

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

## Consolidated Financial Results for the Nine Months Ended July 31, 2022 [Japanese GAAP]



September 12, 2022

Company name: SHOEI FOODS CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Code number: 8079

URL: <https://www.shoeifoods.co.jp/english>

Representative: Ichiro Honda, President and Representative Director

Contact: Kazunori Kano, Director and General Manager, Management Planning Dept.

Phone: +81-3-3253-1529

Scheduled date of filing quarterly securities report: September 13, 2022

Scheduled date of commencing dividend payments: —

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 Nine Months Ended July 31, 2022 (November 1, 2021 - July 31, 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	%
Nine months ended July 31, 2022	77,639	—	3,581	(3.1)	3,846	1.7	2,605	5.0
July 31, 2021	75,620	(2.5)	3,699	(0.6)	3,780	(1.1)	2,480	(4.4)

(Note) Comprehensive income: Nine Months Ended July 31, 2022: 4,941 million yen [47.6%]

Nine Months Ended July 31, 2021: 3,347 million yen [40.9%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
July 31, 2022	154.75	—
July 31, 2021	147.42	—

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 nine months ended July 31, 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 July 31, 2022	83,022	48,500	57.3
As of October 31, 2021	78,470	44,352	55.4

(Reference) Equity: As of July 31, 2022: 47,616 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
Fiscal year ended October 31, 2021	Yen —	Yen 24.00	Yen —	Yen 24.00	Yen 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:
- Revision to the financial results forecast announced most recently: None
  - The Company has applied the “Accounting Standard for Revenue Recognition” (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.



Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results .....	2
(1) Explanation of Operating Results .....	2
(2) Explanation of Financial Position .....	3
(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information ..	4
2. Quarterly Consolidated Financial Statements and Principal Notes .....	5
(1) Quarterly Consolidated Balance Sheet .....	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	7
(3) Notes to Quarterly Consolidated Financial Statements .....	9
(Notes on going concern assumption) .....	9
(Notes on changes in accounting policies) .....	9
(Segment information, etc.) .....	10

## 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 nine months ended July 31, 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)

	Nine months ended		Change
	July 31, 2021	July 31, 2022	
Net sales	75,620	77,639	—%
Operating profit	3,699	3,581	(3.1)%
Ordinary profit	3,780	3,846	1.7%
Profit attributable to owners of parent	2,480	2,605	5.0%

During the period under review, the Japanese economy continued to suffer the effects of the COVID-19 pandemic, and the economic trend remained uncertain, with the prices of imported goods rising due to factors such as the depreciation of the yen. In the food industry, prices were increased due to the soaring costs of ingredients and raw materials, as well as rising logistics costs. Under these circumstances, the Shoei Foods group worked toward providing a stable supply of food, and focused on expanding sales of production facility products and other value-added products.

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 77,639 million yen.

On the profit front, operating profit decreased by 3.1% year on year to 3,581 million yen, with a decline in profit in Japan due to an increase in depreciation related to the construction of new production facilities actively undertaken in recent years and the rising prices of ingredients and raw materials, despite strong profits in the United States business. However, ordinary profit increased by 1.7% to 3,846 million yen and profit attributable to owners of parent increased by 5.0% to 2,605 million yen due to the posting of foreign exchange gains.

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

(Million yen)

	Nine months ended July 31, 2022	
	Net sales	Composition
Dairy products, oils and fats	24,144	31.1%
Confectionery raw materials	12,943	16.7%
Dried fruits and canned foods	26,751	34.5%
Confectionery and retail products	13,526	17.4%
Other	272	0.3%
Total	77,639	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, confectionery raw materials, and commercial dairy products such as butter and lactose. As a result, net sales were 70,058 million yen.

On the other hand, segment profit decreased by 20.3% year on year to 2,810 million yen due to an increase in depreciation caused by aggressive capital investment and rising prices for imported ingredients and raw materials, mainly as a result of the depreciation of the yen.

2) United States

In the United States, the Group's main walnut business saw poor sales of inshell walnuts across the entire industry, but progress was made in the shipment of shelled walnuts due to the resolution of shipping delays, and domestic sales of prunes and pine nuts increased. Net sales amounted to 7,967 million yen, boosted by the year-on-year appreciation of the US dollar.

Segment profit increased by 89.9% year on year to 1,299 million yen due to a significant improvement in profit margins for shelled walnuts. This was the result of lower purchase prices from farmers, reflecting the decline in the market price of walnuts, and the Group's efforts to improve the efficiency of production. Yen-denominated profit was further boosted by the appreciation of the US dollar against the yen.

3) China

In China, exports 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 appreciation of the Chinese yuan, resulted in net sales of 5,905 million yen.

