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Consolidated Financial Results for the Six Months Ended April 30, 2023 [Japanese GAAP]



June 12, 2023

Company name: SHOEI FOODS CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Code number: 8079

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

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Scheduled date of filing quarterly securities report: June 13, 2023

Scheduled date of commencing dividend payments: July 10, 2023

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, 2023 (November 1, 2022 – April 30, 2023)

(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, 2023	55,771	4.7	2,097	(22.0)	2,082	(26.1)	1,349	(27.6)
April 30, 2022	53,242	—	2,692	(16.0)	2,819	(13.8)	1,863	(14.1)

(Note) Comprehensive income: Six months ended April 30, 2023: 358 million yen [(88.8)%]

Six months ended April 30, 2022: 3,217 million yen [10.7%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended April 30, 2023	80.11		—	
April 30, 2022	110.72		—	

(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 three months ended January 31, 2022. 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, 2023	86,219	49,136	55.9
As of October 31, 2022	82,851	49,158	58.2

(Reference) Equity: As of April 30, 2023: 48,221 million yen

As of October 31, 2022: 48,272 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended October 31, 2022	Yen —	Yen 24.00	Yen —	Yen 24.00	Yen 48.00
Fiscal year ending October 31, 2023	—	24.00			
Fiscal year ending October 31, 2023 (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, 2023 (November 1, 2022 - October 31, 2023)

(% 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	(3.0)	2,500	(33.3)	2,450	(40.1)	1,600	(42.6)		95.03

Note: Revision to the financial results forecast announced most recently: None

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

(Million yen)

	Six months ended		Change
	April 30, 2022	April 30, 2023	
Net sales	53,242	55,771	4.7%
Operating profit	2,692	2,097	(22.0)%
Ordinary profit	2,819	2,082	(26.1)%
Profit attributable to owners of parent	1,863	1,349	(27.6)%

During the period under review, the Japanese economy took steps toward post-pandemic normalcy with the reclassification of COVID-19 to Class 5 (the same level as seasonal influenza) and the easing of overseas travel restrictions. In the food industry, while demand for souvenirs picked up led by a recovery of inbound tourism and people dined out more frequently, price hikes continued in tandem with rising prices of ingredients and raw materials, etc. Under these circumstances, the ShoEi Foods group launched a new retail brand “Kono:me” and focused on product development of ingredients and raw materials with a view to the next product exhibition.

As a result of these efforts, consolidated net sales for the period under review increased by 4.7% year on year to 55,771 million yen thanks to generally strong sales of dairy products, oils and fats, and dried fruits and canned foods in Japan.

On the profit front, operating profit decreased by 22.0% year on year to 2,097 million yen. This was owing to a decline in profit in Japan due to rising energy and other costs, as well as a fall in profitability of the orchard business in the United States due mainly to lower market price of walnuts. Ordinary profit decreased by 26.1% to 2,082 million yen due mainly to recording of loss on valuation of foreign exchange, and profit attributable to owners of parent decreased by 27.6% to 1,349 million yen.

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

(Million yen)

	Six months ended		Six months ended		Year on year change	
	April 30, 2022		April 30, 2023		Year on year change	
	Net sales	Composition	Net sales	Composition	Amount	%
Dairy products, oils and fats	16,598	31.2%	17,409	31.2%	810	4.8%
Confectionery raw materials	9,150	17.2%	9,558	17.1%	407	4.4%
Dried fruits and canned foods	17,483	32.8%	18,224	32.7%	741	4.2%
Confectionery and retail products	9,819	18.4%	10,406	18.7%	587	5.9%
Other	190	0.4%	172	0.3%	(18)	(9.5)%
Total	53,242	100.0%	55,771	100.0%	2,529	4.7%

Segment operating results by region are as follows.

1) Japan

In Japan, sales were generally strong such as in processed fruit products, raw materials for food service industries, dried fruits in retail bags, and imported dairy products, etc. As a result, net sales increased by

5.0% year on year to 50,976 million yen.

Segment profit decreased by 21.0% year on year to 1,941 million yen due to lower profit margins caused by higher energy costs and rising prices of imported ingredients and raw materials, etc.

