

# Consolidated Financial Results (Japanese Accounting Standards) for the Three Months Ended June 30, 2020 (Q1 FY2020) (English Translation)

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Supplementary documents for quarterly results: Available

Quarterly results briefing: None

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

## 1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (April 1 - June 30, 2020)

### (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	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Three Months ended June 30, 2020	24,837	5.7	893	110.6	1,052	81.8	686	122.0
June 30, 2019	23,501	0.2	424	8.6	579	(7.7)	309	12.5

(Note) Comprehensive income: ¥ 642 million (—%) for the three months ended June 30, 2020  
 ¥ -98 million (—%) for the three months ended June 30, 2019

	Net income Per share (basic)	Net income Per share (diluted)
	¥	¥
Three Months ended June 30, 2020	32.57	—
June 30, 2019	14.67	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of June 30, 2020	85,296	54,382	61.9	2,502.29
As of March 31, 2020	85,825	53,902	61.6	2,508.48

(Reference) Shareholder's equity: As of June 30, 2020: ¥ 52,758 million  
 As of March 31, 2020: ¥ 52,889 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, 2020	—	15.00	—	37.00	52.00
Year ending March 31, 2021	—				
Year ending March 31, 2021 (forecasts)		15.00	—	38.00	53.00

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

3. Consolidated Forecasts for the Fiscal year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)  
(Percentage figures for the fiscal year represent the changes from the previous year,  
while percentage figures for the six months' period represent the changes from the same 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	%	¥
Six months ending September 30, 2020	50,000	2.8	1,600	14.1	2,000	18.2	1,300	9.3	61.66
Year ending March 31, 2021	106,000	2.1	6,000	3.2	7,200	4.2	4,800	7.5	227.66

(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  
2 new companies (Company name) 1. Singha Kameda (Thailand) Co., Ltd.  
2. Singha Kameda Trading (Thailand) Co., Ltd.  
(Note) For details, please refer to p.9 of the Appendix, "2. Quarterly Consolidated Financial Statements (3) Notes onto the Quarterly Consolidated Financial Statements (Changes of important subsidiaries during the period)"

- (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 June 30, 2020: 22,318,650 shares  
As of March 31, 2020: 22,318,650 shares  
(ii) Number of treasury stock at end of period  
As of June 30, 2020: 1,234,665 shares  
As of March 31, 2020: 1,234,462 shares  
(iii) Average number of shares outstanding during the term  
Three Months ended June 30, 2020: 21,084,123 shares  
Three Months ended June 30, 2019: 21,084,259 shares

\* Representations concerning the implementation of auditing procedures

These financial results are not subject to quarterly review under the Financial Instruments and Exchange Act, and quarterly review procedures on the consolidated financial statements are currently underway at the time of disclosure of the financial results.

\* 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 materials on financial results)

Download from the Company's website, available from Tuesday, August 11, 2020.

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

### (1) Explanation of Consolidated Operating Results

During the first consolidated quarter under review, the Japanese economy has seen a state of emergency announced due to the spread of COVID-19, tightly constraining personal consumption and corporate activities, and inevitably shifting economic activity to low levels. In addition, even after the state of emergency had been lifted, we have not seen a clear path to a return to normal economic activity, as fears over the spread of the virus still remain.

Similarly for the global economy, with the impact of the spread of COVID-19 being felt severely in countries other than Japan, and with tight restrictions being placed on cross-border travel and economic slowdown in many countries, there is an increasing sense of uncertainty about the future.

In the food industry, all companies are fully committed to continuing operations in order to fulfil their supply responsibilities. However, while costs are trending upward, we expect we will continue to face a harsh earnings environment owing to factors such as a trend toward low-priced products, and consumers taking an increasingly defensive stance toward spending in order to maintain their lifestyles as they expect economic slowdown going forward.

Based on these economic conditions and changes in the environment surrounding the food industry, the Kameda Seika Group will continue its efforts as part of the medium-term business plan to achieve sustainable growth and enhance corporate value by providing customer value from the standpoint of the slogan “Better for You,” which represents “contribution to a healthy lifestyle through the selection, eating and enjoyment of things that are delicious and good for the body,” and realizing its goal of becoming a “Global Food Company.” By FY2030, we aim to evolve from a “Rice Snacks and Cracker Business” to a “‘Better for You’ Food Business.”