Segment loss continued, with a loss of 189 million yen (compared to a loss of 218 million yen in the same period the previous fiscal year), despite an improvement in profitability of domestic sales, mainly for nut products processed at production facilities in China.

(2) Explanation of Financial Position  
(Assets, liabilities, and net assets)

Total assets as of July 31, 2022 amounted to 83,022 million yen, an increase of 4,552 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 1,621 million yen in notes and accounts receivable - trade, 4,059 million yen in merchandise and finished goods, and 602 million yen in work in process, despite decreases of 1,603 million yen in cash and deposits and 518 million yen in raw materials and supplies, resulting in current assets of 51,687 million yen, an increase of 4,668 million yen from the end of the previous fiscal year. Non-current assets fell by 116 million yen compared with the end of the previous fiscal year to 31,335 million yen due to a decrease of 186 million yen in property, plant and equipment.

Total liabilities as of July 31, 2022 amounted to 34,522 million yen, an increase of 404 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 843 million yen in short-term borrowings, 3,100 million yen in current portion of long-term borrowings, and 281 million yen in accounts payable - other, despite decreases of 358 million yen in income taxes payable and 459 million yen in provision for bonuses, resulting in current liabilities of 27,830 million yen, an increase of 3,581 million yen from the end of the previous fiscal year. Non-current liabilities fell by 3,176 million yen compared with the end of the previous fiscal year to 6,691 million yen due to a decrease of 3,213 million yen in long-term borrowings.

Total net assets as of July 31, 2022 amounted to 48,500 million yen, an increase of 4,148 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 1,797 million yen in

retained earnings, 124 million yen in deferred gains or losses on hedges, and 2,154 million yen in foreign currency translation adjustment.

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

No change has been made to the consolidated financial results forecast for the fiscal year ending October 31, 2022 announced on June 13, 2022.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	As of October 31, 2021	As of July 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	9,858,617	8,254,798
Notes and accounts receivable - trade	19,572,827	21,194,741
Merchandise and finished goods	13,185,583	17,245,253
Work in process	971,824	1,573,902
Raw materials and supplies	2,261,913	1,743,676
Advance payments to suppliers	384,001	482,099
Other	787,025	1,196,858
Allowance for doubtful accounts	(3,151)	(3,762)
<b>Total current assets</b>	<b>47,018,641</b>	<b>51,687,566</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,149,722	13,813,225
Machinery, equipment and vehicles, net	6,656,795	6,260,630
Tools, furniture and fixtures, net	326,917	317,079
Land	3,512,613	3,577,824
Leased assets, net	99,514	70,122
Construction in progress	229,261	649,573
Other, net	241,097	340,928
<b>Total property, plant and equipment</b>	<b>25,215,921</b>	<b>25,029,383</b>
Intangible assets		
Software	132,870	125,846
Other	134,727	153,181
<b>Total intangible assets</b>	<b>267,598</b>	<b>279,028</b>
Investments and other assets		
Investment securities	3,725,638	3,726,994
Insurance premium	81,240	25,249
Deferred tax assets	303,749	159,900
Long-term advance account	1,564,579	1,822,171
Other	536,803	383,015
Allowance for doubtful accounts	(243,853)	(90,632)
<b>Total investments and other assets</b>	<b>5,968,158</b>	<b>6,026,698</b>
<b>Total non-current assets</b>	<b>31,451,677</b>	<b>31,335,110</b>
<b>Total assets</b>	<b>78,470,319</b>	<b>83,022,676</b>



(Thousand yen)

	As of October 31, 2021	As of July 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	10,467,220	10,551,680
Short-term borrowings	9,281,839	10,125,313
Current portion of long-term borrowings	151,476	3,251,476
Accounts payable - other	1,796,380	2,078,248
Income taxes payable	580,664	222,167
Provision for bonuses	915,651	455,695
Provision for bonuses for directors (and other officers)	12,187	5,350
Other	1,044,235	1,140,771
<b>Total current liabilities</b>	<b>24,249,654</b>	<b>27,830,702</b>
Non-current liabilities		
Long-term borrowings	8,289,609	5,076,002
Deferred tax liabilities	193,593	283,644
Retirement benefit liability	851,830	861,961
Provision for retirement benefits for directors (and other officers)	105,315	76,022
Other	427,870	393,796
<b>Total non-current liabilities</b>	<b>9,868,219</b>	<b>6,691,426</b>
<b>Total liabilities</b>	<b>34,117,874</b>	<b>34,522,128</b>
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	37,158,007
Treasury shares	(928,559)	(910,146)
<b>Total shareholders' equity</b>	<b>40,863,404</b>	<b>42,682,881</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,678,687	1,663,549
Deferred gains or losses on hedges	103,139	227,912
Foreign currency translation adjustment	953,655	3,108,529
Remeasurements of defined benefit plans	(82,210)	(66,473)
<b>Total accumulated other comprehensive income</b>	<b>2,653,271</b>	<b>4,933,517</b>
Non-controlling interests	835,769	884,149
<b>Total net assets</b>	<b>44,352,445</b>	<b>48,500,547</b>
<b>Total liabilities and net assets</b>	<b>78,470,319</b>	<b>83,022,676</b>

## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

## Quarterly Consolidated Statement of Income

Nine months ended July 31

(Thousand yen)

	For the nine months ended July 31, 2021	For the nine months ended July 31, 2022
Net sales	75,620,879	77,639,505
Cost of sales	62,707,071	64,552,700
Gross profit	12,913,807	13,086,805
Selling, general and administrative expenses	9,214,279	9,505,554
Operating profit	3,699,527	3,581,250
Non-operating income		
Interest income	2,830	9,355
Dividend income	67,869	75,423
Foreign exchange gains	-	150,862
Share of profit of entities accounted for using equity method	21,630	24,319
Dividend income of insurance	10,690	32,504
Insurance claim income	27,706	1,032
Other	91,388	66,482
Total non-operating income	222,115	359,980
Non-operating expenses		
Interest expenses	102,446	90,586
Foreign exchange losses	19,572	-
Other	18,627	4,403
Total non-operating expenses	140,646	94,989
Ordinary profit	3,780,997	3,846,241
Extraordinary income		
Gain on sale of non-current assets	25,239	1,980
Other	0	-
Total extraordinary income	25,239	1,980
Extraordinary losses		
Loss on retirement of non-current assets	32,167	16,158
Loss on sale of non-current assets	1,300	343
Expenses on dismantlement of noncurrent assets	6,500	-
Total extraordinary losses	39,967	16,502
Profit before income taxes	3,766,268	3,831,720
Income taxes - current	979,908	1,007,506
Income taxes - deferred	263,796	159,464
Total income taxes	1,243,704	1,166,970
Profit	2,522,563	2,664,749
Profit attributable to non-controlling interests	41,682	59,510
Profit attributable to owners of parent	2,480,881	2,605,238

Quarterly Consolidated Statement of Comprehensive Income

Nine months ended July 31

(Thousand yen)

	For the nine months ended July 31, 2021	For the nine months ended July 31, 2022
Profit	2,522,563	2,664,749
Other comprehensive income		
Valuation difference on available-for-sale securities	148,525	(18,167)
Deferred gains or losses on hedges	8,144	124,773
Foreign currency translation adjustment	660,417	2,154,874
Remeasurements of defined benefit plans, net of tax	8,247	15,736
Total other comprehensive income	825,335	2,277,216
Comprehensive income	3,347,898	4,941,965
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,304,733	4,885,484
Comprehensive income attributable to non-controlling interests	43,165	56,480

### (3) 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 nine months ended July 31, 2022 have each decreased by 4,622,813 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 nine months ended July 31, 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 nine months ended July 31, 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	68,655,289	3,734,412	3,231,177	75,620,879	—	75,620,879
Inter-segment net sales or transfers	315,865	1,994,836	1,471,011	3,781,713	(3,781,713)	—
Total	68,971,155	5,729,248	4,702,188	79,402,592	(3,781,713)	75,620,879
Segment profit (loss)	3,528,390	684,096	(218,702)	3,993,784	(294,256)	3,699,527

- Notes: 1. The adjustment of segment profit (loss) of negative 294,256 thousand yen includes inter-segment elimination of negative 20,334 thousand yen and company-wide expenses of negative 273,922 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 nine months ended July 31, 2022

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

(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	69,559,628	4,539,554	3,538,318	77,637,502	—	77,637,502
Other revenue (Note 3)	2,003	—	—	2,003	—	2,003
Net sales to outside customers	69,561,632	4,539,554	3,538,318	77,639,505	—	77,639,505
Inter-segment net sales or transfers	496,470	3,428,355	2,367,168	6,291,995	(6,291,995)	—
Total	70,058,102	7,967,910	5,905,487	83,931,500	(6,291,995)	77,639,505
Segment profit (loss)	2,810,173	1,299,504	(189,432)	3,920,245	(338,995)	3,581,250

- Notes: 1. The adjustment of segment profit (loss) of negative 338,995 thousand yen includes inter-segment elimination of negative 89,229 thousand yen and company-wide expenses of negative 249,765 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. Changes in reportable segments, etc.

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 nine months ended July 31, 2022 decreased by 4,622,813 thousand yen, but there was no impact on the segment profit.