2) United States

In the United States, the Group's main walnut business saw a rise in the sales volume, but unit selling prices fell due to lower market prices. As a result, net sales decreased by 13.4% year on year to 4,142 million yen.

Segment profit decreased by 31.2% year on year to 379 million yen due to a significant decline in profitability of the orchard business caused by lower walnut prices.

3) China

In China, although exports of Chinese-grown seeds and sales within China decreased, sales were strong in Hong Kong, and as a result, net sales increased by 3.4% year on year to 3,896 million yen.

Segment loss continued, with a loss of 45 million yen, despite the narrowing of the loss partly due to strong sales in Hong Kong, which could not lead to an improvement in profitability for domestic sales within China.

(2) Explanation of Financial Position

1) Assets, liabilities, and net assets

Total assets as of April 30, 2023 amounted to 86,219 million yen, an increase of 3,368 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 4,336 million yen in notes and accounts receivable - trade, 1,489 million yen in merchandise and finished goods, and 224 million yen in work in process, despite decreases of 1,333 million yen in cash and deposits and 235 million yen in advance payments to suppliers, resulting in current assets of 55,198 million yen, an increase of 3,599 million yen from the end of the previous fiscal year. Non-current assets fell by 231 million yen compared with the end of the previous fiscal year to 31,021 million yen due to a decrease of 478 million yen in property, plant and equipment, despite an increase of 242 million yen in investments and other assets.

Total liabilities as of April 30, 2023 amounted to 37,082 million yen, an increase of 3,389 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 2,348 million yen in notes and accounts payable - trade, 778 million yen in short-term borrowings, 308 million yen in accounts payable - other, and 176 million yen in income taxes payable, despite decreases of 880 million yen in current portion of long-term borrowings and 146 million yen in provision for bonuses, resulting in current liabilities of 29,617 million yen, an increase of 2,527 million yen from the end of the previous fiscal year. Non-current liabilities increased by 862 million yen compared with the end of the previous fiscal year to 7,465 million yen due to an increase of 804 million yen in long-term borrowings.

Total net assets as of April 30, 2023 amounted to 49,136 million yen, a decrease of 21 million yen compared with the end of the previous fiscal year. This was due mainly to decreases of 422 million yen in deferred gains or losses on hedges and 931 million yen in foreign currency translation adjustment, despite an increase of 318 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 447 million yen (a decrease of 531 million yen year on year). This was mainly attributable to profit before income taxes of 2,080 million yen, depreciation of 1,421 million yen, a decrease in provisions of 128 million yen, an increase in trade receivables of 4,503 million yen, an increase in inventories of 1,887 million yen, an increase in trade payables of 2,437 million yen, a decrease in other current assets of 392 million yen, interest and dividends received of 150 million yen, and income

taxes paid of 425 million yen.

The main factors behind the year-on-year decrease in net cash used were an increase in foreign exchange losses of 124 million yen, a decrease in inventories of 1,686 million yen, a decrease in other current assets of 204 million yen, and a decrease in income taxes paid of 174 million yen, despite a decrease in profit before income taxes of 732 million yen, an increase in trade receivables of 159 million yen, and a decrease in trade payables of 516 million yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 951 million yen (an increase of 50 million yen year on year). This was mainly attributable to purchase of property, plant and equipment.

The main factor behind the year-on-year increase in net cash used was an increase of 44 million yen in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 307 million yen (184 million yen net cash outflow in the corresponding period of the previous fiscal year). This was mainly attributable to a net increase in short-term borrowings of 809 million yen and dividends paid of 404 million yen.

The main factor behind the year-on-year increase in net cash was a net increase of 490 million yen in short-term borrowings.

