

Consolidated Financial Results for the Three Months Ended September 30, 2023 [Japanese GAAP]



November 10, 2023

Company name: ICHIMASA KAMABOKO Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2904

URL: <https://www.ichimasa.co.jp/global/en/>

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Scheduled date of filing quarterly securities report: November 14, 2023

Scheduled date of commencing dividend payments: —

Availability of supplementary explanatory materials on quarterly financial results: 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 Three Months Ended September 30, 2023 (July 1, 2023 – September 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	%
Three months ended September 30, 2023	7,329	2.1	(71)	—	(74)	—	18	—
September 30, 2022	7,179	0.6	(218)	—	(187)	—	(54)	—

(Note) Comprehensive income: Three months ended September 30, 2023: ¥46 million [— %]

Three months ended September 30, 2022: ¥(136) million [— %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2023	1.03	—
September 30, 2022	(2.95)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	32,361	13,404	41.4
As of June 30, 2023	30,678	13,579	44.3

(Reference) Equity: As of September 30, 2023: ¥13,404 million

As of June 30, 2023: ¥13,579 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	—	0.00	—	12.00	12.00
Fiscal year ending June 30, 2024	—				
Fiscal year ending June 30, 2024 (Forecast)		0.00	—	12.00	12.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2024 (July 1, 2023 – June 30, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	23,600	30.5	900	189.2	950	159.3	600	71.0	32.39
Full year	37,800	15.2	1,300	—	1,350	—	900	969.9	48.58

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

* 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: Yes

4) Retrospective restatement: None

(4) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

As of September 30, 2023: 18,590,000 shares

As of June 30, 2023: 18,590,000 shares

2) Total number of treasury shares at the end of the period:

As of September 30, 2023: 212,088 shares

As of June 30, 2023: 212,088 shares

3) Average number of shares during the period (cumulative quarterly accounting period):

Three months ended September 30, 2023: 18,377,912 shares

Three months ended September 30, 2022: 18,377,912 shares

(Note) The Company has introduced the Board Benefit Trust (BBT) and the number of treasury shares at the end of each period includes shares of the Company held by the BBT (147,000 shares as of September 30, 2023 and 147,000 shares as of June 30, 2023). The number of treasury shares deducted in the calculation of the average number of shares during each period includes shares of the Company held by the BBT (147,000

shares for the three months ended September 30, 2023 and 147,000 shares for the three months ended September 30, 2022).

* 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 forecast and other notes

The financial results forecasts and other forward-looking statements contained herein are based on the information available to the Company and certain assumptions deemed reasonable as of the date of this report and do not constitute a promise by the Company to achieve these forecasts. Actual results may be significantly different from these forecasts due to various factors. For the assumptions on which the financial results forecasts are based and the cautions and other related matters to consider when using thereof, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 4 of the attachment.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the three months ended September 30, 2023, the Japanese economy showed signs of a recovery due to the relaxation of restrictions on movement and entry into Japan, after the reclassification of COVID 19's status to Category V under the Infectious Disease Control Law.

However, the prolonged invasion of Ukraine, depreciation of the Japanese yen and other factors led to the persistence in numerous high costs, including with surimi and other raw materials, as well as energy, such as electricity and gas. With the escalating prices of various goods, there is an even stronger awareness of defensive spending patterns among consumers, while the business environment surrounding the Group has become more severe than ever before.

Under these circumstances, the Group entered the third year of its 2nd Medium-term Management Plan, which extends from July 2021 to June 2026, with the ICHIMASA30 Vision (the Company's vision for FY2045) as its aim. It is addressing business issues with the basic policy of "establishing the foundations for business growth and earnings capability through daring challenges toward markets in Japan and overseas and the certain achievement of a first-stage 'growth trajectory.'"

Further, the maintenance of the global environment is essential for the sustainable growth and development of corporate activity. With the aim of achieving the Sustainable Development Goals (SDGs), the Group is striving to resolve sustainability issues with the cooperation of stakeholders.

As a result of the above, for the three months ended September 30, 2023, the Company posted net sales of ¥7,329 million, (up ¥149 million or 2.1% from the same period of the previous fiscal year), operating loss of ¥71 million (operating loss of ¥218 million for the same period of the previous fiscal year), ordinary loss of ¥74 million (ordinary loss of ¥187 million for the same period of the previous fiscal year), and profit attributable to owners of parent of ¥18 million (loss attributable to owners of parent of ¥54 million for the same period of the previous fiscal year).

