February 2, 2024

Consolidated Financial Results (Japanese Accounting Standards) for the Nine Months Ended December 31, 2023 (Q3 FY2023) (English Translation)

Company name:	KAMEDA SEIKA CO., LTD.
Stock exchange:	Tokyo Stock Exchange
Stock code:	2220
URL:	www.kamedaseika.co.jp
Representative:	Masanori Takagi, President and COO
Contact:	Akira Kobayashi, Senior Managing Director & CFO, General Manager of Administrative Division Tel. +81-25-382-2111

Scheduled date for filing of securities report:	February 9, 2024
Scheduled date of commencement of dividend payment:	-
Supplementary documents for quarterly results:	Yes
Quarterly results briefing:	None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 - December 31, 2023)

(1) Consolidated Results of Operations (Accumulated Total)

(Percentages show year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Nine Months ended	¥ million	%	¥ million	%	¥ million	%	¥ million	%
December 31, 2023	70,136	-2.4	2,895	-7.5	3,995	-7.6	1,983	24.2
December 31, 2022	71,840	14.9	3,130	6.0	4,326	18.1	1,596	-48.0

(Note) Comprehensive income: ¥ 4,105million (-6.3%) for the nine months ended December 31, 2023
¥ 4,382million (13.0%) for the nine months ended December 31, 2022

	Net income Per share (basic)	Net income Per share (diluted)
Nine Months ended	¥	¥
December 31, 2023	94.09	—
December 31, 2022	75.74	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of December 31, 2023	116,117	70,870	57.9	3,188.19
As of March 31, 2023	111,182	67,996	58.3	3,076.11

(Reference) Shareholder's equity: As of December 31, 2023: ¥67,217 million
As of March 31, 2023: ¥64,855 million

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	¥	¥	¥	¥	¥
Year ended March 31, 2023	—	15.00	—	40.00	55.00
Year ending March 31, 2024	—	15.00	—		
Year ending March 31, 2024 (forecasts)				41.00	56.00

(Note) Revisions to dividend forecasts published most recently: None

3. Consolidated Forecasts for the Fiscal year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(Percentages represent ratio of changes from the corresponding period of the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Year ending March 31, 2024	97,500	2.6	4,500	26.2	5,800	11.2	3,300	74.3	156.52

(Note) Revisions to financial forecasts published most recently: Not applicable

* Notes

(1) Changes of important subsidiaries during the period (changes of specific subsidiaries in accordance with changes in the scope of consolidation): Yes

Exclusion: one company, (company name) Singha Kameda Trading (Thailand) Co., Ltd.

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to the Quarterly Consolidated Financial Statements (Changes of Important Subsidiaries During the Period)” on page 9.

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: Not applicable

(3) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies caused by revision of accounting standards: Not applicable

(ii) Changes in accounting policies other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatement: Not applicable

(4) Number of shares outstanding (common stock):

(i) Number of shares outstanding at end of period (including treasury stock)

As of December 31, 2023: 22,318,650 shares

As of March 31, 2023: 22,318,650 shares

(ii) Number of treasury stock at end of period

As of December 31, 2023: 1,235,238 shares

As of March 31, 2023: 1,234,981 shares

(iii) Average number of shares outstanding during the term

Nine Months ended December 31, 2023: 21,083,525 shares

Nine Months ended December 31, 2022: 21,083,671 shares

* This quarterly financial results report is not subject to quarterly review procedures by certified public accountants or the audit corporation.

* Explanations and other special notes concerning the appropriate use of performance forecasts.

(Caution concerning statements, etc. regarding the future)

The forward-looking statements such as performance forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable. Actual results may differ materially from the forecast depending on a range of factors. See “1. Qualitative Consolidated Financial Results Data for the Period under Review (3) Explanation of Future Estimates, Including Consolidated Forecasts” on page 4 of the Appendix for the conditions assumed in consolidated forecasts and notes on the use of consolidated forecasts.

(How to obtain supplementary explanatory materials on financial results)

Download from the Company’s website, available from Friday, February 9, 2024.

Contents of Appendix

1. Qualitative Consolidated Financial Results Data for the Period under Review

(1) Explanation of Consolidated Operating Results

During the nine months ended December 31, 2023, the Japanese economy continued on a gradual recovery trend, due in part to growth in overseas travelers and a resumption of the flow of people.

However, a tense international environment, the depreciation of the yen, and high raw material and energy prices have not been resolved, and these factors continue to put downward pressure on corporate earnings.

Domestic food companies continue to be forced into difficult steering in light of this economic environment.

