

Consolidated Financial Results
for the First Three Months Ended June 30, 2022 (Japanese GAAP)

August 3, 2022

Company name: Mitsubishi Shokuhin Co., Ltd. Listing Stock Exchange: Tokyo
 Stock code: 7451 URL: <https://www.mitsubishi-shokuhin.com/en/>
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Scheduled date to file quarterly securities report: August 12, 2022
 Scheduled date for dividend payment: —
 Preparation of supplementary material on quarterly financial results: Yes
 Quarterly financial results briefing to be held: None

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

1. Consolidated Financial Results for the First Three Months Ended June 30, 2022
(April 1, 2022 to June 30, 2022)

(1) Consolidated operating results

(Percentages indicate YoY changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2022	489,270	-2.3	4,040	10.7	4,749	14.4	3,271	7.7
Three months ended June 30, 2021	500,820	—	3,649	66.8	4,149	51.2	3,038	3.1

Note: Comprehensive income for the first three months ended June 30, 2022 was 2,232 million yen (17.0% YoY).
 Comprehensive income for the first three months ended June 30, 2021 was 1,908 million yen (-57.8% YoY).

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	75.15	—
Three months ended June 30, 2021	53.19	—

Note: The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of Q1 FY03/22, and net sales in Q1 FY03/22 reflect the new accounting standard. As such, no YoY changes is provided.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Three months ended June 30, 2022	665,108	170,546	25.6	3,914.45
Fiscal year ended March 31, 2022	665,177	170,291	25.6	3,908.32

Reference: Equity capital amounted to 170,422 million yen as of June 30, 2022 and 170,156 million yen as of March 31, 2022.

2. Dividends

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
Fiscal year ended March 31, 2022	Yen —	Yen 35.00	Yen —	Yen 45.00	Yen 80.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (forecast)		45.00	—	45.00	90.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Percentages indicate YoY change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	1,990,000	1.8	19,900	4.5	21,500	5.5	14,000	0.4	321.57

Note: Revisions to the most recently announced earnings forecast: None

*Notes

- (1) Changes in significant subsidiaries during the period under review: None
(Transfers of specified subsidiaries resulting in changes in the Company's scope of consolidation)
- (2) Distinctive accounting treatment methods applied to prepare quarterly consolidated financial statements: None
- (3) Changes in accounting policies and accounting estimates and retrospective restatements
1. Accounting policy changes due to accounting standard revisions, etc.: Yes
 2. Other accounting policy changes: None
 3. Changes in accounting estimates: None
 4. Retrospective restatements: None

Note: For details, please refer to "2. Quarterly Consolidated Financial Statements and Primary Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)" on page 8 of the attached document.

(4) Number of shares outstanding (common stock)

1. Shares outstanding (including treasury stock)	As of June 30, 2022	43,537,200	As of March 31, 2022	43,537,200
2. Treasury shares outstanding	As of June 30, 2022	353	As of March 31, 2022	347
3. Average number of shares outstanding	Three months ended June 30, 2022	43,536,850	Three months ended June 30, 2021	57,137,111

*Summaries of quarterly financial statements are not subject to quarterly review by certified public accountants or auditing corporations.

*Appropriate use of earnings forecast and other special notes

(Notes on forward-looking statements, etc.)

The above forecast is based on information available as of the date of publication of this document, and actual results may differ from the forecast due to various factors that may arise in the future.

(How to access supplementary materials for financial results)

Supplementary materials for financial results will be posted on the Company's website on August 3, 2022.

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

During the first three months of the current fiscal year (April 1 to June 30, 2022), consumption showed signs of recovery, mainly in the food service industry, driven by factors such as a recovery in foot traffic stemming from the easing of the impact of the COVID-19 pandemic.

On the other hand, the prolonged invasion of Ukraine by Russia, soaring energy prices, and the weak yen have made cost increases inevitable in the food industry. As a result, price hikes are expected to continue at retail shopfronts for almost all products, and the future outlook is expected to remain uncertain for the time being due to cooling consumer sentiment.

Under such circumstances, the Group has worked to provide higher value-added functions and services, as set forth in the "Medium-term Management Plan 2023," in line with its mission to support the food supply chain.

Specifically, the Company is promoting automation of product ordering and optimization of inventory and logistics through AI-based demand forecasting, while also proposing and creating new customer value by leveraging the Group's accumulated shipment data and external data.

