

Translation

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Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2021 (Japanese GAAP)

November 11, 2020

Company name: DELICA FOODS HOLDINGS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Stock code: 3392

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Date of release of quarterly securities report: November 11, 2020

Starting date of dividend payments: —

Preparation of explanatory materials on quarterly financial results: Yes

Information meetings arranged related to quarterly financial results: Yes (For analysts)

(Amounts are rounded to the nearest million)

1. Consolidated Financial Results for the Six Months Ended September 30, 2020

(1) Consolidated Operating Results (% figures denote year-on-year change) Total trading transactions)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of the parent | |
|---|-------------|-------|------------------|------|-----------------|------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended Six months ended September 30, 2020 | 14,042 | △31.3 | △1,354 | — | △1,015 | — | △776 | — |
| Six months ended September 30, 2019 | 20,429 | 5.0 | 342 | 45.0 | 373 | 35.6 | 233 | 58.7 |

(Note) Comprehensive income: Six months ended June 30, 2020: △720 million yen (—%)
Six months ended June 30 2019: 237 million yen (72.8%)

| | Net income per share | Diluted net income per share |
|--|----------------------|------------------------------|
| | Yen | Yen |
| Six months ended September 30, 2020 | △52.62 | — |
| Six months ended September 30, 2019 | 15.86 | — |

(Note) The company conducted a 2 for 1 common stock split effective on September 1, 2019. Net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Diluted net income per share for the six months ended September 30, 2020 is not presented because there were no potential shares with dilutive effects

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders equity ratio |
|---------------------|--------------|-------------|---------------------------|
| | Million yen | Million yen | % |
| As of Sep. 30, 2020 | 22,470 | 7,235 | 32.2 |
| As of Mar. 31, 2020 | 21,873 | 8,023 | 36.7 |

(Reference) Shareholders equity (million yen): As of Sep. 30, 2020 : 7,235 As of Mar. 31, 2020 : 8,023

2. Dividends

| | Dividend per share | | | | |
|---|--------------------|----------|----------|-------------|-------------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| Fiscal year ended Mar. 31, 2020 | Yen — | Yen — | Yen — | Yen 5.00 | Yen 5.00 |
| Fiscal year ending Mar. 31, 2021 | — | | | | |
| Fiscal year ending Mar. 31, 2021 (forecast) | | — | — | — | — |

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

(Note) The amount of dividends for the fiscal year ending March 31, 2021 has not yet been determined since it is difficult to forecast financial results for the fiscal year at this point.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021 April 1, 2020 March 31, 2021

The consolidated projected operations results during fiscal year ending March 2021 is on hold, since it is difficult to forecast the impact of the spread of novel coronavirus infections (COVID-19) at this point. The results will be disclosed promptly when a rational estimation becomes available.

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

※ Notes

(1) Changes in material subsidiaries during the second quarter ended September 2020 : No.

(Changes in special subsidiaries accompanying with a change in the scope of consolidation)

Inclusion — (Company name:) Exclusion — (Company name:)

(2) Application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements : Yes

(3) Changes in accounting policies and accounting estimates, and correction and restatement

(i) Changes in accounting policies accompanying with revisions in the accounting standards, etc. : No

(ii) Changes in accounting policies other than the above item (i) : Yes.

(iii) Changes in the accounting estimates : No

(iv) Correction and restatement : No

(4) Number of shares outstanding (Common stock)

| | | | | |
|--|-------------------------------------|------------|-------------------------------------|------------|
| (i) Number of shares outstanding at the end of fiscal year (Including common stock for treasury) | Second Quarter ended September 2020 | 14,872,000 | FY Ended March | 14,872,000 |
| (ii) Number of treasury stocks at the end of fiscal year | Second Quarter ended September 2020 | 108,764 | FY Ended March 2020 | 118,484 |
| (iii) The average number of shares during the first quarter | Second Quarter ended September 2020 | 14,756,172 | Second Quarter ended September 2019 | 14,748,841 |

(Note) The company conducted a 2 for 1 common stock split effective on September 1, 2019. The average number of shares outstanding for the six months ended September 30, 2019 has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

*The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

***Explanation of Appropriate Use of Performance Projections and Other Items Requiring Special Description**

Any forward-looking statements contained in this report, including performance projections, are based on information currently available to the Company as well as certain assumptions that the Company determined to be rational at the time of the release of this report, and it is not intended that the company undertake to achieve such results. Actual results may differ significantly from the projections above, due to a variety of factors.