The KAMEDA SEIKA Group is working to implement its Medium-to-Long-Term Growth Strategy 2030, which was restructured in light of these changes in the business environment. We position contributing to the healthy lifestyles of our customers through the blessings of rice to further refine the values of excellent flavor, health, and excitement, as our purpose, "Better For You." By realizing our vision of becoming a Rice Innovation Company that maximizes the potential of rice to create new value and new markets for society, we aim to achieve sustainable growth and an improvement in our corporate value.

Up to now, we have been expanding our business domains through upfront investments in the Overseas Business and Food Business, based on the business foundation of the technology and know-how we have developed in the Domestic Rice Cracker Business. Going forward, we aim to develop an asset-light, highly profitable business model leveraging the strength of the technology and know-how accumulated through these efforts. We will establish a foundation for the KAMEDA SEIKA Group's earnings by FY2026, and subsequently, based on that solid foundation, we will aim for further business expansion to achieve sustainable growth and improve corporate value for FY2030.

In FY2023, which is the first year of the Medium-Term Business Plan, we are aiming to be a company that continues to provide value to customers, mainly through the development of products that meet the diversifying needs of society and contribute to solving social issues, and are implementing structural reforms and strengthening our management foundation.

In the Domestic Rice Cracker Business, demand remained firm amid a recovery in out-of-home consumption. Considering the impact on earnings due to continued high raw material prices and energy prices, the Company has implemented price revisions and specification changes, and has also shifted to a competitive strategy that appeals for value by enhancing product uniqueness in an effort to secure earnings.

For our key brand "KAMEDA Kaki-no-Tane," we have endeavored to stimulate demand by broadcasting TV commercials that appeal to new eating situations while strengthening in-store exposure in association with these commercials, and also by reviving products which had been suspended due to tight supply and demand. For "Happy Turn" and the "Mugen" series, we have continued to implement initiatives aimed at capturing younger customers, including collaboration campaigns with popular smartphone app games. We are also advancing efforts toward both deepening our brand value and evolving product value, including the development of new value-added products utilizing the rice processing technology that we have cultivated. Furthermore, in conjunction with our product strategy, we are engaged in activities that are focused on value appeal, such as increasing our production capacity, sales at reasonable prices, and effective execution of sales promotion expenses.

As a result of these initiatives for the four priority brands, net sales were higher year-on-year for the "Mugen" series, while net sales for "KAMEDA Kaki-no-Tane," "Happy Turn," and "KAMEDA Tsumami Dane" were lower year-on-year.

Meanwhile, Group companies that manufacture and sell products for department stores and souvenirs posted higher revenue, partly due to the market recovery effect following normalization from the COVID-19 pandemic. However, this was not enough to offset the decline in revenue in KAMEDA SEIKA's Rice Cracker Business, and overall net sales in the Domestic Rice Cracker Business declined year-on-year.

In the Overseas Business, Mary's Gone Crackers, Inc. in North America is continuing to restore production activities, normalizing its supply system, and working to improve profitability by recovering its business base and implementing price increases. In Asia, THIEN HA KAMEDA, JSC. in Vietnam benefited from strong domestic demand as well as expanded cross-border transactions, resulting in higher overall net sales in the Overseas Business year-on-year.

In the Food Business, in plant-based food, we released salad chicken products made with 100% plant-based ingredients and worked on expanding sales, and are also actively marketing 28-allergen-free rice flour bread for its functional attributes and unique quality of rice flour, while also expanding its distribution for commercial use in addition to individual use. Moreover, we are working to expand sales channels for plant origin lactic acid bacteria by promoting its functionality and differentiating it from other products.

As for long-life preserved foods, although corporate stockpiling remained strong due to replacement demand, the business was affected by a reactionary decline in individual demand, which had increased year-on-year, and adoption by local governments for home treatment support supplies due to factors such as earthquakes and the COVID-19 pandemic. As a result, net sales decreased year-on-year in the Food Business overall.

As a result of the above, net sales totaled ¥70,136 million (down 2.4% year-on-year).

In terms of operating income, in KAMEDA SEIKA's Rice Cracker Business, we worked to improve our product mix through measures such as product price revisions and specification changes, as well as focused sales promotion activities and enhanced production capabilities aimed at the growth of our four priority brands, while continuing efforts to improve production efficiency through efficient execution of sales promotion expenses, narrowing down the number of our products, and utilizing outsourced production. As a result, although profitability is steadily improving, profit decreased compared to the same quarter of the previous fiscal year, when rapid market share expansion was pursued. Group companies that manufacture and sell products for department stores and souvenirs reported an increase in profit, partly due to the effect of the recovery of the flow of people, thus covering the decreased profits in KAMEDA SEIKA's Rice Cracker Business, and the Domestic Rice Cracker Business as a whole reported an increase in profit year-on-year.