In addition, as part of the Group's efforts during the period under review, we recognized that addressing climate change is one of our key sustainability issues, endorsed the TCFD (Task Force on Climate-related Financial Disclosure) recommendations, and disclosed information on our climate change initiatives based on the TCFD recommendations. The Group has set a goal of reducing total amount of CO₂ emission by 60% in 2030 compared to fiscal year 2016, and is committed to achieving carbon neutrality by 2050.

Through these efforts, we aim to achieve our Group's purpose of "contributing to the realization of a sustainable society through the food business," and realize our medium-term vision of "evolving into a next-generation food distributor (solving key sustainability issues)."

In the first three months of the current fiscal year, net sales fell 2.3% year-on-year to ¥489,270 million. This was mainly attributable to a drop in demand for food for at-home consumption and a review of transactions, while there were signs of recovery in some business formats following the recovery of foot traffic as the impact of COVID-19 subsided. Operating profit rose 10.7% year-on-year to ¥4,040 million, reflecting improved profitability stemming from a review of transactions and the new inclusion of KCS Co., Ltd. in the scope of consolidation beginning in the first three months of the current fiscal year. Ordinary profit rose 14.4% year-on-year to ¥4,749 million, and profit attributable to owners of parent increased 7.7% year-on-year to ¥3,271 million.

Results by segment are as follows.

① Processed foods business

Sales in the processed foods business decreased due mainly to a drop in demand for food for at-home consumption and a review of transactions. Operating profit rose year-on-year thanks to improved profitability following a review of transactions, as well as an improvement in SG&A expenses, including logistics costs.

As a result, the processed foods business generated sales of ¥161,429 million (-5.2% year-on-year) and operating profit of ¥920 million (+21.2% year-on-year).

② Frozen and chilled foods business

Sales in the frozen and chilled foods business rose slightly on the back of steady transactions with the food service industry, discount stores, and other customers, centering on commercial-use products. Operating profit was higher year-on-year, reflecting an increase in gross profit on the back of higher sales, as well as the new inclusion of KCS Co., Ltd. in the scope of consolidation beginning in the first three months of the current fiscal year.

As a result, the frozen and chilled foods business posted sales of ¥141,432 million (+0.8% year-on-year) and operating profit of ¥2,637 million (+17.5% year-on-year).

③ Liquor business

Sales in the liquor business rose slightly, with a recovery in commercial-use products offsetting a decline in transactions with supermarkets, convenience stores, and other retailers caused by a drop in demand for at-home drinking. Operating profit fell year-on-year due to a decline in profit margin stemming from a change in product sales mix.

As a result, the liquor business reported sales of ¥120,842 million (+0.3% year-on-year) and operating profit of ¥450 million (-26.1% year-on-year).

④ Confectionery business

Sales in the confectionery business fell due mainly to a decline in rice cracker sales as well as a review of transactions. Operating profit decreased year-on-year, reflecting an increase in SG&A expenses because of proactive sales promotions.

As a result, the confectionery business generated sales of ¥65,244 million (-5.7% year-on-year) and operating profit of ¥332 million (-8.5% year-on-year).

(2) Explanation of Financial Position

At the end of the first three months of the current fiscal year, total assets decreased by ¥68 million, liabilities decreased by ¥323 million, and net assets increased by ¥254 million, compared to the end of the previous fiscal year.

In terms of total assets, short-term loans receivable under current assets decreased by ¥18,438 million as a result of purchase of shares of subsidiaries and property as well as the payment of income taxes. In terms of liabilities, income taxes payable included in “other” item under current liabilities decreased by ¥4,029 million as a result of the impact of payment of income taxes.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended March 31, 2022 (as of March 31, 2022)	Three months ended June 30, 2022 (as of June 30, 2022)
Assets		
Current assets		
Cash and deposits	205	285
Notes and accounts receivable – trade	317,670	330,978
Merchandise and finished goods	68,706	71,855
Raw materials and supplies	872	1,037
Short-term loans receivable	63,757	45,319
Other	63,886	62,548
Allowance for doubtful accounts	(256)	(256)
Total current assets	514,842	511,768
Non-current assets		
Property, plant and equipment	79,474	82,968
Intangible assets		
Goodwill	1,425	2,511
Other	17,163	16,771
Total intangible assets	18,589	19,283
Investments and other assets		
Investment securities	28,892	27,005
Other	23,467	24,172
Allowance for doubtful accounts	(87)	(88)
Total investments and other assets	52,271	51,089
Total non-current assets	150,335	153,340
Total assets	665,177	665,108

(Millions of yen)

