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Consolidated Financial Results for the Three Months Ended January 31, 2024 [Japanese GAAP]



March 14, 2024

Company name: SHOEI FOODS CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Code number: 8079

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

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Scheduled date of filing quarterly securities report: March 15, 2024

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 Three Months Ended January 31, 2024 (November 1, 2023 – January 31, 2024)

(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 January 31, 2024	29,522	9.5	1,194	74.7	1,211	93.4	576	70.4
January 31, 2023	26,939	(1.2)	683	(53.1)	626	(58.4)	338	(66.5)

(Note) Comprehensive income: Three months ended January 31, 2024: (140) million yen [(87.9)%]

Three months ended January 31, 2023: (1,162) million yen [(195.1)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended January 31, 2024	34.21		—	
January 31, 2023	20.08		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of January 31, 2024	89,124		51,490		56.7	
As of October 31, 2023	87,452		52,035		58.4	

(Reference) Equity: As of January 31, 2024: 50,555 million yen

As of October 31, 2023: 51,107 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended October 31, 2023	Yen —	Yen 24.00	Yen —	Yen 24.00	Yen 48.00
Fiscal year ending October 31, 2024	—				
Fiscal year ending October 31, 2024 (Forecast)		25.00	—	25.00	50.00

Notes: 1. Revision to the forecast for dividends announced most recently: None

2. Breakdown of the dividend for the 2nd quarter-end of the fiscal year ending October 31, 2024 (forecast):

Ordinary dividend: 24.00 yen

Commemorative dividend: 1.00 yen

Breakdown of the year-end dividend for the fiscal year ending October 31, 2024 (forecast):

Ordinary dividend: 24.00 yen

Commemorative dividend: 1.00 yen

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending October 31, 2024 (November 1, 2023 – October 31, 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	57,000	2.2	2,300	9.6	2,350	12.8	1,600	18.6	95.01
Full year	110,000	0.3	4,200	4.0	4,250	2.7	2,900	3.2	172.20

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

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information ..	3
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on going concern assumption)	8
(Segment information, etc.)	8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

(Million yen)

	Three months ended		Change
	January 31, 2023	January 31, 2024	
Net sales	26,939	29,522	9.5%
Operating profit	683	1,194	74.7%
Ordinary profit	626	1,211	93.4%
Profit attributable to owners of parent	338	576	70.4%

During the period under review, although corporate performance progressed steadily on the whole, the economic trend remained uncertain partly due to the impact of earthquakes, with increased budget-minded spending patterns caused by inflation. In the food industry, while there were some positive aspects such as a rebound in flow of people thanks to the containment of COVID-19 and the effect of price revisions, price hikes continued partly due to the weakening of the yen and rising prices of chocolate materials. Under these circumstances, the ShoEi Foods group worked on establishing a new organization to expand its business overseas toward the 120-year anniversary as well as addressing various issues including strengthening its preparedness for the 2024 logistics problem.

As a result of these efforts, consolidated net sales for the period under review increased by 9.5% year on year to 29,522 million yen, thanks to an increase in sales of dairy products and confectionery in Japan as well as increases in exports of walnuts from the United States and sales of nuts and dried fruits in China, among others.

On the profit front, operating profit increased by 74.7% year on year to 1,194 million yen, ordinary profit increased by 93.4% to 1,211 million yen, and profit attributable to owners of parent increased by 70.4% to 576 million yen. This was owing to a significant improvement in profits in Japan due to the stabilization of the rise in energy cost and the progress of product price revisions, among others.

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

(Million yen)

	Three months ended		Three months ended		Year on year change	
	January 31, 2023		January 31, 2024			
	Net sales	Composition	Net sales	Composition	Amount	%
Dairy products, oils and fats	7,720	28.7%	8,929	30.3%	1,208	15.6%
Confectionery raw materials	4,996	18.5%	4,907	16.6%	(89)	(1.7)%
Dried fruits and canned foods	9,147	34.0%	10,430	35.3%	1,282	14.0%
Confectionery and retail products	4,992	18.5%	5,193	17.6%	200	4.0%
Other	82	0.3%	62	0.2%	(20)	(24.5)%
Total	26,939	100.0%	29,522	100.0%	2,582	9.5%

Segment business results for the period under review are as follows.

1) Japan

In Japan, net sales increased by 6.3% year on year to 25,705 million yen due to the increased sales of

products such as dairy products, dried fruits, and confectionery and retail products, despite a drop in net sales of nuts resulting from a decline in prices.

Segment profit increased by 60.3% year on year to 1,225 million yen owing to the favorable profitability of cashew and other nuts and confectionery and retail products.