In the Overseas Business, as a result of factors including expanded cross-border transactions in addition to domestic sales at THIEN HA KAMEDA, JSC., the Asian region generally performed well, and steady profit growth in the region was achieved. On the other hand, one-time costs associated with structural reforms were incurred at Mary's Gone Crackers, Inc. in the process of normalizing operations. As a result, losses in the Overseas Business overall increased year-on-year.

In the Food Business, in addition to the impact of a reactionary decline in personal demand for long-life preserved foods, the effect of advance investment aimed at expanding the scale of plant-based food led to a year-on-year decrease in profit.

As a result of these efforts, operating income totaled ¥2,895 million (down 7.5% year-on-year).

In addition, although there were temporary foreign exchange gains resulting from depreciation of the yen, the abovementioned decline in operating income combined with a decrease in equity in earnings of affiliates in TH FOODS, INC., an affiliate accounted for by the equity method, resulted in ordinary income of ¥3,995 million (down 7.6% year-on-year). Net income attributable to owners of the parent amounted to ¥1,983 million (up 24.2% year-on-year), resulting in a year-on-year increase in profit due to the recording of extraordinary losses attributable to Mary's Gone Crackers, Inc. in the same quarter of the previous year.

Supplementary Information (Unit: ¥ million)

	Nine Months ended December 31, 2022	Nine Months ended December 31, 2023	YoY	
			Change (amount)	Change (%)
Net sales	71,840	70,136	-1,703	-2.4
Domestic Rice Cracker Business	51,364	49,493	-1,871	-3.6
Overseas Business *1	10,808	11,175	367	3.4
Food Business *2	4,739	4,261	-477	-10.1
Other (Freights transport etc.) *3	4,927	5,206	278	5.6
Operating income	3,130	2,895	-234	-7.5
Operating income margin	4.4%	4.1%		
Domestic Rice Cracker Business	2,852	3,322	469	16.5
Overseas Business *1	-141	-422	-280	—
Food Business *2	147	-302	-449	—
Other (Freights transport etc.) *3	273	298	25	9.2

*1. Overseas business includes domestic import and export transactions in addition to those of overseas subsidiaries.

*2. Food business is mainly comprised of long-life preserved foods and plant origin lactic acid bacteria as well as rice flour bread and plant-based food.

*3. "Other" consists mainly of the subsidiary's logistic business.

(2) Explanation of Consolidated Financial Position

(Assets)

Current assets stood at ¥33,026 million at the end of the third quarter, an increase of ¥1,760 million from the end of the previous fiscal year. This was mainly due to increases of ¥1,386 million in “Notes, accounts receivable-trade and contract assets,” ¥420 million in “Merchandise and finished goods,” and ¥839 million in “Raw materials and supplies ,” which were partly offset by decreases of ¥598 million in “Cash and deposits” and ¥303 million in “Other.” Fixed assets stood at ¥83,090 million, an increase of ¥3,174 million from the end of the previous fiscal year. This was mainly attributable to increases of ¥3,173 million in “Other” under property, plant and equipment, ¥860 million in “Investment securities,” and ¥397 million in “Other” under investments and other assets, which were partly offset by a decrease of ¥967 million in “Machinery, equipment and vehicles.”

As a result, total assets stood at ¥116,117 million, an increase of ¥4,935 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities stood at ¥29,123 million at the end of the third quarter, an increase of ¥3,400 million from the end of the previous fiscal year. This was mainly due to increases of ¥431 million in “Electronic-recording liabilities,” ¥3,364 million in “Short-term loans payable,” and ¥99 million in “Income taxes payable,” which were partly offset by a decrease of ¥602 million in “Provisions.” Long-term liabilities stood at ¥16,123 million, a decrease of ¥1,339 million from the end of the previous fiscal year. This was mainly due to a ¥1,898 million decline in “Long-term loans payable,” which was partly offset by a ¥513 million increase in “Other.”

As a result, total liabilities stood at ¥45,246 million, an increase of ¥2,061 million from the end of the previous fiscal year.

(Net assets)

Total net assets stood at ¥70,870 million at the end of the third quarter, an increase of ¥2,873 million from the end of the previous fiscal year. This was mainly due to a ¥824 million increase in “Retained earnings” resulting from “Net income attributable to owners of the parent” of ¥1,983 million and “Dividends from surplus” of ¥1,159 million, and increases of ¥1,369 million in “Foreign currency translation adjustment” and ¥511 million in “Non-controlling interests.”