Please refer to Explanation of Projections of Consolidated Operating Results on page 6 of this report (the attached document) for the suppositions on which the performance projections are based and points that have to be borne in mind for the use of such projections.

For more information or question, please contact us to pr-and-ir@delica.co.jp

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first six months of the fiscal year under review, economic activities in Japan stagnated due to the spread of the new coronavirus infection, causing national and local governments to declare a state of emergency and people to exercise self-restraint in going out and traveling nationwide. The economic outlook remains extremely uncertain mainly due to concerns about the impact of second and third waves of the spread of the infection, even since the declaration has been lifted.

Looking ahead, although there are moves to restart economic activities, it is unclear when the infection will recede, and difficult conditions are expected to continue.

In the food-related industry to which the Group belongs, uncertainty about the future has increased mainly due to a decline in earnings in the food-service industry caused by self-restraint in going out and travelling and a continued increase in closures and suspensions of business.

Under these circumstances, the Group has given top priority to ensuring the safety of its employees and business partners, and has taken thorough measures against the new coronavirus infection. These include ensuring internal ventilation and the wearing of masks, checking the physical condition of all employees and visitors, keeping social distance such as seat intervals, and recommending telecommuting and staggered commuting.

In the Group's mainstay fruit and vegetable wholesaling business, the food-service industry to which our customers belong has gradually recovered from suspensions of business after the lifting of the declaration of a state of emergency, and customer traffic recovered from September onward. However, the Group's sales volume has not fully recovered, owing to the significant impact of large-scale closures and withdrawals.

Recognizing these changes in the business environment, the Group has begun direct sales of fruits and vegetables to consumers (B2C business). In addition to developing drive-through vegetable stores, vegetable box sales at large-scale mass retailers, and the supply of fruits and vegetables to other retail stores like supermarkets, the Group also established its own e-commerce website under the VegeMarché brand. In September, the Group also established an associate, "Seikabiyori Laboratory," as a joint venture with an industry peer, thereby creating a system for providing ordinary consumers with a broad range of "safe, delicious, and healthy" fruits and vegetables. These initiatives did not make a significant contribution to the Group's earnings in the first six months of the fiscal year under review, but the Group intends to promote the B2C business alongside existing businesses, so as to make it a major source of future earnings.

As a result, net sales for the first six months of the fiscal year under review were 14,042 million yen (31.3% decrease from the same period of the previous fiscal year).

We made intensive cost reduction efforts including the temporary scaled back operations at some plants and reduction of overtime work expenses due to more efficient operations. However, these efforts were not enough to cover the impact of the decrease in net sales in the first quarter, which was particularly notable, resulting in operating loss of 1,354 million yen (compared with operating profit of 342 million yen for the same period of the previous fiscal year), ordinary loss of 1,015 million yen (compared with ordinary profit of 373 million yen for the same period of the previous fiscal year), and loss attributable to owners of parent of 776 million yen (compared with profit attributable to owners of parent of 233 million yen) (in the month of September alone, however, the Group recorded ordinary profit of 63 million yen).

(2) Explanation of Financial Position

(Assets)

Current assets increased 2.3% from the end of the previous fiscal year to 8,564 million yen. This was mainly due to an increase of 286 million yen in cash and deposits, against a decrease of 61 million yen in accounts receivable trade.

Non-current assets increased 3.0% from the end of the previous fiscal year to 13,906 million yen. This was mainly due to increases of 236 million yen in deferred tax assets, 213 million yen in leased assets, and 73 million yen in investment securities, against a decrease of 163 million yen in buildings and structures.

As a result, total assets increased 2.7% from the end of the previous fiscal year to 22,470 million yen.

(Liabilities)

Current liabilities increased 35.9% from the end of the previous fiscal year to 6,557 million yen. This was mainly due to an increase of 1,940 million yen in short-term borrowings, against a decrease of 290 million yen in accounts payable.

Non-current liabilities decreased 3.9% from the end of the previous fiscal year to 8,677 million yen. This was mainly due to a decrease of 582 million yen in long-term borrowings, against an increase of 221 million yen in lease obligations. As a result, total liabilities increased 10.0% from the end of the previous fiscal year to 15,235 million yen.