2) United States

In the United States, the Group's main walnut business saw an increase in net sales resulting from the increased sales volume, despite a drop in walnut prices. Sales of pine nuts in the United States also increased. As a result, net sales increased by 23.6% year on year to 2,868 million yen.

Segment loss of 54 million yen (a loss of 11 million yen in the same period of the previous fiscal year) was recorded. This was due to the lower profits resulting from the decreased sales of prunes in retail bags for Japan as well as the increased cost for orchards in the orchard business, among others, despite the increased profits as a result of strong sales of inshell walnuts.

3) China

In China, sales of nuts and dried fruits increased in China after the pandemic calmed down, and as a result, net sales increased by 19.9% year on year to 2,461 million yen.

Segment profit amounted to 88 million yen, an improvement from the segment loss of 11 million yen in the same period of the previous fiscal year, due to the improved profitability in areas such as the Chinese-grown seeds and strong sales in Hong Kong.

(2) Explanation of Financial Position

(Assets, liabilities, and net assets)

Total assets as of January 31, 2024 amounted to 89,124 million yen, an increase of 1,671 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 2,538 million yen in notes and accounts receivable - trade, 1,917 million yen in merchandise and finished goods, 485 million yen in work in process, and 1,562 million yen in raw materials and supplies, despite decreases of 3,719 million yen in cash and deposits and 518 million yen in advance payments to suppliers, resulting in current assets of 58,403 million yen, an increase of 2,148 million yen from the end of the previous fiscal year. Non-current assets fell by 476 million yen compared with the end of the previous fiscal year to 30,721 million yen due to decreases of 354 million yen in property, plant and equipment, and 111 million yen in investments and other assets.

Total liabilities as of January 31, 2024 amounted to 37,633 million yen, an increase of 2,216 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 3,125 million yen in notes and accounts payable - trade and 269 million yen in short-term borrowings, despite decreases of 212 million yen in accounts payable - other, 318 million yen in income taxes payable, and 598 million yen in provision for bonuses, resulting in current liabilities of 29,302 million yen, an increase of 2,110 million yen from the end of the previous fiscal year. Non-current liabilities increased by 105 million yen compared with the end of the previous fiscal year to 8,331 million yen due to an increase of 152 million yen in deferred tax liabilities.

Total net assets as of January 31, 2024 amounted to 51,490 million yen, a decrease of 544 million yen compared with the end of the previous fiscal year. This was due mainly to a decrease of 650 million yen in foreign currency translation adjustment, despite an increase of 172 million yen in retained earnings.

(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, 2024 announced on December 13, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	As of October 31, 2023	As of January 31, 2024
Assets		
Current assets		
Cash and deposits	12,948,689	9,229,190
Notes and accounts receivable - trade	21,124,074	23,662,876
Merchandise and finished goods	16,540,262	18,457,466
Work in process	817,472	1,302,478
Raw materials and supplies	2,746,495	4,308,676
Advance payments to suppliers	848,654	330,044
Other	1,232,081	1,116,350
Allowance for doubtful accounts	(3,454)	(3,881)
Total current assets	56,254,275	58,403,201
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,977,657	12,710,746
Machinery, equipment and vehicles, net	6,487,570	6,374,850
Tools, furniture and fixtures, net	336,936	331,917
Land	3,596,571	3,576,160
Leased assets, net	74,789	123,139
Construction in progress	299,805	324,664
Other, net	346,136	323,599
Total property, plant and equipment	24,119,465	23,765,077
Intangible assets		
Software	127,465	122,600
Other	164,213	157,788
Total intangible assets	291,678	280,388
Investments and other assets		
Investment securities	4,249,809	4,288,210
Insurance premium	29,080	29,080
Deferred tax assets	197,556	144,280
Long-term advance account	2,001,528	1,854,447
Other	400,843	449,329
Allowance for doubtful accounts	(91,760)	(89,570)
Total investments and other assets	6,787,057	6,675,777
Total non-current assets	31,198,202	30,721,243
Total assets	87,452,478	89,124,445

(Thousand yen)

