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Consolidated Financial Results for the Six Months Ended April 30, 2022 [Japanese GAAP]



June 13, 2022

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 Scheduled date of filing quarterly securities report: June 14, 2022
 Scheduled date of commencing dividend payments: July 8, 2022
 Availability of supplementary explanatory materials on quarterly financial results: Not available
 Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended April 30, 2022 (November 1, 2021 - April 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended April 30, 2022	53,242	—	2,692	(16.0)	2,819	(13.8)	1,863	(14.1)
April 30, 2021	52,715	(5.0)	3,208	1.4	3,270	0.9	2,172	(1.5)

(Note) Comprehensive income: Six Months Ended April 30, 2022: 3,217 million yen [10.7%]
 Six Months Ended April 30, 2021: 2,904 million yen [45.8%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
April 30, 2022	110.72	—
April 30, 2021	129.09	—

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29; March 31, 2020) and relevant standards since the beginning of the first quarter of the current fiscal year. Figures for the six months ended April 30, 2022 are amounts after the application of these accounting standards. Therefore, change in net sales from the corresponding period of the previous fiscal year is not stated.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of April 30, 2022	85,249	47,188	54.3
As of October 31, 2021	78,470	44,352	55.4

(Reference) Equity: As of April 30, 2022: 46,317 million yen
 As of October 31, 2021: 43,516 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2021	—	24.00	—	24.00	48.00
Fiscal year ending October 31, 2022	—	24.00			
Fiscal year ending October 31, 2022 (Forecast)			—	24.00	48.00

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

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending October 31, 2022 (November 1, 2021 - October 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	100,000	—	3,500	(16.3)	3,600	(15.8)	2,400	(13.9)	142.54

- Notes: 1. Revision to the financial results forecast announced most recently: Yes
2. The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29; March 31, 2020) and relevant standards since the beginning of the first quarter of the current fiscal year. The above consolidated financial results forecasts are forecasts after the application of these accounting standards, and change in net sales from the previous fiscal year and the previous corresponding period are not stated.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29; March 31, 2020) and relevant standards since the beginning of the first quarter of the current fiscal year. Accordingly, in this explanation of the operating results for the six months ended April 30, 2022 (the “period under review”), changes in amount and percentage changes for net sales from the corresponding period of the previous fiscal year are not stated.

(Million yen)

	Six months ended		Change
	April 30, 2021	April 30, 2022	
Net sales	52,715	53,242	—%
Operating profit	3,208	2,692	(16.0)%
Ordinary profit	3,270	2,819	(13.8)%
Profit attributable to owners of parent	2,172	1,863	(14.1)%

During the period under review, the Japanese economy continued to suffer the effects of the COVID-19 pandemic, and the future outlook remained uncertain due to factors such as global inflationary pressures caused by poor weather conditions and the Russian invasion of Ukraine, along with the ongoing depreciation of the yen.

In the food industry, prices were increased in many product categories due to the soaring costs of ingredients and raw materials. Under these circumstances, the Shoei Foods group worked toward a stable procurement and safety assurance of imported ingredients, raw materials and products. The Group strived to establish further internal controls and pressed forward with its various management strategies under the Medium-term Management Plan, including raising the operating levels of its newly established production facilities.

As a result of these efforts, while net sales were negatively impacted by the Revenue Recognition Standard applied from the current fiscal year, due to strong sales of dried fruits and confectionery ingredients in Japan, consolidated net sales for the period under review were 53,242 million yen.

On the profit front, due to a rise in the cost of sales ratio resulting from increases in depreciation related to the commissioning of new production facilities and other factors and increases in selling, general and administrative expenses, operating profit decreased by 16.0% year on year to 2,692 million yen, ordinary profit decreased by 13.8% to 2,819 million yen, and profit attributable to owners of parent decreased by 14.1% to 1,863 million yen.

Business results by product category for the period under review are as follows.

(Million yen)

	Six months ended April 30, 2022	
	Net sales	Composition
Dairy products, oils and fats	16,598	31.2%
Confectionery raw materials	9,150	17.2%
Dried fruits and canned foods	17,483	32.8%
Confectionery and retail products	9,819	18.4%
Other	190	0.4%
Total	53,242	100.0%

Segment operating results by region are as follows.

