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Consolidated Financial Results for the Nine Months Ended July 31, 2023 [Japanese GAAP]



September 11, 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: September 12, 2023

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, 2023 (November 1, 2022 – July 31, 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	%
Nine months ended July 31, 2023	82,224	5.9	3,195	(10.7)	3,283	(14.6)	2,194	(15.7)
July 31, 2022	77,639	—	3,581	(3.1)	3,846	1.7	2,605	5.0

(Note) Comprehensive income: Nine months ended July 31, 2023: 2,250 million yen [(54.4)%]

Nine months ended July 31, 2022: 4,941 million yen [47.6%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended July 31, 2023	130.32		—	
July 31, 2022	154.75		—	

(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 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, 2023	84,327		50,616		58.9	
As of October 31, 2022	82,851		49,158		58.2	

(Reference) Equity: As of July 31, 2023: 49,692 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
	107,000	3.6	3,500	(6.6)	3,600	(12.0)	2,400	(13.9)	142.52

Note: Revision to the financial results forecast announced most recently: Yes

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – (), Excluded: – ()
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):

July 31, 2023:	17,100,000 shares
October 31, 2022:	17,100,000 shares
 - 2) Total number of treasury shares at the end of the period:

July 31, 2023:	257,536 shares
October 31, 2022:	263,300 shares
 - 3) Average number of shares during the period:

Nine months ended July 31, 2023:	16,839,604 shares
Nine months ended July 31, 2022:	16,834,119 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecasts and other notes
Financial results forecasts and other forward-looking statements contained herein are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ significantly due to various factors. For the assumptions underlying the forecasts herein and cautionary notes regarding the use of these financial results forecasts, please see “(1) Explanation of Operating Results” under “1. Qualitative Information on Quarterly Financial Results” on page 2 of the Attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

(Million yen)

	Nine months ended		Change
	July 31, 2022	July 31, 2023	
Net sales	77,639	82,224	5.9%
Operating profit	3,581	3,195	(10.7)%
Ordinary profit	3,846	3,283	(14.6)%
Profit attributable to owners of parent	2,605	2,194	(15.7)%

During the period under review, the Japanese economy, while showing signs of recovery in its economic activities due to the reclassification of COVID-19 to Class 5 (the same level as seasonal influenza), saw signs of shadow in consumer spending against a backdrop of rising prices, and the economic trend remained uncertain due to factors such as the depreciation of the yen. In the food industry, price hikes continued in tandem with the rising costs of raw materials and logistics, etc. Under these circumstances, the ShoEi Foods group pushed forward with the activities mainly such as proposing value-added products utilizing its production facilities, product development with a view to the next product exhibition, and addressing sustainability by conducting human rights surveys on its suppliers.

As a result of these efforts, consolidated net sales for the period under review increased by 5.9% year on year to 82,224 million yen, thanks to an increase in sales of dairy products, oils and fats, and confectionery and retail products in Japan due to the price hikes reflecting the rising costs of raw materials and logistics costs.

On the profit front, operating profit decreased by 10.7% year on year to 3,195 million yen. This was mainly owing to a fall in profitability of the walnut business in the United States, despite maintaining profits comparable to the previous fiscal year in the Japan segment due to the penetration of the price hikes. Ordinary profit decreased by 14.6% to 3,283 million yen and profit attributable to owners of parent decreased by 15.7% to 2,194 million yen.

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

(Million yen)

	Nine months ended		Nine months ended		Year on year change	
	July 31, 2022		July 31, 2023			
	Net sales	Composition	Net sales	Composition	Amount	%
Dairy products, oils and fats	24,144	31.1%	26,014	31.6%	1,870	7.7%
Confectionery raw materials	12,943	16.7%	14,449	17.6%	1,506	11.6%
Dried fruits and canned foods	26,751	34.5%	26,930	32.8%	178	0.6%
Confectionery and retail products	13,526	17.4%	14,575	17.7%	1,048	7.7%
Other	272	0.3%	254	0.3%	(18)	(6.7)%
Total	77,639	100.0%	82,224	100.0%	4,585	5.9%

Segment operating results by region are as follows.

1) Japan

In Japan, net sales increased by 7.0% year on year to 74,999 million yen mainly due to the increased sales of various products such as dairy products, oils and fats, confectionery and retail products as a result of the penetration of price hikes reflecting rising costs, among other factors.

Segment profit increased by 1.7% year on year to 2,859 million yen due to such factors as the stabilization of the rise of prices of imported raw materials, the higher utilization rates of the production facilities, and the effects of the price hikes, despite the cost up factors such as increases in energy and logistics costs.