	As of October 31, 2023	As of January 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,905,506	13,031,093
Short-term borrowings	9,676,926	9,946,330
Current portion of long-term borrowings	2,371,476	2,371,476
Accounts payable - other	2,170,117	1,957,800
Income taxes payable	769,593	451,373
Provision for bonuses	1,015,594	416,652
Provision for bonuses for directors (and other officers)	9,300	11,160
Other	1,272,764	1,116,353
Total current liabilities	27,191,277	29,302,240
Non-current liabilities		
Long-term borrowings	6,656,657	6,563,788
Deferred tax liabilities	358,057	510,871
Retirement benefit liability	712,584	713,351
Provision for retirement benefits for directors (and other officers)	96,512	100,353
Other	401,599	442,956
Total non-current liabilities	8,225,410	8,331,320
Total liabilities	35,416,688	37,633,560
Net assets		
Shareholders' equity		
Share capital	3,379,736	3,379,736
Capital surplus	3,059,298	3,059,298
Retained earnings	39,342,059	39,514,068
Treasury shares	(890,779)	(890,897)
Total shareholders' equity	44,890,315	45,062,206
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,053,590	2,077,975
Deferred gains or losses on hedges	210,103	112,640
Foreign currency translation adjustment	3,878,726	3,228,576
Remeasurements of defined benefit plans	74,958	73,856
Total accumulated other comprehensive income	6,217,379	5,493,049
Non-controlling interests	928,093	935,628
Total net assets	52,035,789	51,490,884
Total liabilities and net assets	87,452,478	89,124,445

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Three months ended January 31

(Thousand yen)

	For the three months ended January 31, 2023	For the three months ended January 31, 2024
Net sales	26,939,247	29,522,055
Cost of sales	22,854,233	24,914,124
Gross profit	4,085,013	4,607,931
Selling, general and administrative expenses	3,401,313	3,413,022
Operating profit	683,700	1,194,909
Non-operating income		
Interest income	3,315	5,454
Dividend income	33,652	38,603
Share of profit of entities accounted for using equity method	10,586	8,933
Insurance claim income	343	1,794
Dividends investment	32,844	-
Other	21,066	21,830
Total non-operating income	101,809	76,615
Non-operating expenses		
Interest expenses	30,519	31,480
Foreign exchange losses	128,172	28,033
Other	305	177
Total non-operating expenses	158,997	59,691
Ordinary profit	626,512	1,211,833
Extraordinary income		
Gain on sale of non-current assets	2,263	320
Total extraordinary income	2,263	320
Extraordinary losses		
Loss on sale of non-current assets	6	272
Loss on retirement of non-current assets	3,167	3,959
Total extraordinary losses	3,173	4,231
Profit before income taxes	625,601	1,207,922
Income taxes - current	50,650	380,392
Income taxes - deferred	230,198	246,094
Total income taxes	280,849	626,486
Profit	344,752	581,436
Profit attributable to non-controlling interests	6,607	5,208
Profit attributable to owners of parent	338,144	576,227

Quarterly Consolidated Statement of Comprehensive Income

Three months ended January 31

(Thousand yen)

	For the three months ended January 31, 2023	For the three months ended January 31, 2024
Profit	344,752	581,436
Other comprehensive income		
Valuation difference on available-for-sale securities	238,146	26,711
Deferred gains or losses on hedges	(678,634)	(97,462)
Foreign currency translation adjustment	(1,074,900)	(650,149)
Remeasurements of defined benefit plans, net of tax	7,776	(1,102)
Total other comprehensive income	(1,507,611)	(722,003)
Comprehensive income	(1,162,858)	(140,567)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,172,085)	(148,102)
Comprehensive income attributable to non-controlling interests	9,226	7,534

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Segment information, etc.)

[Segment information]

I. For the three months ended January 31, 2023 (from November 1, 2022 to January 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	24,050,703	1,450,926	1,436,964	26,938,593	—	26,938,593
Other revenue (Note 3)	653	—	—	653	—	653
Net sales to outside customers	24,051,356	1,450,926	1,436,964	26,939,247	—	26,939,247
Inter-segment net sales or transfers	126,660	868,852	614,586	1,610,098	(1,610,098)	—
Total	24,178,016	2,319,778	2,051,550	28,549,346	(1,610,098)	26,939,247
Segment profit (loss)	763,794	(11,839)	(11,978)	739,976	(56,275)	683,700

Notes: 1. The adjustment of segment profit (loss) of negative 56,275 thousand yen includes inter-segment elimination of 27,415 thousand yen and company-wide expenses of negative 83,691 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 three months ended January 31, 2024 (from November 1, 2023 to January 31, 2024)

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	25,482,026	2,217,531	1,821,844	29,521,402	—	29,521,402
Other revenue (Note 3)	653	—	—	653	—	653
Net sales to outside customers	25,482,680	2,217,531	1,821,844	29,522,055	—	29,522,055
Inter-segment net sales or transfers	223,037	650,949	639,707	1,513,695	(1,513,695)	—
Total	25,705,717	2,868,480	2,461,552	31,035,750	(1,513,695)	29,522,055
Segment profit (loss)	1,225,073	(54,700)	88,315	1,258,687	(63,778)	1,194,909

Notes: 1. The adjustment of segment profit (loss) of negative 63,778 thousand yen includes inter-segment elimination of 17,861 thousand yen and company-wide expenses of negative 81,640 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.