(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, 2023 announced on March 14, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	As of October 31, 2022	As of April 30, 2023
Assets		
Current assets		
Cash and deposits	7,867,293	6,533,482
Notes and accounts receivable - trade	20,285,365	24,621,929
Merchandise and finished goods	17,619,921	19,109,672
Work in process	1,017,000	1,241,010
Raw materials and supplies	2,743,091	2,679,792
Advance payments to suppliers	584,685	349,474
Other	1,485,059	667,168
Allowance for doubtful accounts	(3,626)	(3,942)
Total current assets	51,598,792	55,198,586
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,672,234	13,161,675
Machinery, equipment and vehicles, net	6,597,078	6,432,104
Tools, furniture and fixtures, net	334,023	346,611
Land	3,535,308	3,554,300
Leased assets, net	60,927	67,613
Construction in progress	350,932	545,032
Other, net	351,109	315,866
Total property, plant and equipment	24,901,613	24,423,204
Intangible assets		
Software	127,268	124,185
Other	151,971	159,429
Total intangible assets	279,239	283,615
Investments and other assets		
Investment securities	3,569,486	3,946,625
Insurance premium	25,249	29,080
Deferred tax assets	232,256	261,504
Long-term advance account	1,945,050	1,787,007
Other	390,976	380,167
Allowance for doubtful accounts	(90,794)	(89,840)
Total investments and other assets	6,072,223	6,314,545
Total non-current assets	31,253,077	31,021,365
Total assets	82,851,870	86,219,951

(Thousand yen)

	As of October 31, 2022	As of April 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,579,403	12,927,532
Short-term borrowings	8,803,952	9,582,613
Current portion of long-term borrowings	3,251,476	2,371,476
Accounts payable - other	2,098,822	2,406,977
Income taxes payable	388,111	564,288
Provision for bonuses	918,285	771,768
Provision for bonuses for directors (and other officers)	10,767	18,600
Other	1,039,897	974,692
Total current liabilities	27,090,716	29,617,948
Non-current liabilities		
Long-term borrowings	5,038,133	5,842,395
Deferred tax liabilities	174,558	205,653
Retirement benefit liability	924,580	923,162
Provision for retirement benefits for directors (and other officers)	79,499	88,831
Other	385,708	404,979
Total non-current liabilities	6,602,479	7,465,022
Total liabilities	33,693,195	37,082,971
Net assets		
Shareholders' equity		
Share capital	3,379,736	3,379,736
Capital surplus	3,055,283	3,059,298
Retained earnings	37,341,125	38,286,077
Treasury shares	(910,568)	(890,421)
Total shareholders' equity	42,865,576	43,834,691
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,546,959	1,865,366
Deferred gains or losses on hedges	422,721	(38)
Foreign currency translation adjustment	3,548,784	2,617,706
Remeasurements of defined benefit plans	(111,845)	(96,292)
Total accumulated other comprehensive income	5,406,620	4,386,743
Non-controlling interests	886,477	915,546
Total net assets	49,158,674	49,136,980
Total liabilities and net assets	82,851,870	86,219,951

(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, 2022	For the six months ended April 30, 2023
Net sales	53,242,085	55,771,302
Cost of sales	44,246,198	47,039,227
Gross profit	8,995,887	8,732,074
Selling, general and administrative expenses	6,303,397	6,634,325
Operating profit	2,692,489	2,097,749
Non-operating income		
Interest income	5,606	5,674
Dividend income	33,048	36,403
Foreign exchange gains	59,658	—
Share of profit of entities accounted for using equity method	13,377	11,561
Dividend income of insurance	33,106	3,053
Insurance claim income	612	1,648
Dividends investment	—	33,050
Factory attracting bounty	—	35,091
Other	41,107	34,475
Total non-operating income	186,518	160,957
Non-operating expenses		
Interest expenses	58,376	62,896
Foreign exchange losses	—	112,263
Other	1,574	725
Total non-operating expenses	59,951	175,886
Ordinary profit	2,819,056	2,082,820
Extraordinary income		
Gain on sale of non-current assets	313	3,278
Total extraordinary income	313	3,278
Extraordinary losses		
Loss on retirement of non-current assets	6,099	5,140
Loss on sale of non-current assets	136	6
Total extraordinary losses	6,236	5,146
Profit before income taxes	2,813,133	2,080,952
Income taxes - current	906,445	659,027
Income taxes - deferred	5,057	46,899
Total income taxes	911,502	705,927
Profit	1,901,631	1,375,025
Profit attributable to non-controlling interests	37,755	25,991
Profit attributable to owners of parent	1,863,875	1,349,033

Quarterly Consolidated Statement of Comprehensive Income

Six months ended April 30

(Thousand yen)