As a result, the equity ratio was 57.9%, down from 58.3% at the end of the previous fiscal year.

(3) Explanation of Future Estimates, Including Consolidated Forecasts

The Group’s consolidated earnings forecasts for the full year of FY2023 remain unchanged from the earnings forecasts disclosed on May 10, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(¥ Million)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	8,275	7,676
Notes, accounts receivable-trade and contract assets	13,654	15,040
Merchandise and finished goods	2,791	3,212
Work in process	791	816
Raw materials and supplies	3,874	4,714
Other	1,899	1,595
Allowance for doubtful accounts	-20	-30
Total current assets	31,266	33,026
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	18,188	18,107
Machinery, equipment and vehicles, net	21,275	20,308
Other, net	12,516	15,690
Total property, plant and equipment	51,981	54,106
Intangible assets		
Goodwill	2,125	2,063
Customer related assets	887	826
Trademark assets	795	738
Technology assets	493	458
Other	1,080	1,085
Total intangible assets	5,382	5,172
Investments and other assets		
Investment securities	14,941	15,802
Other	7,654	8,052
Allowance for doubtful accounts	-44	-43
Total investments and other assets	22,551	23,811
Total fixed assets	79,915	83,090
Total assets	111,182	116,117

(¥ Million)	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,571	4,608
Electronic-recording liabilities	2,910	3,341
Short-term loans payable	7,034	10,399
Income taxes payable	498	598
Provision	1,520	917
Asset retirement obligations	67	69
Other	9,119	9,187
Total current liabilities	25,722	29,123
Long-term liabilities		
Long-term loans payable	13,470	11,571
Liabilities for retirement benefits	539	575
Asset retirement obligations	282	291
Other	3,170	3,684
Total long-term liabilities	17,462	16,123
Total liabilities	43,185	45,246
Net assets		
Shareholders' equity		
Capital stock	1,946	1,946
Capital surplus	170	170
Retained earnings	59,163	59,987
Treasury stock	-1,901	-1,903
Total shareholders' equity	59,378	60,201
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	665	876
Deferred gains (losses) on hedges	1	-0
Foreign currency translation adjustment	4,443	5,813
Remeasurements of defined benefit plans	366	327
Total accumulated other comprehensive income	5,477	7,016
Non-controlling interests	3,141	3,652
Total net assets	67,996	70,870
Total liabilities and net assets	111,182	116,117

(2) Quarterly Consolidated Income Statement and Consolidated Comprehensive Income Statement

(Quarterly Consolidated Income Statement)

(Cumulative Third Quarter)

(¥ Million)

	Nine Months ended December 31, 2022	Nine Months ended December 31, 2023
Net sales	71,840	70,136
Cost of sales	52,949	51,550
Gross profit	18,890	18,585
Selling, general and administrative expenses	15,759	15,689
Operating income	3,130	2,895
Non-operating income		
Interest income	58	103
Dividend income	51	55
Equity in earnings of affiliates	634	406
Foreign exchange gains	392	433
Other	153	185
Total non-operating income	1,290	1,185
Non-operating expenses		
Interest expenses	60	59
Other	34	26
Total non-operating expenses	94	85
Ordinary income	4,326	3,995
Extraordinary losses		
Loss on disposal of noncurrent assets	108	101
Impairment loss	※ 1,792	—
Total extraordinary losses	1,901	101
Income before income taxes	2,425	3,894
Income taxes-current	549	852
Income taxes-deferred	15	730
Total income taxes	564	1,583
Net income	1,860	2,311
Net income (loss) attributable to non-controlling interests	264	327
Net income attributable to owners of the parent	1,596	1,983

(Quarterly Consolidated Comprehensive Income Statement)
(Cumulative Third Quarter)

(¥ Million)

	Nine Months ended December 31, 2022	Nine Months ended December 31, 2023
Net income	1,860	2,311
Other comprehensive income		
Valuation difference on available-for-sale securities	-22	210
Deferred gains (losses) on hedges	-21	-2
Foreign currency translation adjustment	1,815	859
Adjustment for retirement benefits	-116	-38
Share of other comprehensive income of associates accounted for using equity method	866	765
Other comprehensive income	2,521	1,794
Comprehensive income	4,382	4,105
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,671	3,522
Comprehensive income attributable to non-controlling interests	711	582

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes to the Assumption of a Going Concern)

Not applicable.