1) Japan

Although there were negative impacts on net sales in Japan due to the application of the Revenue Recognition Standard, sales were strong in nuts, including walnuts, almonds, macadamias and pistachios. Sales were also firm in confectionery raw materials, including baked confectionery and chestnut paste. As a result, net sales were 48,537 million yen.

On the other hand, segment profit decreased by 15.7% to 2,458 million yen due to a decline in profit margins resulting from rising ingredients and raw materials prices and an increase in depreciation caused by aggressive capital investment.

2) United States

In the United States, because sales of inshell walnuts, which are sold mainly in the first half of a fiscal year, were poor across the entire industry, sales shifted to shelled walnuts, and revenue was postponed, resulting in a decrease in net sales in USD-denominated terms. On the other hand, with the weakening of the yen, net sales converted into yen amounted to 4,788 million yen.

Segment profit decreased by 11.2% to 551 million yen due to a significant decrease in profit in the walnut business caused by the major decline in inshell walnut sales, as well as a decline in profits from exports of prunes to Japan.

3) China

In China, sales of Chinese-grown seeds trended toward recovery, and domestic sales of processed nut products were strong. These factors, combined with the increase in net sales converted into yen due to the weak yen, resulted in net sales of 3,766 million yen.

Segment loss continued, with a loss of 158 million yen, due to the lack of recovery in profitability of exports of Chinese-grown seeds, despite an improvement in profitability of domestic sales of nut products processed at production facilities in China.

(2) Explanation of Financial Position

1) Assets, liabilities, and net assets

Total assets as of April 30, 2022 amounted to 85,249 million yen, an increase of 6,778 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 4,550 million yen in notes and accounts receivable - trade, 2,580 million yen in merchandise and finished goods, 576 million yen in work in process, and 723 million yen in raw materials and supplies, despite a decrease of 1,699 million yen in cash and deposits, resulting in current assets of 54,257 million yen, an increase of 7,238 million yen from the end of the previous fiscal year. Non-current assets fell by 459 million yen compared with the end of the previous fiscal year to 30,992 million yen due to decreases of 223 million yen in property, plant and equipment and 232 million yen in investments and other assets.

Total liabilities as of April 30, 2022 amounted to 38,060 million yen, an increase of 3,942 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 3,108 million yen in notes and accounts payable - trade, 484 million yen in short-term borrowings, 3,100 million yen in current portion of long-term borrowings, 142 million yen in accounts payable - other, and 268 million yen in income taxes payable, despite a decrease of 179 million yen in provision for bonuses, resulting in current liabilities of 31,314 million yen, an increase of 7,064 million yen. Non-current liabilities fell by 3,122 million yen compared with the end of the previous fiscal year to 6,745 million yen due to a decrease of 3,175 million yen in long-term borrowings.

Total net assets as of April 30, 2022 amounted to 47,188 million yen, an increase of 2,836 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 1,459 million yen in retained earnings, 379 million yen in deferred gains or losses on hedges, and 1,057 million yen in foreign currency translation adjustment, despite a decrease of 128 million yen in valuation difference on available-for-sale securities.

2) Cash flows

The status of cash flows is as follows.

(Cash flows from operating activities)

Net cash used in operating activities amounted to 979 million yen (2,125 million yen net cash inflow in the corresponding period of the previous fiscal year). This is mainly attributable to profit before income taxes of 2,813 million yen, depreciation of 1,462 million yen, decrease in provisions of 158 million yen, increase in trade receivables of 4,344 million yen, increase in inventories of 3,574 million yen, increase in trade payables of 2,954 million yen, decrease in other current assets of 187 million yen, and 600 million yen in income taxes paid.

The main factors behind the decrease in cash compared with the corresponding period of the previous fiscal year were an increase in trade receivables of 3,570 million yen, an increase in inventories of 3,191 million yen, and an increase in other current assets of 532 million yen, despite an increase in depreciation of 209 million yen, an increase in trade payables of 3,595 million yen, and a decrease in income taxes paid of 322 million yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 901 million yen (a decrease of 1,833 million yen compared with the corresponding period of the previous fiscal year). This was mainly attributable to purchase of property, plant and equipment.