(Net assets)

Total net assets decreased 9.8% from the end of the previous fiscal year to 7,235 million yen. This was mainly due to a decrease of 850 million yen in retained earnings.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

The forecast for consolidated business results for the fiscal year under review is still undetermined because the spread of the new coronavirus infection affects the Group as a whole and it is difficult to make a reasonable forecast at this time. We will announce a forecast as soon as it becomes possible.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

| | (Unit : thousands of yen) | |
|-------------------------------------|--|--|
| | Previous consolidated fiscal year (As of March 31, 2020) | End of this consolidated second quarter (As of September 30, 2020) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,276,968 | 4,563,667 |
| Accounts receivable trade | 3,638,084 | 3,576,398 |
| Merchandise and finished goods | 160,999 | 161,453 |
| Work in process | 10,437 | 10,164 |
| Raw materials and supplies | 60,485 | 85,751 |
| Other | 229,057 | 170,029 |
| Allowance for doubtful accounts | △2,948 | △2,759 |
| Total current assets | 8,373,083 | 8,564,704 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,463,057 | 6,300,033 |
| Land | 3,639,663 | 3,639,663 |
| Other, net | 2,198,447 | 2,471,156 |
| Total property, plant and equipment | 12,301,168 | 12,410,853 |
| Intangible assets | | |
| Other | 67,356 | 63,528 |
| Total intangible assets | 67,356 | 63,528 |
| Investments and other assets | | |
| Other | 1,133,335 | 1,434,893 |
| Allowance for doubtful accounts | △1,519 | △3,249 |
| Total investments and other assets | 1,131,816 | 1,431,644 |
| Total non-current assets | 13,500,342 | 13,906,026 |
| Total assets | 21,873,425 | 22,470,731 |

(Unit : thousands of yen)

| | Previous consolidated fiscal year (As of March 31, 2020) | End of this consolidated second quarter (As of September 30, 2020) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable trade | 1,632,816 | 1,766,144 |
| Short-term borrowings | 260,000 | 2,200,000 |
| Current portion of long term borrowings | 1,071,141 | 1,111,571 |
| Income taxes payable | 113,330 | 13,883 |
| Accounts payable | 1,424,905 | 1,134,705 |
| Provision for bonuses | 119,329 | 80,929 |
| Other | 203,492 | 250,519 |
| Total current liabilities | 4,825,017 | 6,557,754 |
| Non-current liabilities | | |
| Long-term borrowings | 8,303,440 | 7,720,573 |
| Net defined benefit liability | 135,230 | 144,193 |
| Asset retirement obligations | 261,624 | 262,323 |
| Other | 325,085 | 550,773 |
| Total non-current liabilities | 9,025,380 | 8,677,864 |
| Total liabilities | 13,850,397 | 15,235,618 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,377,113 | 1,377,113 |
| Capital surplus | 2,167,666 | 2,171,446 |
| Retained earnings | 4,447,991 | 3,597,758 |
| Treasury shares | △27,025 | △24,808 |
| Total shareholders' equity | 7,965,745 | 7,121,510 |
| Accumulated other comprehensive income | | |
| Valuation difference on available for sale securities | 51,866 | 110,895 |
| Remeasurements of defined benefit plans | 5,415 | 2,707 |
| Total accumulated other comprehensive income | 57,281 | 113,602 |
| Total net assets | 8,023,027 | 7,235,113 |
| Total liabilities and net assets | 21,873,425 | 22,470,731 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Six month Period)

(Unit : thousands of yen)

| | Second six months of FY3/20 (Apr. 1, 2019-Sep. 30, 2019) | Second six months of FY3/21 (Apr. 1, 2020-Sep. 30, 2020) |
|---|---|---|
| Net sales | 20,429,099 | 14,042,712 |
| Cost of sales | 15,758,574 | 11,641,559 |
| Gross profit | 4,670,524 | 2,401,153 |
| Selling, general and administrative expenses | 4,328,523 | 3,755,375 |
| Operating profit (loss) | 342,001 | △1,354,222 |
| Non-operating income | | |
| Interest income | 1,164 | 1,129 |
| Dividend income | 3,000 | 2,383 |
| Gain on sale of goods | 9,447 | 4,203 |
| Rent income | 18,175 | 20,158 |
| Subsidy income | 2,420 | 325,456 |
| Other | 14,104 | 14,155 |
| Total non-operating income | 48,313 | 367,486 |
| Non-operating expenses | | |
| Interest expenses | 15,183 | 16,395 |
| Depreciation of inactive non-current assets | — | 8,757 |
| Other | | |
| Total non-operating expenses | 16,907 | 28,600 |
| Ordinary profit (loss) | 373,406 | △1,015,434 |
| Extraordinary income | | |
| Gain on sales of non-current assets | | 135 |
| Gain on sale of investment securities | — | 136 |
| Total extraordinary income | | |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 6,958 | |
| Loss on devaluation of investment securities | 471 | — |
| Real estate acquisition tax | | — |
| Operation suspension related costs | — | 6,420 |
| Other | | |
| Total extraordinary losses | 13,106 | 9,252 |
| Profit before income taxes(loss) | 360,475 | △1,024,415 |
| Income taxes | 126,602 | △247,950 |
| Profit(loss) | 233,872 | △776,465 |
| Profit attributable to owners of parent(loss) | 233,872 | △776,465 |