In terms of our medium-term business plan through to FY2023, together with striving to realize our vision as a distinctive global corporation with a solid foundation in the three pillars of our Domestic Rice Cracker Business, Overseas Business, and Food Business, we will continue to implement structural reforms in the medium-to-long-term while taking action to address changes in the business environment, such as changes in consumer behavior in response to the current spread of COVID-19, to accelerate our efforts to achieve sustained growth and enhance our corporate value.

Although for some time we have been focusing on policies aimed at future growth, for FY2020 we plan to take a more dynamic approach toward both the short and medium-to-long term in light of the current changes in the business environment. We are working on the following as priority initiatives: further enhancing our revenue base to strengthen our position as a far-and-ahead leader in the Domestic Rice Cracker Business; in our Overseas Business, clearing a path toward securing profits in our North American subsidiaries and restoring profitability across all segments; and in our Food Business, growing sales by expanding plant-based foods.

In the Domestic Rice Cracker Business, we have been making every effort to expand our production and sales infrastructure in order to fulfill our responsibility of supplying consumer staples with regard to the current increased demand due to consumer cocooning. For this reason, we have taken measures to focus on the manufacture and sale of our core products by temporarily discontinuing or suspending to sell some of our products.

We have also changed the ratio of “Kaki-no-Tane” crackers to peanuts in our “KAMEDA Kaki-no-Tane” for the first time in 40 years in response to consumer feedback from a nation-wide poll that we conducted last year, with the aim of promoting medium-to-long-term brand growth, and as part of initiatives to encourage public spending by focusing resources on one of our flagship brands. At the same time, we have enhanced our savory snacks line in order to capture the rise in demand due to more people drinking at home.

As a result of these initiatives, although sales of our core brands “KAMEDA Kaki-no-Tane,” “Happy Turn,” “Tsumami Dane,” “Soft Salad,” “Waza-no-KodaWari,” “Potapota Yaki,” “Age-Ichiban,” and “Katabutsu” were up year-on-year, “KAMEDA no Magari Senbei,” “Usuyaki,” “Teshioya” and “HaiHain” were down year-on-year due to reduced effectiveness of aggressive sales promotion activities.

In the Overseas Business, some countries have issued lockdown orders and operations have unavoidably temporarily changed or stopped in some regions due to the spread of COVID-19. However, for Mary’s Gone Crackers, Inc. in North America, which is positioned as a major base, we have on the whole maintained supply due to such factors as

operations continuing due to the Company's position as supplying consumer staples. In addition, sales increased year-on-year due to gaining new customers and expanding our sales areas, and due to a rise in consumer household spending and consumer stockpiling.

In order to capitalize on this growing global demand for rice crackers, in June 2020 we started a joint venture for the manufacture and sale of rice crackers for the export market together with Singha Corporation Co., Ltd., a business with similar interests to our own that operates in Thailand, as a new base for cross-border business. By combining the strengths of both our companies, we will strengthen our global footprint with a blend of high quality and cost-competitiveness, and continue expanding our Overseas Business.

In the Food Business, sales increased year-on-year with increased demand for stockpiling of food, particularly for personal consumption, and the strong performance of long-life Alpha Rice (pre-cooked and dehydrated rice) and long-life allergen-free brown rice bread.

As a result of the above, net sales totaled ¥24,837 million (up 5.7% year-on-year).

In terms of operating income, sales dipped for subsidiaries who deal in department stores and souvenirs due to lockdowns and travel restrictions. However, operating income increased with higher revenue from consumer cocooning and as a result of efforts to improve productivity through concentrating on products designed to maximize supplies.

In addition, Mary's Gone Crackers, Inc. has achieved sustained profitability with increased profits through increased revenues, along with the effects of previous structural reforms becoming apparent.

As a result of these efforts, operating income increased 110.6% year-on-year to ¥893 million.

Furthermore, ordinary income increased 81.8% year-on-year to ¥1,052 million, and quarterly net income attributable to owners of the parent increased 122.0% year-on-year to ¥686 million resulting from increased equity-method investment earnings from equity-method affiliate TH Foods, Inc. despite decreased equity-method investment earnings from Daawat KAMEDA (India) Private Limited in line with factory utilization.