The main factor behind the decrease in cash compared with the corresponding period of the previous fiscal year was a decrease of 1,928 million yen in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 184 million yen (a decrease of 818 million yen compared with the corresponding period of the previous fiscal year). This was mainly attributable to a net

increase in short-term borrowings of 319 million yen and dividends paid of 403 million yen.

The main factors behind the increase in cash compared with the corresponding period of the previous fiscal year were a net increase in short-term borrowings of 720 million yen and a decrease in repayments of long-term borrowings of 2,998 million yen, despite a decrease of 2,900 million yen in proceeds from long-term borrowings.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information

After considering the results of the period under review and the current business environment surrounding the Company, the Group has revised the consolidated financial results forecast for the fiscal year ending October 31, 2022 announced on December 13, 2021. For details, please refer to the “Notice of Revision of Full-year Consolidated Financial Results Forecast” (available in Japanese) announced on the same day as this report.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	As of October 31, 2021	As of April 30, 2022
Assets		
Current assets		
Cash and deposits	9,858,617	8,159,490
Notes and accounts receivable - trade	19,572,827	24,123,021
Merchandise and finished goods	13,185,583	15,766,330
Work in process	971,824	1,548,131
Raw materials and supplies	2,261,913	2,985,621
Advance payments to suppliers	384,001	383,076
Other	787,025	1,295,564
Allowance for doubtful accounts	(3,151)	(3,980)
Total current assets	47,018,641	54,257,256
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,149,722	13,867,552
Machinery, equipment and vehicles, net	6,656,795	6,316,716
Tools, furniture and fixtures, net	326,917	322,246
Land	3,512,613	3,540,188
Leased assets, net	99,514	77,897
Construction in progress	229,261	558,778
Other, net	241,097	309,135
Total property, plant and equipment	25,215,921	24,992,516
Intangible assets		
Software	132,870	117,750
Other	134,727	146,489
Total intangible assets	267,598	264,239
Investments and other assets		
Investment securities	3,725,638	3,545,094
Insurance premium	81,240	25,249
Deferred tax assets	303,749	246,408
Long-term advance account	1,564,579	1,624,430
Other	536,803	553,697
Allowance for doubtful accounts	(243,853)	(259,625)
Total investments and other assets	5,968,158	5,735,254
Total non-current assets	31,451,677	30,992,010
Total assets	78,470,319	85,249,266

(Thousand yen)

	As of October 31, 2021	As of April 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,467,220	13,576,147
Short-term borrowings	9,281,839	9,766,822
Current portion of long-term borrowings	151,476	3,251,476
Accounts payable - other	1,796,380	1,939,369
Income taxes payable	580,664	848,999
Provision for bonuses	915,651	736,188
Provision for bonuses for directors (and other officers)	12,187	24,800
Other	1,044,235	1,170,662
Total current liabilities	24,249,654	31,314,466
Non-current liabilities		
Long-term borrowings	8,289,609	5,113,871
Deferred tax liabilities	193,593	263,675
Retirement benefit liability	851,830	854,879
Provision for retirement benefits for directors (and other officers)	105,315	114,388
Other	427,870	399,066
Total non-current liabilities	9,868,219	6,745,881
Total liabilities	34,117,874	38,060,347
Net assets		
Shareholders' equity		
Share capital	3,379,736	3,379,736
Capital surplus	3,051,419	3,055,283
Retained earnings	35,360,808	36,820,729
Treasury shares	(928,559)	(909,827)
Total shareholders' equity	40,863,404	42,345,922
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,678,687	1,549,857
Deferred gains or losses on hedges	103,139	482,189
Foreign currency translation adjustment	953,655	2,011,396
Remeasurements of defined benefit plans	(82,210)	(71,719)
Total accumulated other comprehensive income	2,653,271	3,971,724
Non-controlling interests	835,769	871,272
Total net assets	44,352,445	47,188,919
Total liabilities and net assets	78,470,319	85,249,266

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Six months ended April 30

(Thousand yen)

