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Consolidated Financial Results for the Three Months Ended January 31, 2023 [Japanese GAAP]



March 14, 2023

Company name: SHOEI FOODS CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Code number: 8079

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

Representative: Ichiro Honda, President and Representative Director

Contact: Kazunori Kano, Director and General Manager, Corporate Planning Div.

Phone: +81-3-3253-1211

Scheduled date of filing quarterly securities report: March 15, 2023

Scheduled date of commencing dividend payments: —

Availability of supplementary explanatory materials on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended January 31, 2023 (November 1, 2022 - January 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended January 31, 2023	26,939	(1.2)	683	(53.1)	626	(58.4)	338	(66.5)
January 31, 2022	27,285	—	1,459	(13.3)	1,508	(9.8)	1,010	(9.7)

(Note) Comprehensive income: Three months ended January 31, 2023: (1,162) million yen [—%]

Three months ended January 31, 2022: 1,222 million yen [(1.1)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended January 31, 2023	20.08		—	
January 31, 2022	60.03		—	

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29; March 31, 2020) and relevant standards since the beginning of the three months ended January 31, 2022. Figures for the three months ended January 31, 2022 are amounts after the application of these accounting standards. Therefore, change in net sales from the corresponding period of the previous fiscal year is not stated.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of January 31, 2023	83,945	47,591	55.6
As of October 31, 2022	82,851	49,158	58.2

(Reference) Equity: As of January 31, 2023: 46,696 million yen

As of October 31, 2022: 48,272 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended October 31, 2022	Yen —	Yen 24.00	Yen —	Yen 24.00	Yen 48.00
Fiscal year ending October 31, 2023	—				
Fiscal year ending October 31, 2023 (Forecast)		24.00	—	24.00	48.00

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

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending October 31, 2023 (November 1, 2022 - October 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	52,000	(2.3)	1,700	(36.8)	1,650	(41.4)	1,100	(40.9)	65.33
Full year	100,000	(3.0)	2,500	(33.3)	2,450	(40.1)	1,600	(42.6)	95.03

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

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
(Additional information)	8
(Segment information, etc.)	9

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

(Million yen)

	Three months ended		Change
	January 31, 2022	January 31, 2023	
Net sales	27,285	26,939	(1.2)%
Operating profit	1,459	683	(53.1)%
Ordinary profit	1,508	626	(58.4)%
Profit attributable to owners of parent	1,010	338	(66.5)%

During the period under review, the Japanese economy continued to suffer higher prices against the backdrop of rising energy costs, etc., while there were signs that the COVID-19 pandemic was subsiding. In the food industry, the second and third price hikes were implemented due to rising packaging materials costs caused by high crude oil prices in addition to soaring prices of ingredients and raw materials. Under these circumstances, the ShoEi Foods group revised some of the product lines in line with our production facilities, and focused on product development with a view to holding the next product exhibition.

As a result of these efforts, while net sales of confectionery and retail products, confectionery raw materials, and dried fruits and canned foods increased, consolidated net sales for the period under review decreased by 1.2% year on year to 26,939 million yen due to major decline in sales of dairy products.

On the profit front, operating profit decreased by 53.1% year on year to 683 million yen, due to shrinking margins for walnuts in the United States and rising cost rate in Japan. Ordinary profit decreased by 58.4% to 626 million yen due to recording of loss on valuation of foreign exchange, and profit attributable to owners of parent decreased by 66.5% to 338 million yen.

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, 2022		January 31, 2023			
	Net sales	Composition	Net sales	Composition	Amount	%
Dairy products, oils and fats	8,388	30.7%	7,720	28.7%	(668)	(7.9)%
Confectionery raw materials	4,896	18.0%	4,996	18.5%	99	2.0%
Dried fruits and canned foods	9,075	33.3%	9,147	34.0%	72	0.8%
Confectionery and retail products	4,834	17.7%	4,992	18.5%	157	3.2%
Other	89	0.3%	82	0.3%	(7)	(7.9)%
Total	27,285	100.0%	26,939	100.0%	(345)	(1.2)%

Segment operating results by region are as follows.

1) Japan

In Japan, regarding net sales of confectionery and retail products, sales of dried fruits and nuts in retail bags increased and sales of national brand products were strong, but net sales of dairy products dropped significantly. As a result, net sales decreased by 1.8% year on year to 24,178 million yen.