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 18.2% year on year to 6,510 million yen.

Segment profit decreased by 51.1% year on year to 634 million yen. This is attributable to the fact in the current fiscal year the Group failed to ensure the same level of profit margin as in the previous fiscal year when the Group was able to lower the purchase price from the farmers and expand the profit margin by reflecting the significant price fall of walnut prices after the conclusion of the sales contracts.

3) China

In China, although exports of Chinese-grown seeds, etc. decreased, sales increased in China and Hong Kong, and as a result, net sales increased by 5.7% year on year to 6,243 million yen.

Segment loss continued, with a loss of 21 million yen (compared to a loss of 189 million yen in the same period of the previous fiscal year), despite the narrowing of the loss partly due to the improved profitability of the exports of Chinese-grown seeds and strong sales in Hong Kong, which could not lead to an improvement in profitability for domestic sales within China.

(2) Explanation of Financial Position

(Assets, liabilities, and net assets)

Total assets as of July 31, 2023 amounted to 84,327 million yen, an increase of 1,476 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 846 million yen in cash and deposits, 391 million yen in notes and accounts receivable - trade, 1,391 million yen in merchandise and finished goods, and 148 million yen in work in process, despite a decrease of 589 million yen in raw materials and supplies, resulting in current assets of 53,249 million yen, an increase of 1,650 million yen from the end of the previous fiscal year. Non-current assets fell by 174 million yen compared with the end of the previous fiscal year to 31,078 million yen due to a decrease of 553 million yen in property, plant and equipment, despite an increase of 366 million yen in investments and other assets.

Total liabilities as of July 31, 2023 amounted to 33,711 million yen, a decrease of 17 million yen compared with the end of the previous fiscal year. This was due mainly to decreases of 165 million yen in notes and accounts payable - trade, 880 million yen in current portion of long-term borrowings, 216 million yen in accounts payable - other, 122 million yen in income taxes payable, and 421 million yen in provision for bonuses, despite an increase of 846 million yen in short-term borrowings, resulting in current liabilities of 26,267 million yen, a decrease of 841 million yen from the end of the previous fiscal year. Non-current liabilities increased by 840 million yen compared with the end of the previous fiscal year to 7,443 million yen due to an increase of 711 million yen in long-term borrowings.

Total net assets as of July 31, 2023 amounted to 50,616 million yen, an increase of 1,458 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 1,386 million yen in retained earnings and 390 million yen in valuation difference on available-for-sale securities, despite a decrease of 323 million yen in deferred gains or losses on hedges.

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

After considering the results of the period under review and the current business environment surrounding the Company, the Group has revised the consolidated financial results forecasts for the fiscal year ending October 31, 2023 announced on March 14, 2023. For details, please refer to the “Notice of Revision of Full-year Consolidated Financial Forecasts for the Fiscal Year Ending October 31, 2023” (available in Japanese) announced on the same day as this report.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	As of October 31, 2022	As of July 31, 2023
Assets		
Current assets		
Cash and deposits	7,867,293	8,713,571
Notes and accounts receivable - trade	20,285,365	20,676,862
Merchandise and finished goods	17,619,921	19,011,694
Work in process	1,017,000	1,165,415
Raw materials and supplies	2,743,091	2,153,359
Advance payments to suppliers	584,685	585,071
Other	1,485,059	947,158
Allowance for doubtful accounts	(3,626)	(3,401)
Total current assets	51,598,792	53,249,732
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,672,234	13,136,003
Machinery, equipment and vehicles, net	6,597,078	6,581,341
Tools, furniture and fixtures, net	334,023	349,089
Land	3,535,308	3,584,482
Leased assets, net	60,927	66,772
Construction in progress	350,932	290,307
Other, net	351,109	339,800
Total property, plant and equipment	24,901,613	24,347,797
Intangible assets		
Software	127,268	129,652
Other	151,971	162,303
Total intangible assets	279,239	291,955
Investments and other assets		
Investment securities	3,569,486	4,070,593
Insurance premium	25,249	29,080
Deferred tax assets	232,256	79,437
Long-term advance account	1,945,050	1,944,022
Other	390,976	406,269
Allowance for doubtful accounts	(90,794)	(90,950)
Total investments and other assets	6,072,223	6,438,452
Total non-current assets	31,253,077	31,078,205
Total assets	82,851,870	84,327,938

(Thousand yen)