	For the six months ended April 30, 2021	For the six months ended April 30, 2022
Net sales	52,715,975	53,242,085
Cost of sales	43,392,697	44,246,198
Gross profit	9,323,278	8,995,887
Selling, general and administrative expenses	6,114,644	6,303,397
Operating profit	3,208,633	2,692,489
Non-operating income		
Interest income	2,216	5,606
Dividend income	30,623	33,048
Foreign exchange gains	-	59,658
Share of profit of entities accounted for using equity method	16,259	13,377
Dividend income of insurance	10,690	33,106
Insurance claim income	17,550	612
Other	74,198	41,107
Total non-operating income	151,538	186,518
Non-operating expenses		
Interest expenses	72,269	58,376
Foreign exchange losses	2,747	-
Other	14,457	1,574
Total non-operating expenses	89,474	59,951
Ordinary profit	3,270,697	2,819,056
Extraordinary income		
Gain on sale of non-current assets	25,202	313
Other	0	-
Total extraordinary income	25,202	313
Extraordinary losses		
Expenses on dismantlement of noncurrent assets	6,500	-
Loss on retirement of non-current assets	29,076	6,099
Loss on sale of non-current assets	38	136
Total extraordinary losses	35,615	6,236
Profit before income taxes	3,260,284	2,813,133
Income taxes - current	966,667	906,445
Income taxes - deferred	94,569	5,057
Total income taxes	1,061,236	911,502
Profit	2,199,047	1,901,631
Profit attributable to non-controlling interests	26,799	37,755
Profit attributable to owners of parent	2,172,248	1,863,875

Quarterly Consolidated Statement of Comprehensive Income

Six months ended April 30

(Thousand yen)

	For the six months ended April 30, 2021	For the six months ended April 30, 2022
Profit	2,199,047	1,901,631
Other comprehensive income		
Valuation difference on available-for-sale securities	138,258	(131,082)
Deferred gains or losses on hedges	(36,362)	379,050
Foreign currency translation adjustment	598,440	1,057,741
Remeasurements of defined benefit plans, net of tax	5,498	10,491
Total other comprehensive income	705,834	1,316,200
Comprehensive income	2,904,882	3,217,831
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,874,631	3,182,328
Comprehensive income attributable to non-controlling interests	30,250	35,503

(3) Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	For the six months ended April 30, 2021	For the six months ended April 30, 2022
Cash flows from operating activities		
Profit before income taxes	3,260,284	2,813,133
Depreciation	1,253,733	1,462,919
Interest expenses	72,269	58,376
Foreign exchange losses (gains)	(20,977)	(45,723)
Increase (decrease) in provisions	(60,690)	(158,536)
Decrease (increase) in trade receivables	(773,533)	(4,344,529)
Decrease (increase) in inventories	(383,140)	(3,574,528)
Increase (decrease) in trade payables	(640,923)	2,954,257
Decrease (increase) in other current assets	720,324	187,661
Other, net	(361,197)	277,916
Subtotal	3,066,150	(369,052)
Interest and dividends received	52,043	54,270
Interest paid	(70,083)	(63,920)
Income taxes paid	(922,979)	(600,450)
Net cash provided by (used in) operating activities	2,125,130	(979,153)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,815,437)	(886,493)
Proceeds from sale of property, plant and equipment	98,051	234
Purchase of investment securities	(10,142)	(10,697)
Other, net	(7,143)	(4,380)
Net cash provided by (used in) investing activities	(2,734,671)	(901,335)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(401,035)	319,060
Repayments of long-term borrowings	(3,074,520)	(75,738)
Proceeds from long-term borrowings	2,900,000	-
Purchase of treasury shares	(138)	(685)
Repayments of lease obligations	(24,275)	(23,539)
Dividends paid	(403,809)	(403,954)
Net cash provided by (used in) financing activities	(1,003,779)	(184,857)
Effect of exchange rate change on cash and cash equivalents	224,862	366,219
Net increase (decrease) in cash and cash equivalents	(1,388,457)	(1,699,126)
Cash and cash equivalents at beginning of period	9,426,858	9,858,617
Cash and cash equivalents at end of period	8,038,400	8,159,490

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 31, 2020; hereinafter, the “Revenue Recognition Standard”) and relevant standards from the beginning of the first quarter of the current fiscal year. Revenue is recognized in the amount expected to be received in exchange for promised goods or services when control of said goods or services is transferred to the customer. The main changes as a result of this application are as follows.