The performance of each segment is as follows.

(Fish-paste Products and Side Dishes Business)

Sales increased from the same period of the previous fiscal year due in part to the effect of higher selling prices resulting from price revisions, which were implemented based on the understanding and cooperation of our partners for deliveries from September 1, 2022 and March 1, 2023, although sales volume fell below that of the same period of the previous fiscal year. In addition, sales volume increased from that of the same period of the previous fiscal year for stick type *kanikama* (crab flavored kamaboko) and *hanpen* (soft fish cake).

In terms of profit, the prices of raw materials including surimi, which is a main raw material, remained at high levels. Costs rose on other fronts as well, such as energy, oil and fats, and packaging materials, due to factors including the situation in Ukraine and the depreciation of the yen. Despite these factors, profit was higher than in the same period of the previous fiscal year due to the improved production efficiency by the operation start of the second headquarters factory from April, 2023 as a dedicated factory for salad sticks, which is the Company's flagship product.

As a result of the above, for the three months ended September 30, 2023, this segment posted net sales of ¥6,455 million (up ¥237 million or 3.8% from the same period of the previous fiscal year) and segment profit or operating profit of ¥17 million (segment loss or operating loss of ¥162 million for the previous fiscal year).

(Mushroom Business)

Although the Company strengthened sales by such as the proposal of large-volume products expected for use at camps, barbecues, etc., sales were affected by sluggish consumption due to this summer's extreme heat. In terms of production, the Company has been working to reduce costs, including energy saving, as well as improvement of production efficiency, stable cultivation and enhancement of quality, however prices of raw materials and energy remained high, therefore both net sales and profit decreased from the same period of the previous fiscal year.

As a result, for the three months ended September 30, 2023, this segment posted net sales of ¥768 million (down ¥73 million or 8.7% from the same period of the previous fiscal year), and segment loss or operating loss of ¥121 million (segment loss or operating loss of ¥80 million for the same period of the previous fiscal year).

(Other Business)

The transport business saw net sales decrease from the same period of the previous fiscal year due to the discontinuation of some of the regular transportation services for imported fruits and vegetables, despite a higher handling volume owing to strengthened sales capabilities. However, profits were higher than the same period of the previous fiscal year due to having cut fixed costs through efforts to cost-cutting efforts.

For the warehouse business, net sales declined from the same period of the previous fiscal year partly due to a lower turnover associated with a tight capacity of warehouse, while inventory levels remained high. On the other hand, as a result of price revisions in line with increased costs and optimization of warehouse management to improve profitability, profit increased from the same period of the previous fiscal year.

As a result, for the three months ended September 30, 2023, net sales in others, non-reportable segments were ¥105 million (down ¥14 million or 12.2% from the same period of the previous fiscal year), and segment profit or operating profit was ¥36 million (segment profit or operating profit of ¥26 million for the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Current assets)

Current assets as of September 30, 2023 were ¥12,255 million (an increase of ¥1,733 million from the end of the previous fiscal year). This is mainly attributable to an increase in accounts receivable - trade due to seasonal factors and increases in merchandise and finished goods and work in process in preparation for the demand season.

(Non-current assets)

Non-current assets as of September 30, 2023 were ¥20,106 million (a decrease of ¥50 million from the end of the previous fiscal year). This is mainly attributable to the progression of depreciation of property, plant and equipment.

(Current liabilities)

Current liabilities as of September 30, 2023 were ¥9,946 million (a decrease of ¥1,024 million from the end of the previous fiscal year). This decrease is mainly attributable to the transfer of short-term borrowings raised for the construction of the second headquarters factory to long-term borrowings, despite a partial increase of short-term borrowings due to seasonal factors.

(Non-current liabilities)

Non-current liabilities as of September 30, 2023 were ¥9,010 million (an increase of ¥2,882 million from the end of the previous fiscal year). This increase is mainly attributable to the transfer of short-term borrowings to long-term borrowings.

(Net assets)

Net assets as of September 30, 2023 were ¥13,404 million (a decrease of ¥175 million from the end of the previous fiscal year). This was mainly due to a decrease in payment of dividends, despite a recording of profit attributable to owners of parent. The equity ratio decreased to 41.4% from 44.3% at the end of the previous fiscal

year due to an increase in total assets resulting from seasonal factors.