	Fiscal year ended March 31, 2022 (as of March 31, 2022)	Three months ended June 30, 2022 (as of June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	402,495	409,949
Provisions	3,337	92
Other	60,696	55,427
Total current liabilities	466,529	465,469
Non-current liabilities		
Retirement benefit liability	11,262	11,289
Asset retirement obligations	8,752	8,847
Other	8,341	8,956
Total non-current liabilities	28,357	29,093
Total liabilities	494,886	494,562
Net assets		
Shareholders' equity		
Share capital	10,630	10,630
Capital surplus	10,117	10,117
Retained earnings	140,584	141,897
Treasury shares	(0)	(0)
Total shareholders' equity	161,331	162,643
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,152	6,969
Deferred gains or losses on hedges	123	162
Foreign currency translation adjustment	172	269
Remeasurements of defined benefit plans	376	377
Total accumulated other comprehensive income	8,824	7,778
Non-controlling interests	135	123
Total net assets	170,291	170,546
Total liabilities and net assets	665,177	665,108

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Consolidated Statement of Income (for the first three months of the current fiscal year)

	(Millions of yen)	
	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)
Net sales	500,820	489,270
Cost of sales	468,553	454,887
Gross profit	32,266	34,383
Selling, general and administrative expenses	28,617	30,343
Operating profit	3,649	4,040
Non-operating income		
Interest income	19	15
Dividend income	329	354
Rental income from real estate	332	333
Other	312	443
Total non-operating income	993	1,147
Non-operating expenses		
Interest expenses	42	40
Real estate lease expenses	312	300
Other	138	97
Total non-operating expenses	493	438
Ordinary profit	4,149	4,749
Extraordinary losses		
Loss on sale of shares of subsidiaries	—	22
Total extraordinary losses	—	22
Profit before income taxes	4,149	4,726
Income taxes – current	181	204
Income taxes – deferred	922	1,243
Total income taxes	1,103	1,448
Profit	3,045	3,278
Profit attributable to non-controlling interests	6	6
Profit attributable to owners of parent	3,038	3,271

Consolidated Statement of Comprehensive Income (for the first three months of the current fiscal year)

(Millions of yen)

	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)
Profit	3,045	3,278
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,223)	(1,183)
Deferred gains or losses on hedges	(31)	39
Foreign currency translation adjustment	5	25
Remeasurements of defined benefit plans	7	1
Share of other comprehensive income of entities accounted for using equity method	104	70
Total other comprehensive income	(1,137)	(1,046)
Comprehensive income	1,908	2,232
(Breakdown)		
Comprehensive income attributable to owners of parent	1,901	2,225
Comprehensive income attributable to non-controlling interests	6	6

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to going concern assumptions)

None to be reported.

(Notes in the event of significant changes in shareholders' equity)

None to be reported.

(Changes in accounting policies)

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

The Company has adopted the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Implementation Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the first three months of the current fiscal year. Accordingly, the Company has decided to apply the new accounting policies prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement into the future, in accordance with the transitional treatment set forth in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This change has no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

Segment information

I First three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

1. Information on sales and profit or loss by reportable segment and breakdown of earnings

(Millions of yen)

	Reportable segments					Other*	Adjustments	Amount recorded on consolidated statement of income
	Processed foods	Frozen and chilled foods	Liquor	Confectionery	Total			
Sales								
Sales generated through contracts with customers	170,284	140,271	120,451	69,216	500,224	595	—	500,820
Other sales	—	—	—	—	—	—	—	—
Sales generated through external customers	170,284	140,271	120,451	69,216	500,224	595	—	500,820
Intersegment sales and transfers	25	—	14	0	41	1,964	(2,006)	—
Total	170,310	140,271	120,466	69,217	500,266	2,560	(2,006)	500,820
Segment profit	759	2,245	609	363	3,976	103	(431)	3,649

Notes: The "Other" segment is not included in the reportable segments and contains the logistics business and other businesses.

2. Difference between the total amount of profits or losses of the reportable segments and the amount recorded in the quarterly consolidated statement of income, and key details of differences (matters related to adjustment of differences)

Profit	Amount
Total of reportable segments	3,976
Profit in the "Other" segment	103
Amortization of goodwill	(74)
Corporate-wide expenses	(356)
Operating profit on quarterly consolidated statement of income	3,649

II First three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

1. Information on sales and profit or loss by reportable segment and breakdown of earnings

(Millions of yen)

	Reportable segments					Other*	Adjustments	Amount recorded on consolidated statement of income
	Processed foods	Frozen and chilled foods	Liquor	Confectionery	Total			
Sales								
Sales generated through contracts with customers	161,429	141,432	120,842	65,244	488,948	322	—	489,270
Other sales	—	—	—	—	—	—	—	—
Sales generated through external customers	161,429	141,432	120,842	65,244	488,948	322	—	489,270
Intersegment sales and transfers	15	—	25	0	41	2,107	(2,149)	—
Total	161,444	141,432	120,867	65,244	488,989	2,430	(2,149)	489,270
Segment profit	920	2,637	450	332	4,340	71	(372)	4,040

Notes: The "Other" segment is not included in the reportable segments and contains the logistics business and other businesses.