- For transactions in which the promise with the customer is deemed to be a performance obligation to arrange for the provision of goods or services through another party, because the role of the Group is deemed to be an agent, revenue recognition has been changed to a method of recognizing revenue on a net basis.
- Regarding sell-buy transactions (transactions where the Company buys raw materials from a counterparty and sells back products made using the raw materials to the counterparty), previously, net sales and cost of sales were recorded as gross amounts, but this has been changed to a method of recognizing only the net value of processing as revenue.
- Regarding buy-sell transactions (transactions where the Company sells raw materials to a counterparty and buys back products made using the raw materials from the counterparty), previously, extinguishment was recognized for the supplied goods, but in cases where there is an obligation to buy back the supplied products, this has been changed to a method of not recognizing extinguishment of those supplied products.

The Group applies the Revenue Recognition Standard and relevant standards in accordance with the transitional treatment set forth in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of the retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been adjusted to retained earnings at the beginning of that quarter, and the new accounting policy has been applied from the balance at the beginning of the quarter.

As a result, net sales and cost of sales for the six months ended April 30, 2022 have each decreased by 3,207,032 thousand yen, but there is no effect on operating profit, ordinary profit, or profit before income taxes. There is also no effect on the balance of retained earnings at the beginning of the reporting period.

Further, in accordance with the transitional treatment set forth in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.12; March 31, 2020), the Group has not disaggregated revenues from contracts with customers for the six months ended April 30, 2021.

(Application of the Accounting Standard for Fair Value Measurement)

The Group has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019; hereinafter, the “Fair Value Measurement Standard”) and relevant standards since the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019), the Group will prospectively apply the new accounting policies set forth in the Fair Value Measurement Standard and relevant standards. There is no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I. For the six months ended April 30, 2021

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statement of Income (Note 2)
	Japan	United States	China	Total		
Net sales						
Net sales to outside customers	47,093,381	3,281,368	2,341,224	52,715,975	—	52,715,975
Inter-segment net sales or transfers	243,777	1,353,138	997,740	2,594,656	(2,594,656)	—
Total	47,337,159	4,634,507	3,338,965	55,310,631	(2,594,656)	52,715,975
Segment profit (loss)	2,918,317	621,802	(191,495)	3,348,624	(139,990)	3,208,633

- Notes: 1. The adjustment of segment profit (loss) of negative 139,990 thousand yen includes inter-segment elimination of 41,579 thousand yen and company-wide expenses of negative 181,570 thousand yen. Company-wide expenses are general and administrative expenses that do not belong to the reportable segments.
2. Segment profit (loss) has been adjusted with operating profit in the Quarterly Consolidated Statement of Income.

II. For the six months ended April 30, 2022

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statement of Income (Note 2)
	Japan	United States	China	Total		
Net sales						
Revenue from contracts with customers	48,179,792	2,744,279	2,316,685	53,240,757	—	53,240,757
Other revenue (Note 3)	1,327	—	—	1,327	—	1,327
Net sales to outside customers	48,181,120	2,744,279	2,316,685	53,242,085	—	53,242,085
Inter-segment net sales or transfers	356,175	2,044,543	1,450,138	3,850,857	(3,850,857)	—
Total	48,537,295	4,788,822	3,766,824	57,092,942	(3,850,857)	53,242,085
Segment profit (loss)	2,458,342	551,929	(158,783)	2,851,488	(158,999)	2,692,489

- Notes: 1. The adjustment of segment profit (loss) of negative 158,999 thousand yen includes inter-segment elimination of 10,540 thousand yen and company-wide expenses of negative 169,540 thousand yen. Company-wide expenses are general and administrative expenses that do not belong to the reportable segments.
2. Segment profit (loss) has been adjusted with operating profit in the Quarterly Consolidated Statement of Income.
3. Other revenue includes real estate lease revenue included in the scope of the Accounting Standard for Lease Transactions.

2. Information on amounts of net sales and profit (loss) by reportable segment

As described in Notes on changes in accounting policies, the Revenue Recognition Standard and relevant standards have been applied since the beginning of the first quarter of the current fiscal year. As such, the method of accounting for revenue recognition has been changed. Accordingly, the method of calculating segment profit or loss has likewise been changed.

Due to these changes, compared with the previous method, net sales in the Japan segment for the six months ended April 30, 2022 decreased by 3,207,032 thousand yen, but there was no impact on the segment profit.