales and transfers	2,240	684	20,816	131,027	11,152	165,920	6,874	172,794	(172,794)	—
Total	2,064,530	516,663	642,167	1,828,721	33,941	5,086,025	45,620	5,131,645	(172,794)	4,958,850
Segment profit	104,555	7,123	7,184	113,431	13,470	245,766	6,207	251,974	(5,340)	246,633
Segment assets	1,288,317	208,043	147,025	1,514,410	121,771	3,279,568	61,121	3,340,690	84,000	3,424,690
Other items:										
Depreciation	60,287	1,215	1,807	84,360	5,859	153,530	2,093	155,624	10,597	166,228
Amortization of goodwill	870	—	—	2,426	—	3,297	413	3,710	—	3,710
Investments in equity-method investees	10,200	—	—	38,701	—	48,902	—	48,902	13,837	62,740
Increase in property, plant and equipment and intangible assets	111,223	1,084	1,701	106,986	4,199	225,194	351	225,545	8,020	233,566
Outstanding balance of goodwill	6,651	—	—	43,424	—	50,076	—	50,076	—	50,076
Impairment loss on fixed assets	\$ 399	\$ 1,018	\$ —	\$ 211	\$ —	\$ 1,629	\$ 2,021	\$ 3,651	\$ —	\$ 3,651

(\*1) "Other" represents operating segments not disclosed as reportable segments, which include biosciences business, human resources and payroll-related services, tree planting management and cleaning services related to tree planting.

**Note 9: Subsequent Events**

Not applicable.