(Notes to the Quarterly Consolidated Income Statement)

* Impairment losses

The KAMEDA SEIKA Group recorded impairment losses for the following asset groups.

Nine months ended December 31, 2022 (April 1, 2022 – December 31, 2022)

Use	Type	Location
Assets for business use	Buildings and structures Machinery, equipment and vehicles Other property, plant and equipment	U.S.

With regard to assets for business use, we have placed the business of the manufacture and sale of rice crackers in the core group, and lease assets and idle assets in groups for individual property units. In addition, we have placed consolidated subsidiaries as a general rule in one unit for each company.

With regard to assets for business use in the U.S., due to a failure to adequately respond to the rapid deterioration of the business environment, an operating loss was recorded at our consolidated subsidiary, Mary’s Gone Crackers, Inc. Under these circumstances, as a result of the impairment test conducted in accordance with U.S. GAAP, their fair values were lower than their book values. Accordingly, their book values were reduced to their fair values, and the amount of that reduction was recorded as an impairment loss of ¥1,792 million under extraordinary losses. The breakdown is ¥128 million in buildings and structures, ¥821 million in machinery, equipment and vehicles, and ¥843 million in other property, plant and equipment.

The fair value was calculated by discounting future cash flows, and the discount rate used was 3.71%.

(Notes Concerning Significant Changes in the Amount of Shareholder Equity)

Not applicable.

(Changes of Important Subsidiaries During the Period)

During the third quarter of the current consolidated fiscal year, Singha Kameda Trading (Thailand) Co., Ltd. was excluded from the scope of consolidation due to the completion of its liquidation.

(Segment Information)

I Nine months ended December 31, 2022(April 1, 2022 – December 31, 2022)

1. Information regarding the amount of net sales, income and loss by reportable segment

(¥ million)

	Reportable segment				Other (Note) 1	Total	Adjustment (Note) 2	The amount statedin quarterly consolidated income statement (Note) 3
	Domestic Rice Cracker	Overseas	Food	Total				
Net sales								
Revenue from contracts with customers	51,364	10,808	4,739	66,912	4,927	71,840	―	71,840
Other income	―	―	―	―	―	―	―	―
Net sales to outside customers	51,364	10,808	4,739	66,912	4,927	71,840	―	71,840
Internal sales or transfers between segments	7	1,284	35	1,327	4,447	5,775	-5,775	―
Total	51,372	12,092	4,774	68,240	9,375	77,615	-5,775	71,840
Segment income (loss)	2,852	-141	147	2,857	261	3,119	11	3,130

(Note) 1. “Other” includes Freights transport etc.
2. ¥11 million of adjustment of segment income (loss) is ¥11 million of elimination of intersegment transactions.
3. Segment income (loss) is adjusted with operating income reported on quarterly consolidated income statement.

2. Information on goodwill and impairment loss on noncurrent assets for each reportable segment

(Material Impairment loss on Fixed Assets)

An impairment loss was recorded in the “Overseas Business.” The amount of such impairment loss recorded was ¥1,792 million for the nine months ended December 31, 2022.

(Material Change in the Amount of Goodwill)

Not applicable.

(Material profit from negative goodwill)

Not applicable.

II Nine months ended December 31, 2023(April 1, 2023 – December 31, 2023)

1. Information regarding the amount of net sales, gain and loss by reportable segment

(¥ million)

	Reportable segment				Other (Note) 1	Total	Adjustment (Note) 2	The amount statedin quarterly consolidated income statement (Note) 3
	Domestic Rice Cracker	Overseas	Food	Total				
Net sales								
Revenue from contracts with customers	49,493	11,175	4,261	64,930	5,206	70,136	—	70,136
Other income	—	—	—	—	—	—	—	—
Net sales to outside customers	49,493	11,175	4,261	64,930	5,206	70,136	—	70,136
Internal sales or transfers between segments	5	795	7	808	4,129	4,938	-4,938	—
Total	49,498	11,971	4,269	65,739	9,335	75,075	-4,938	70,136
Segment income (loss)	3,322	-422	-302	2,597	288	2,886	9	2,895

(Note) 1. “Other” includes Freights transport etc.

2. ¥9 million of adjustment of segment income (loss) is ¥9 million of elimination of intersegment transactions

3. Segment income (loss) is adjusted with operating income reported on quarterly consolidated income statement.

2. Information on goodwill and impairment loss on noncurrent assets for each reportable segment

(Material Impairment loss on Fixed Assets)

Not applicable.

(Material Change in the Amount of Goodwill)

Not applicable.

(Material profit from negative goodwill)

Not applicable.