#### Supplementary Information

(Unit: ¥ million)

	Three Months ended June 30, 2019	Three Months ended June 30, 2020	YoY	
			Change (amount)	Change (%)
Net sales	23,501	24,837	1,335	5.7
Domestic Rice Cracker Business	19,142	19,240	97	0.5
Overseas Business *1	1,716	2,248	531	31.0
Food Business *2	879	1,633	754	85.8
Other (Freights transport etc.) *3	1,763	1,714	(48)	(2.8)
Operating income	424	893	469	110.6
Operating income margin	1.8%	3.6%		
Domestic Rice Cracker Business	818	608	(210)	(25.7)
Overseas Business *1,4	(280)	(18)	262	—
Food Business *2	(143)	216	359	—
Other (Freights transport etc.) *3,4	29	86	57	197.3

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

\*2. Food business is mainly comprised of long-term preserved foods and plant origin lactic acid bacteria as well as bread made from brown rice and vegetarian meat substitutes.

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

\*4. Restructuring charges of Overseas business are reclassified to Other (Freights transport etc.)

## (2) Explanation of Consolidated Financial Position

### (Assets)

Current assets stood at ¥22,042 million at the end of the first quarter, a decline of ¥1,939 million from the end of the previous fiscal year. This was mainly due to increases of ¥908 million in “Cash and deposits” and ¥198 million in “Merchandise and finished goods,” which were partly offset by a ¥3,026 million decline in “Notes and accounts receivable-trade.” Fixed assets stood at ¥63,253 million, an increase of ¥1,410 million from the end of the previous fiscal year. This was mainly attributable to increases of ¥489 million in “Buildings and structures,” ¥611 million in “other” under the Property, plant and equipment, ¥573 million in “Goodwill” and ¥283 in “Other” under the Investments and other assets which were partially offset by decrease of ¥426 million in “Investment securities.”

As a result, total assets stood at ¥85,296 million, a decrease of ¥529 million from the end of the previous fiscal year.

### (Liabilities)

Current liabilities stood at ¥23,629 million at the end of the first quarter, a decline of ¥567 million from the end of the previous fiscal year. This was mainly due to increases of ¥716 million in “Short-term loans payable” and ¥820 million in “Provision for bonuses,” which were offset by respective decreases of ¥479 million in “Notes and accounts payable-trade,” ¥208 million in “Income taxes payable,” ¥316 million in “Other provisions” and ¥1,049 million in “Other”. Long-term liabilities stood at ¥7,284 million, a decrease of ¥441 million from the end of the previous fiscal year. This was mainly due to a ¥486 million decrease in “Long-term loans payable.”

As a result, total liabilities stood at ¥30,914 million, a decline of ¥1,009 million from the end of the previous fiscal year.

### (Net assets)

Total net assets stood at ¥54,382 million at the end of the first quarter, an increase of ¥479 million from the end of the previous fiscal year. This mainly reflected increases of ¥91 million in “Valuation difference on available for sale securities” and ¥610 million in “Non-controlling interests” which partly offset by decreases of ¥93 million in “Retained earnings” and ¥151 million in “Foreign currency translation adjustments” resulting from ¥686 million in “Quarterly net income attributable to owners of the parent” and ¥780 million in “Dividends from surplus.”

As a result, the equity ratio was 61.9%, up from 61.6% at the end of the previous fiscal year.

## (3) Explanation of Future Estimates, including Consolidated Forecasts

The Group's consolidated earnings forecasts for the first half and full-year of FY2020 remain unchanged from the earnings forecasts disclosed on May 11, 2020.

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated Balance Sheet

(¥ million)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	4,586	5,494
Notes and accounts receivable-trade	12,586	9,560
Merchandise and finished goods	1,966	2,165
Work in process	685	736
Raw materials and supplies	3,215	3,306
Other	966	813
Allowance for doubtful accounts	(24)	(33)
Total current assets	23,982	22,042
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	15,370	15,859
Machinery, equipment and vehicles, net	16,117	16,044
Other, net	11,714	12,326
Total property, plant and equipment	43,201	44,230
Intangible assets		
Goodwill	495	1,068
Customer assets	784	768
Trademark assets	637	625
Technology assets	395	387
Other	1,042	1,030
Total intangible assets	3,354	3,880
Investments and other assets		
Investment securities	11,898	11,471
Other	3,432	3,716
Allowance for doubtful accounts	(45)	(45)
Total investments and other assets	15,286	15,142
Total fixed assets	61,842	63,253
Total assets	85,825	85,296