	As of October 31, 2022	As of July 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,579,403	10,414,221
Short-term borrowings	8,803,952	9,650,374
Current portion of long-term borrowings	3,251,476	2,371,476
Accounts payable - other	2,098,822	1,882,224
Income taxes payable	388,111	278,274
Provision for bonuses	918,285	496,381
Provision for bonuses for directors (and other officers)	10,767	4,650
Other	1,039,897	1,170,213
Total current liabilities	27,090,716	26,267,815
Non-current liabilities		
Long-term borrowings	5,038,133	5,749,526
Deferred tax liabilities	174,558	252,103
Retirement benefit liability	924,580	944,154
Provision for retirement benefits for directors (and other officers)	79,499	92,670
Other	385,708	404,811
Total non-current liabilities	6,602,479	7,443,266
Total liabilities	33,693,195	33,711,082
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	38,727,427
Treasury shares	(910,568)	(890,779)
Total shareholders' equity	42,865,576	44,275,683
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,546,959	1,937,543
Deferred gains or losses on hedges	422,721	99,674
Foreign currency translation adjustment	3,548,784	3,467,948
Remeasurements of defined benefit plans	(111,845)	(88,515)
Total accumulated other comprehensive income	5,406,620	5,416,650
Non-controlling interests	886,477	924,522
Total net assets	49,158,674	50,616,855
Total liabilities and net assets	82,851,870	84,327,938

(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, 2022	For the nine months ended July 31, 2023
Net sales	77,639,505	82,224,976
Cost of sales	64,552,700	69,097,599
Gross profit	13,086,805	13,127,376
Selling, general and administrative expenses	9,505,554	9,931,946
Operating profit	3,581,250	3,195,429
Non-operating income		
Interest income	9,355	12,833
Dividend income	75,423	81,485
Foreign exchange gains	150,862	—
Share of profit of entities accounted for using equity method	24,319	21,231
Dividend income of insurance	32,504	3,053
Insurance claim income	1,032	1,556
Dividends investment	—	35,886
Factory attracting bounty	—	35,091
Other	66,482	49,958
Total non-operating income	359,980	241,096
Non-operating expenses		
Interest expenses	90,586	94,638
Foreign exchange losses	—	56,378
Other	4,403	1,704
Total non-operating expenses	94,989	152,721
Ordinary profit	3,846,241	3,283,804
Extraordinary income		
Gain on sale of non-current assets	1,980	3,590
Total extraordinary income	1,980	3,590
Extraordinary losses		
Loss on retirement of non-current assets	16,158	13,309
Loss on sale of non-current assets	343	102
Total extraordinary losses	16,502	13,411
Profit before income taxes	3,831,720	3,273,982
Income taxes - current	1,007,506	847,788
Income taxes - deferred	159,464	189,400
Total income taxes	1,166,970	1,037,188
Profit	2,664,749	2,236,794
Profit attributable to non-controlling interests	59,510	42,190
Profit attributable to owners of parent	2,605,238	2,194,604

Quarterly Consolidated Statement of Comprehensive Income

Nine months ended July 31

(Thousand yen)

	For the nine months ended July 31, 2022	For the nine months ended July 31, 2023
Profit	2,664,749	2,236,794
Other comprehensive income		
Valuation difference on available-for-sale securities	(18,167)	394,539
Deferred gains or losses on hedges	124,773	(323,047)
Foreign currency translation adjustment	2,154,874	(80,835)
Remeasurements of defined benefit plans, net of tax	15,736	23,329
Total other comprehensive income	2,277,216	13,985
Comprehensive income	4,941,965	2,250,780
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,885,484	2,204,634
Comprehensive income attributable to non-controlling interests	56,480	46,145

(3) 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 nine months ended July 31, 2022 (from November 1, 2021 to July 31, 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	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.

II. For the nine months ended July 31, 2023 (from November 1, 2022 to July 31, 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	74,229,245	3,742,460	4,251,257	82,222,963	—	82,222,963
Other revenue (Note 3)	2,012	—	—	2,012	—	2,012
Net sales to outside customers	74,231,258	3,742,460	4,251,257	82,224,976	—	82,224,976
Inter-segment net sales or transfers	768,235	2,768,104	1,991,760	5,528,100	(5,528,100)	—
Total	74,999,493	6,510,564	6,243,018	87,753,076	(5,528,100)	82,224,976
Segment profit (loss)	2,859,032	634,359	(21,406)	3,471,985	(276,555)	3,195,429

- Notes: 1. The adjustment of segment profit (loss) of negative 276,555 thousand yen includes inter-segment elimination of negative 24,926 thousand yen and company-wide expenses of negative 251,628 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.