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

There are no changes to the consolidated financial results forecast for the six months ending December 31, 2023 and full-year consolidated financial results forecasts announced on August 4, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of June 30, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	1,414,275	1,495,869
Accounts receivable - trade	3,336,376	4,202,720
Merchandise and finished goods	1,116,825	1,886,504
Work in process	525,923	819,284
Raw materials and supplies	3,156,003	2,815,858
Other	989,046	1,051,793
Allowance for doubtful accounts	(16,763)	(16,930)
Total current assets	10,521,687	12,255,101
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,455,625	7,400,399
Machinery, equipment and vehicles, net	4,767,382	4,732,513
Tools, furniture and fixtures, net	170,321	172,325
Land	3,179,344	3,179,344
Leased assets, net	1,662,977	1,643,757
Construction in progress	—	65,788
Total property, plant and equipment	17,235,650	17,194,128
Intangible assets	390,134	372,192
Investments and other assets		
Investment securities	2,013,684	1,989,979
Other	541,873	574,349
Allowance for doubtful accounts	(24,500)	(24,500)
Total investments and other assets	2,531,057	2,539,828
Total non-current assets	20,156,842	20,106,149
Total assets	30,678,530	32,361,250
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,942,067	2,174,689
Short-term borrowings	5,580,984	4,921,014
Income taxes payable	93,525	60,163
Provision for bonuses	81,131	324,528
Provision for bonuses for directors (and other officers)	14,140	—
Accounts payable - other, and accrued expenses	1,921,618	1,826,709
Other	1,337,316	639,343
Total current liabilities	10,970,782	9,946,448
Non-current liabilities		
Bonds payable	100,000	50,000
Long-term borrowings	4,015,333	6,896,912
Provision for retirement benefits for directors (and other officers)	39,275	40,125
Lease liabilities	1,513,457	1,563,210
Provision for share awards for directors (and other officers)	114,645	119,339
Other	345,384	341,077
Total non-current liabilities	6,128,094	9,010,664
Total liabilities	17,098,877	18,957,113

(Thousand yen)

	As of June 30, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	940,000	940,000
Capital surplus	650,000	650,000
Retained earnings	11,182,280	10,978,868
Treasury shares	(166,135)	(166,135)
Total shareholders' equity	12,606,144	12,402,732
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	935,623	950,487
Foreign currency translation adjustment	37,886	50,917
Total accumulated other comprehensive income	973,509	1,001,404
Total net assets	13,579,653	13,404,137
Total liabilities and net assets	30,678,530	32,361,250

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended September 30

(Thousand yen)

	For the three months ended September 30, 2022	For the three months ended September 30, 2023
Net sales	7,179,655	7,329,492
Cost of sales	6,056,571	6,035,867
Gross profit	1,123,084	1,293,624
Selling, general and administrative expenses	1,341,639	1,364,740
Operating loss	(218,555)	(71,115)
Non-operating income		
Interest income	1,001	2
Dividend income	8,333	9,175
Rental income	3,352	2,845
Commission income	484	691
Electricity sale income	6,729	6,146
Gain on redemption of securities	8,530	—
Share of profit of entities accounted for using equity method	3,522	—
Miscellaneous income	9,471	5,755
Total non-operating income	41,424	24,616
Non-operating expenses		
Interest expenses	7,299	15,025
Share of loss of entities accounted for using equity method	—	9,874
Depreciation	2,697	2,697
Miscellaneous losses	11	142
Total non-operating expenses	10,007	27,739
Ordinary loss	(187,138)	(74,238)
Extraordinary income		
Gain on sale of non-current assets	—	504
Gain on sale of investment securities	131,075	136,072
Total extraordinary income	131,075	136,577
Extraordinary losses		
Loss on retirement of non-current assets	275	2,262
Loss on sale of non-current assets	—	1,273
Total extraordinary losses	275	3,536
Profit (loss) before income taxes	(56,338)	58,802
Income taxes - current	40,661	70,198
Income taxes - deferred	(42,799)	(30,283)
Total income taxes	(2,137)	39,915
Profit (loss)	(54,200)	18,887
Profit attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	(54,200)	18,887

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended September 30

(Thousand yen)

	For the three months ended September 30, 2022	For the three months ended September 30, 2023
Profit (loss)	(54,200)	18,887
Other comprehensive income		
Valuation difference on available-for-sale securities	(104,558)	14,864
Share of other comprehensive income of entities accounted for using equity method	22,668	13,031
Total other comprehensive income	(81,890)	27,895
Comprehensive income	(136,090)	46,782
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(136,090)	46,782
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

Not applicable.