Quarterly Consolidated Statement of Comprehensive Income
(For the Six month Period)

(Unit : thousands of yen)

| | Second six months of FY3/20 (Apr. 1, 2019-Sep. 30, 2019) | Second six months of FY3/21 (Apr. 1, 2020-Sep. 30, 2020) |
|--|---|---|
| Profit(loss) | 233,872 | △776,465 |
| Other comprehensive income | | |
| Valuation difference on available for sale securities | 446 | 59,028 |
| Remeasurements of defined benefit plans, net of tax | 3,317 | △2,707 |
| Total other comprehensive income | △3,763 | 56,320 |
| Comprehensive income | 237,636 | △720,144 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 237,636 | △720,144 |
| Comprehensive income attributable to non-controlling interests | — | — |

(3) Quarterly Consolidated Statements of Cash Flow

(Unit : thousands of yen)

| | Second six months of FY3/20 (Apr. 1, 2019-Sep. 30, 2019) | Second six months of FY3/21 (Apr. 1, 2020-Sep. 30, 2020) |
|--|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | 360,475 | △1,024,415 |
| Depreciation | 413,134 | 436,301 |
| Increase (decrease) in provision | 703 | △36,859 |
| Increase (decrease) in net defined benefit liability | 11,216 | 5,543 |
| Interest and dividend income | △4,165 | △3,512 |
| Subsidy income | △2,420 | △325,456 |
| Interest expenses | 15,183 | 16,395 |
| Loss on retirement of non-current assets | 6,958 | 1,195 |
| Loss (gain) on valuation of investment securities | 471 | — |
| Real estate acquisition tax | 3,819 | — |
| Decrease (increase) in notes and accounts receivable – trade | 418,557 | 59,956 |
| Decrease (increase) in inventories | △43,990 | △25,446 |
| Increase (decrease) in notes and accounts payable – trade | △2,373 | 133,327 |
| Increase (decrease) in accounts payable – other | 31,291 | △19,906 |
| Other, net | △16,781 | 94,236 |
| Subtotal | 1,192,082 | △688,641 |
| Interest and dividend income received | 4,155 | 3,503 |
| Interest expenses paid | △11,380 | △18,210 |
| Proceeds from subsidy income | 2,420 | 294,370 |
| Income taxes paid | △127,851 | △87,307 |
| Net cash provided by (used in) operating activities | 1,059,425 | △496,286 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | △1,517,213 | △466,431 |
| Purchase of intangible assets | △3,420 | △8,074 |
| Purchase of investment securities | △2,682 | △4,991 |
| Proceeds from sales of investment securities | — | 21,255 |
| Payments of loans receivable | △1,128 | △1,093 |
| Payments for lease and guarantee deposits | △1,161 | △3,665 |
| Proceeds from maturity of insurance funds | 17,274 | 14 |
| Other, net | 5,171 | 13,112 |
| Net cash provided by (used in) investing activities | △1,503,159 | △449,873 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | — | 1,940,000 |
| Increase in short-term loans payable | 1,900,000 | — |
| Repayments of long-term loans payable | △564,333 | △542,436 |
| Repayments of lease obligations | △58,021 | △71,798 |
| Cash dividends paid | △117,634 | △73,719 |
| Other, net | △36 | — |
| Net cash provided by (used in) financing activities | 1,159,973 | 1,252,045 |
| Net increase (decrease) in cash and cash equivalents | 716,239 | 305,886 |
| Cash and cash equivalents at beginning of period | 2,850,540 | 3,930,504 |
| Cash and cash equivalents at end of quarter | 3,566,779 | 4,236,390 |

(4) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders Equity)

The first six months of the fiscal year under review (from April 1, 2020 to September 30, 2020)

Not applicable.

(Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

The Company calculates tax expenses by multiplying profit before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to estimated profit before income taxes for the fiscal year including the second quarter of the fiscal year under review.

However, in cases where it would be significantly unreasonable to calculate tax expenses using the estimated effective tax rate, the Company uses the statutory tax rate.