(¥ million)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,032	3,553
Electronic-recording liabilities	2,637	2,613
Short-term loans payable	7,483	8,200
Income taxes payable	725	516
Provision for bonuses	1,401	2,221
Provision for loss on closing plants	155	129
Other provisions	969	652
Asset retirement obligations	70	71
Other	6,719	5,670
Total current liabilities	24,197	23,629
Long-term liabilities		
Long-term loans payable	5,397	4,910
Net defined benefit liability	455	452
Asset retirement obligations	188	254
Reserve for retirement benefits for officers	53	53
Other	1,632	1,614
Total long-term liabilities	7,726	7,284
Total liabilities	31,923	30,914
Net assets		
Shareholders' equity		
Capital stock	1,946	1,946
Capital surplus	170	170
Retained earnings	51,853	51,760
Treasury stock	(1,899)	(1,900)
Total shareholders' equity	52,071	51,976
Accumulated other comprehensive income		
Valuation difference on available-for-sale Securities	617	709
Deferred gains (losses) on hedges	4	1
Foreign currency translation adjustment	1,332	1,180
Remeasurements of defined benefit plans	(1,137)	(1,110)
Total accumulated other comprehensive income	818	781
Non-controlling interests	1,012	1,623
Total net assets	53,902	54,382
Total liabilities and net assets	85,825	85,296



(2) Consolidated Income Statement and Consolidated Comprehensive Income Statement  
(Consolidated Income Statement)  
(Cumulative First Quarter)

(¥ million)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	23,501	24,837
Cost of sales	13,631	14,341
Gross profit	9,870	10,495
Selling, general and administrative expenses	9,445	9,602
Operating income	424	893
Non-operating income		
Interest income	2	1
Dividend income	21	21
Equity in earnings of affiliates	147	122
Other	43	53
Total non-operating income	214	199
Non-operating expenses		
Interest expenses	39	26
Other	19	12
Total non-operating expenses	59	39
Ordinary income	579	1,052
Extraordinary losses		
Loss on disposal of noncurrent assets	48	53
Total extraordinary losses	48	53
Income before income taxes	530	998
Income taxes-current	419	560
Income taxes-deferred	(167)	(241)
Total income taxes	252	319
Quarterly net income	277	678
Net income (loss) attributable to non-controlling interests	(31)	(7)
Net income attributable to owners of the parent	309	686

(Consolidated Comprehensive Income Statement)  
(Cumulative First Quarter)

(¥ million)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Quarterly net income	277	678
Other comprehensive income		
Valuation difference on available-for-sale securities	(180)	91
Deferred gains (losses) on hedges	(12)	(3)
Foreign currency translation adjustment	32	(49)
Adjustment for retirement benefits	0	26
Share of other comprehensive income of associates accounted for using equity method	(216)	(101)
Other comprehensive income	(376)	(36)
Comprehensive income	(98)	642
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	(66)	650
Quarterly comprehensive income attributable to non-controlling interests	(31)	(7)

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes to the Assumption of a Going Concern)

Not applicable.

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

Not applicable.

(Changes in Important Subsidiaries during the Period)

During the first quarter of the current accounting period, Singha Kameda (Thailand) Co., Ltd. and its subsidiary Singha Kameda Trading (Thailand) Co., Ltd. have been included in the scope of consolidation by underwriting of third-party allocation of shares.

(Segment Information)

I Three months ended June 30, 2019(April 1, 2019 – June 30, 2019)

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

	Reportable segment				Other (Note) 1	Total	Adjustment (Note) 2	(¥ million) The amount stated in quarterly consolidated income statement (Note) 3
	Domestic Rice Cracker	Overseas	Food	Total				
Net sales								
Net sales to outside customers	19,412	1,716	879	21,738	1,763	23,501	—	23,501
Internal sales or transfers between segments	0	258	2	261	1,327	1,588	(1,588)	—
Total	19,143	1,974	881	21,999	3,090	25,090	(1,588)	23,501
Segment income (loss)	818	(280)	(143)	394	26	420	3	424

- (Note)
1. “Other” refers to business segments not included in the reportable segments, which includes Freight transport business etc.
  2. ¥3 million of adjustment of segment income (loss) is ¥3 million of elimination of intersegment transactions.
  3. Segment income (loss) is adjusted with operating income reported on quarterly consolidated income statement.