(Changes in accounting estimates)

(Changes in depreciation method of property, plant and equipment)

The Company and its consolidated subsidiaries had adopted the declining balance method as the depreciation method for property, plant and equipment (however, the straight-line method was adopted for buildings acquired from April 1, 1998 onwards (excluding building affiliated equipment) and building affiliated equipment and structures acquired from April 1, 2016 onwards), however this was changed to the straight-line method from the three months ended September 30, 2023.

Upon conducting another study into the depreciation method relative to equipment usage method in the wake of the operation start of the new factory for manufacturing the Company's flagship product of "Salad Sticks," the Company predicted the stable operation of equipment moving forward and deemed it appropriate to distribute depreciation equally throughout the equipment's useful lifespan, hence the straight-line method was adopted.

As a result, compared to the conventional method, depreciation for the three months ended September 30, 2023 decreased by ¥92,366 thousand, as did operating loss and ordinary loss, while profit before income taxes increased.

(Segment information, etc.)

I. For the three months ended September 30, 2022 (from July 1, 2022 to September 30, 2022)

1. Information on net sales and profit (loss) by reportable segment, and disaggregated revenue information

(Thousand yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Fish-paste Products and Side Dishes Business	Mushroom Business	Total				
Net sales							
Revenue from contracts with customers	6,217,620	841,838	7,059,458	120,197	7,179,655	—	7,179,655
Net sales to outside customers	6,217,620	841,838	7,059,458	120,197	7,179,655	—	7,179,655
Inter-segment net sales or transfers	—	—	—	138,428	138,428	(138,428)	—
Total	6,217,620	841,838	7,059,458	258,625	7,318,083	(138,428)	7,179,655
Segment profit (loss)	(162,084)	(80,365)	(242,449)	26,073	(216,376)	(2,179)	(218,555)

(Notes) 1. The “Others” category refers to the transport business and warehouse business not included in reportable segments.

2. The adjustment of ¥ (2,179) thousand in segment profit (loss) is primarily elimination of intersegment transactions.

3. Segment profit (loss) has been adjusted with operating loss in the Quarterly Consolidated Statements of Income.

2. Information on changes, etc. for the reportable segment

Not applicable.

II. For the three months ended September 30, 2023 (from July 1, 2023 to September 30, 2023)

1. Information on net sales and profit (loss) by reportable segment, and disaggregated revenue information

(Thousand yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Fish-paste Products and Side Dishes Business	Mushroom Business	Total				
Net sales							
Revenue from contracts with customers	6,455,159	768,836	7,223,996	105,495	7,329,492	—	7,329,492
Net sales to outside customers	6,455,159	768,836	7,223,996	105,495	7,329,492	—	7,329,492
Inter-segment net sales or transfers	—	—	—	144,897	144,897	(144,897)	—
Total	6,455,159	768,836	7,223,996	250,392	7,474,389	(144,897)	7,329,492
Segment profit (loss)	17,806	(121,340)	(103,533)	36,725	(66,808)	(4,307)	(71,115)

(Notes) 1. The “Others” category refers to the transport business and warehouse business not included in reportable segments.

2. The adjustment of ¥ (4,307) thousand in segment profit (loss) is primarily elimination of intersegment

transactions.

3. Segment profit (loss) has been adjusted with operating loss in the Quarterly Consolidated Statements of Income.

2. Information on changes, etc. for the reportable segment

(Changes in depreciation method of property, plant and equipment)

As described in the (Changes in accounting estimates) section, the Company and its consolidated subsidiaries had adopted the declining balance method as the depreciation method for property, plant and equipment (however, the straight-line method was adopted for buildings acquired from April 1, 1998 onwards (excluding building affiliated equipment) and building affiliated equipment and structures acquired from April 1, 2016 onwards), however this was changed to the straight-line method from the three months ended September 30, 2023.

As a result, compared to the conventional method, segment profit for the three months ended September 30, 2023 increased by ¥81,484 thousand for the fish-paste products and side dishes business, ¥10,145 thousand for the mushroom business and ¥737 thousand for other business.