(Changes in Accounting Policies)

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

The Company and its consolidated subsidiaries had adopted the declining-balance method for property, plant and equipment (except for leased assets) (buildings (other than facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016 were depreciated by the straight-line method). However, they changed their depreciation method to the straight-line method from the first quarter of the fiscal year under review.

In line with the establishment of capital investment plans in the medium-term management plan, the Group has investigated the status of use of the property, plant and equipment of the Company and its consolidated subsidiaries. It has also reviewed the depreciation method for property, plant and equipment. This has been done from the perspective of appropriate periodic accounting of profit and loss. As a result, we observed no rapid obsolescence either technologically or economically in terms of the past use of production equipment, and confirmed stable operation over the useful life of production equipment. The Group expects that production equipment will continue to stably contribute to earnings, and concluded that the change from the declining-balance method to the straight-line method would more appropriately reflect the economic realities.

As a result of this change, gross profit for the first six months of the fiscal year under review increased 51,676 thousand yen, operating loss decreased 72,377 thousand yen, and ordinary loss and loss before income taxes decreased 74,027 thousand yen compared with the figures that would have been posted under the previous method.

(Additional Information)

(Accounting estimates regarding the spread of the new coronavirus infection)

In the previous fiscal year, accounting estimates were reflected in the accounting treatment on the assumption that the spread of the new coronavirus infection would affect the Group's business results until at least June 2020. On the other hand, in the second quarter of the fiscal year under review, a moderate recovery in business results can be expected from the third quarter of the fiscal year under review. However, accounting estimates are reflected in the accounting treatment on the assumption that it will be difficult to recover to the level before the spread of the infection during the fiscal year under review.

3. Other

(1) Quarterly earnings trends

FY2021(consolidated)

(Unit : thousands of yen)

| | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter |
|--|-------------|-------------|-------------|-------------|
| Net sales | 5,459,812 | 8,582,900 | | |
| Operating profit(loss) | △ 1,058,086 | △ 296,135 | | |
| Ordinary profit(loss) | △ 755,719 | △ 259,715 | | |
| Profit attributable to non-controlling interests(loss) | △ 600,752 | △ 175,712 | | |
| Net income per share(loss) | △40.72yen | △11.91yen | | |
| Total assets | 22,451,466 | 22,470,731 | | |
| Net assets | 7,386,408 | 7,235,113 | | |
| Net assets per share | 500.65yen | 490.08yen | | |

FY2020(consolidated)

(Unit : thousands of yen)

| | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter |
|--|-------------|-------------|-------------|-------------|
| Net sales | 9,930,446 | 10,498,653 | 10,591,518 | 9,392,771 |
| Operating profit(loss) | 207,101 | 134,900 | 293,566 | △ 63,889 |
| Ordinary profit(loss) | 223,418 | 149,988 | 308,577 | △ 40,335 |
| Profit attributable to non-controlling interests(loss) | 138,825 | 95,047 | 199,193 | △ 72,254 |
| Net income per share(loss) | 9.41yen | 6.44yen | 13.50yen | △4.90yen |
| Total assets | 20,477,643 | 21,309,815 | 21,757,501 | 21,873,425 |
| Net assets | 7,851,774 | 7,972,009 | 8,167,653 | 8,023,027 |
| Net assets per share | 532.44yen | 540.35yen | 553.61yen | 543.80yen |

(Note) The company conducted a 2 for 1 common stock split effective on September 1, 2019. Net income per share and net assets per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Sales by department

| | FY2020 2nd quarter (Apr. 1, 2019-Sep. 30, 2019) | | FY2021 2nd quarter (Apr. 1, 2020-Sep. 30, 2020) | | Increase or decrease (thousands of yen) | Increase or decrease (%) |
|-----------------|---|--------------------------|---|--------------------------|--|--------------------------------|
| | Amount (thousands of yen) | Composition ratio (%) | Amount (thousands of yen) | Composition ratio (%) | | |
| Cut vegetables | 8,695,355 | 42.5 | 6,520,327 | 46.4 | △ 2,175,028 | △ 25.0 |
| Hall vegetables | 9,227,203 | 45.2 | 5,861,008 | 41.8 | △ 3,366,195 | △ 36.5 |
| Other | 2,506,540 | 12.3 | 1,661,377 | 11.8 | △ 845,163 | △ 33.7 |
| Total | 20,429,099 | 100.0 | 14,042,712 | 100.0 | △ 6,386,386 | △ 31.3 |