	For the six months ended April 30, 2022	For the six months ended April 30, 2023
Profit	1,901,631	1,375,025
Other comprehensive income		
Valuation difference on available-for-sale securities	(131,082)	321,483
Deferred gains or losses on hedges	379,050	(422,759)
Foreign currency translation adjustment	1,057,741	(931,077)
Remeasurements of defined benefit plans, net of tax	10,491	15,552
Total other comprehensive income	1,316,200	(1,016,800)
Comprehensive income	3,217,831	358,225
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,182,328	329,156
Comprehensive income attributable to non-controlling interests	35,503	29,068

(3) Quarterly Consolidated Statement of Cash Flows

(Thousand yen)

	For the six months ended April 30, 2022	For the six months ended April 30, 2023
Cash flows from operating activities		
Profit before income taxes	2,813,133	2,080,952
Depreciation	1,462,919	1,421,858
Interest expenses	58,376	62,896
Foreign exchange losses (gains)	(45,723)	78,437
Increase (decrease) in provisions	(158,536)	(128,031)
Decrease (increase) in trade receivables	(4,344,529)	(4,503,723)
Decrease (increase) in inventories	(3,574,528)	(1,887,801)
Increase (decrease) in trade payables	2,954,257	2,437,621
Decrease (increase) in other current assets	187,661	392,243
Other, net	277,916	(66,775)
Subtotal	(369,052)	(112,322)
Interest and dividends received	54,270	150,059
Interest paid	(63,920)	(59,371)
Income taxes paid	(600,450)	(425,857)
Net cash provided by (used in) operating activities	(979,153)	(447,491)
Cash flows from investing activities		
Purchase of property, plant and equipment	(886,493)	(930,502)
Proceeds from sale of property, plant and equipment	234	6,345
Purchase of investment securities	(10,697)	(11,380)
Other, net	(4,380)	(16,190)
Net cash provided by (used in) investing activities	(901,335)	(951,727)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	319,060	809,191
Repayments of long-term borrowings	(75,738)	(3,175,738)
Proceeds from long-term borrowings	—	3,100,000
Purchase of treasury shares	(685)	(515)
Repayments of lease liabilities	(23,539)	(21,361)
Dividends paid	(403,954)	(404,080)
Net cash provided by (used in) financing activities	(184,857)	307,495
Effect of exchange rate change on cash and cash equivalents	366,219	(242,089)
Net increase (decrease) in cash and cash equivalents	(1,699,126)	(1,333,811)
Cash and cash equivalents at beginning of period	9,858,617	7,867,293
Cash and cash equivalents at end of period	8,159,490	6,533,482

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Additional information)

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and some of its consolidated subsidiaries in Japan have transitioned from the consolidated taxation system to the group tax sharing system since the first quarter of the fiscal year under review. In accordance with the transition, with regard to accounting procedures and disclosure for income and local taxes and tax effect accounting, we apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No. 42, August 12, 2021; hereinafter referred to as “Practical Solution No.42”). In addition, based on Paragraph 32 (1) of Practical Solution No.42, we consider there will be no impact from changes in our accounting policy resulting from the application of Practical Solution No.42.

(Segment information, etc.)

[Segment information]

I. For the six months ended April 30, 2022 (from November 1, 2021 to April 30, 2022)

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	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.

II. For the six months ended April 30, 2023 (from November 1, 2022 to April 30, 2023)

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	50,547,940	2,602,152	2,619,882	55,769,975	—	55,769,975
Other revenue (Note 3)	1,327	—	—	1,327	—	1,327
Net sales to outside customers	50,549,267	2,602,152	2,619,882	55,771,302	—	55,771,302
Inter-segment net sales or transfers	427,372	1,540,572	1,276,263	3,244,208	(3,244,208)	—
Total	50,976,639	4,142,724	3,896,146	59,015,510	(3,244,208)	55,771,302
Segment profit (loss)	1,941,519	379,625	(45,940)	2,275,204	(177,455)	2,097,749

- Notes: 1. The adjustment of segment profit (loss) of negative 177,455 thousand yen includes inter-segment elimination of negative 10,914 thousand yen and company-wide expenses of negative 166,541 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.