2. Difference between the total amount of profit or loss of the reportable segments and the amount recorded in the quarterly consolidated statement of income, and key details of differences (matters related to adjustment of differences)

Profit	Amount
Total of reportable segments	4,340
Profit in the "Other" segment	71
Amortization of goodwill	(74)
Corporate-wide expenses	(297)
Operating profit on quarterly consolidated statement of income	4,040

(Business combinations, etc.)

(Business combination through share acquisition)

On February 22, 2022, the Company concluded an agreement to transfer shares in KCS Co., Ltd. and acquired shares of this company, making it a subsidiary as of April 1, 2022.

1. Overview of business combination

(1) Name and business description of acquired company

Name: KCS Co., Ltd.

Business description: Food wholesale, logistics

(2) Main purpose of the business combination

The purpose of the share acquisition is to further improve the quality of logistics services to customers by leveraging the logistics expertise and networks of KCS Co., Ltd. and to create synergies between the Company and KCS Co., Ltd.

(3) Date of business combination

April 1, 2022

(4) Legal form of business combination

Share acquisition

(5) Name of the company after the business combination

There is no change.

(6) Percentage of voting rights acquired

100%

(7) Grounds for determining acquiring company

The Company acquired shares in compensation for cash.

2. Period for which acquired company's financial results are included in the quarterly consolidated statement of income for the three months ended June 30, 2022

From April 1, 2022 to June 30, 2022

3. Acquisition cost for the acquired company and breakdown by the type of payment

Acquisition price	Cash	¥1,950 million
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Acquisition cost		¥1,950 million
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4. Main items and amounts of acquisition-related expenses

Advisory fees, etc.: ¥50 million

5. Amount of goodwill that arose, reasons for incidence, and amortization method and period

(1) Amount of goodwill that arose

¥1,186 million

(2) Reasons for incidence

The goodwill mainly reflects future excess earnings potential expected from business development going forward.

(3) Amortization method and period

Amortized using the straight-line method over a period of 15 years

3. Supplementary Information

(1) Sales by Product Category

(Rounded down to the nearest million yen)

Product category	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)		Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)		Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	
	Amount (Million yen)	% of total sales	Amount (Million yen)	% of total sales	Amount (Million yen)	% of total sales
Canned foods and seasonings	60,983	12.2	58,762	12.0	238,389	12.2
Noodles and dried foods	34,176	6.8	33,614	6.9	140,693	7.2
Luxury foods and beverages	60,948	12.2	56,309	11.5	231,680	11.8
Confectionery	69,019	13.8	65,100	13.3	268,907	13.8
Frozen and chilled foods	118,440	23.6	116,633	23.8	452,023	23.1
Beer	64,185	12.8	63,897	13.1	247,553	12.7
Other liquor	50,675	10.1	51,360	10.5	202,068	10.3
Others	42,392	8.5	43,591	8.9	174,285	8.9
Total	500,820	100.0	489,270	100.0	1,955,601	100.0

(2) Sales by Business Format

(Rounded down to the nearest million yen)

Business format	Three months ended June 30, 2021 (from April 1, 2021 to March 31, 2021)		Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)		Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	
	Amount (Million yen)	% of total sales	Amount (Million yen)	% of total sales	Amount (Million yen)	% of total sales
Wholesalers	41,131	8.2	48,201	9.8	166,964	8.5
Supermarkets	245,860	49.1	232,493	47.5	968,011	49.5
Convenience stores	100,569	20.1	91,580	18.7	361,737	18.5
Drugstores	38,184	7.6	40,952	8.4	155,441	8.0
Users	7,893	1.6	9,626	2.0	33,052	1.7
Other direct sales	57,036	11.4	54,117	11.1	225,592	11.5
(Total of direct sales)	449,544	89.8	428,770	87.7	1,743,835	89.2
Manufacturers and others	10,144	2.0	12,298	2.5	44,800	2.3
Total	500,820	100.0	489,270	100.0	1,955,601	100.0

Notes: 1. Users are businesses that provide food and beverage services directly to consumers, such as restaurants and food service operators that provide home-meal replacements and school lunches.

2. Other direct sales include discount stores, e-commerce operators, home improvement stores, department stores, etc.