II Three months ended June 30, 2020(April 1, 2020 – June 30, 2020)

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 stated in quarterly consolidated income statement (Note) 3
	Domestic Rice Cracker	Overseas	Food	Total				
Net sales								
Net sales to outside customers	19,240	2,248	1,633	23,122	1,714	24,837	—	24,837
Internal sales or transfers between segments	1	262	14	278	1,366	1,644	(1,644)	—
Total	19,241	2,510	1,648	23,400	3,080	26,481	(1,644)	24,837
Segment income (loss)	608	(18)	216	806	84	890	2	893

(Note) 1. “Other” refers to business segments not included in the reportable segments, which includes Freight transport business etc.

2. ¥2 million of adjustment of segment income (loss) is ¥2 million of elimination of intersegment transactions.
3. Segment income (loss) is adjusted with operating income reported on quarterly consolidated income statement.

2. Notes relating to changes in reportable segments etc.

However our management has determined that the Group has one reportable segment, we clarified to further drive autonomous business operations by the three pillars of our Domestic Rice Cracker Business, Overseas Business and Food Business and to strengthen the group management including the affiliates as the direction of medium-term strategy in the update of medium-term management plan.

In light of these circumstances, the reportable segment will be split into three segments from this first consolidated quarter under review hereafter as a result of re-examination about reportable segment from the viewpoint of the Group’s business development, allocation of its management resources and the status of business administrative structure etc.

Note that the segment information from the previous year's consolidated first quarter is disclosed based on the reportable segments as classified following the changes that were made to the Company structure.

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

(Material Change in the Amount of Goodwill)

As shares of Singha Kameda (Thailand) Co., Ltd, were acquired and the deemed acquisition date was included in the scope of consolidation at the end of the first consolidated quarter under review, the "Overseas Business" segment increased by ¥589 million in goodwill compared to the end of the previous consolidated fiscal year.

The amount of goodwill is calculated on a provisional basis, as the allocation of the acquisition cost has not yet been completed for the first consolidated quarter under review.

(Additional Information)

(Accounting Estimates in Relation to the Impact of the Spread of COVID-19)

For the first consolidated quarter under review, no new additional information has arisen and there have been no significant changes to the information contained in the previous fiscal year's securities report.

(Business Combinations)

Business combination by acquisition

1. Overview of business combination

(i) Name of acquired enterprise and its business activities

Name of acquired enterprise Singha Kameda (Thailand) Co., Ltd.

Business activities Manufacturing and selling rice crackers

(ii) Main reasons for business combination

By combining our expertise in rice cracker-related manufacturing technology and our knowledge of safe and secure product development learned through the business in Japan with the sales and marketing capabilities of Singha Corporation Co., Ltd., we aim to strengthen the Company as a global base that has both high quality and cost competitiveness, and is expected to contribute to enhance the corporate value of Group by expanding our overseas business.

(iii) Date of business combination

June 29, 2020 (date of share acquisition)

June 30, 2020 (regarded as acquisition date)

(iv) Legal form of business combination

Underwriting of third-party allocation of shares

(v) Name of acquired company after the acquisition

No change

(vi) Share of voting rights acquired

50.0%

(vii) Main reasons leading to decision of acquiring enterprise

Through an underwriting of third-party allocation of shares, the Company acquired a 50.00% share of outstanding shares in Singha Kameda (Thailand) Co., Ltd.

2. Period during which performance of the acquired company is included in the quarterly consolidated income statement

As the acquisition was deemed completed on June 30, 2020, the acquired company's results were not included in the first quarter of the current fiscal year.

3. Acquisition cost and consideration paid, by type, for the acquired company

(million)

Consideration for acquisition	Consideration for common stock of Singha Kameda (Thailand) Co., Ltd. acquired on the date of the business combination	1,202
Direct cost required for the acquisition	Advisory expenses, etc.	76
Acquisition cost		1,279

4. Amount of goodwill, reason for its occurrence, and amortization method and period

(i) Amount of goodwill that occurred

¥589 million

As the allotment of the acquisition price is not yet complete, this is a provisional calculation.

(ii) Reason for its occurrence

Business activities are expected to generate excess profitability in the future.

(iii) Amortization method and period

Goodwill is amortized using the straight-line method over the period in which the goodwill is expected to have an effect. The amortization period is in the process of being calculated.