Segment profit decreased by 35.9% year on year to 763 million yen mainly due to rising cost rate caused by increased expenses including higher energy costs and rising prices for imported ingredients and raw materials.

2) United States

In the United States, sales of inshell walnuts and prunes increased, but sales of shelled walnuts decreased partly due to a drop in unit prices. Although there was an increase in net sales from foreign currency translation due to the weaker yen, net sales decreased by 1.2% year on year to 2,319 million yen.

Segment loss of 11 million yen (compared to a profit of 374 million yen in the same period of the previous fiscal year) was recorded, due to the shrinking margin for walnuts caused by the decline in their market price, and the lower profits in the orchard division.

3) China

In China, although sales decreased due to a drop in domestic demand caused by severe restrictions on movement with the stringent zero-COVID policy, sales were strong in Hong Kong, and as a result, net sales increased by 10.1% year on year to 2,051 million yen.

Segment loss continued, with a loss of 11 million yen, despite the narrowing of the loss due to an improvement in profitability for exports from China and strong sales in Hong Kong, which could not lead to an improvement in profitability for domestic sales within China.

(2) Explanation of Financial Position

(Assets, liabilities, and net assets)

Total assets as of January 31, 2023 amounted to 83,945 million yen, an increase of 1,093 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 929 million yen in notes and accounts receivable - trade, 1,782 million yen in merchandise and finished goods, 396 million yen in work in process, and 1,108 million yen in raw materials and supplies, despite a decrease of 1,734 million yen in cash and deposits, resulting in current assets of 53,496 million yen, an increase of 1,897 million yen from the end of the previous fiscal year. Non-current assets fell by 804 million yen compared with the end of the previous fiscal year to 30,448 million yen due to decreases of 515 million yen in property, plant and equipment and 288 million yen in investments and other assets.

Total liabilities as of January 31, 2023 amounted to 36,353 million yen, an increase of 2,660 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 1,359 million yen in notes and accounts payable - trade and 1,643 million yen in short-term borrowings, despite decreases of 1,000 million yen in current portion of long-term borrowings, 318 million yen in income taxes payable, and 510 million yen in provision for bonuses, resulting in current liabilities of 28,731 million yen, an increase of 1,640 million yen from the end of the previous fiscal year. Non-current liabilities increased by 1,019 million yen compared with the end of the previous fiscal year to 7,622 million yen due to an increase of 962 million yen in long-term borrowings.

Total net assets as of January 31, 2023 amounted to 47,591 million yen, a decrease of 1,566 million yen compared with the end of the previous fiscal year. This was due mainly to decreases of 678 million yen in deferred gains or losses on hedges and 1,074 million yen in foreign currency translation adjustment, despite an increase of 235 million yen in valuation difference on available-for-sale securities.

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

After considering the results of the period under review and the current business environment surrounding the Company, the Group has revised the consolidated financial results forecasts for the fiscal year ending October 31, 2023 announced on December 13, 2022. For details, please refer to the "Notice of Revision of First-half and Full-year Consolidated Financial Results Forecasts for the Fiscal Year Ending October 31, 2023" (available in Japanese) announced on the same day as this report.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	As of October 31, 2022	As of January 31, 2023
Assets		
Current assets		
Cash and deposits	7,867,293	6,132,869
Notes and accounts receivable - trade	20,285,365	21,214,924
Merchandise and finished goods	17,619,921	19,402,539
Work in process	1,017,000	1,413,103
Raw materials and supplies	2,743,091	3,852,005
Advance payments to suppliers	584,685	575,427
Other	1,485,059	909,463
Allowance for doubtful accounts	(3,626)	(3,873)
Total current assets	51,598,792	53,496,458
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,672,234	13,356,650
Machinery, equipment and vehicles, net	6,597,078	6,463,135
Tools, furniture and fixtures, net	334,023	326,992
Land	3,535,308	3,503,414
Leased assets, net	60,927	77,003
Construction in progress	350,932	341,057
Other, net	351,109	317,825
Total property, plant and equipment	24,901,613	24,386,078
Intangible assets		
Software	127,268	120,114
Other	151,971	158,933
Total intangible assets	279,239	279,048
Investments and other assets		
Investment securities	3,569,486	3,822,804
Insurance premium	25,249	25,249
Deferred tax assets	232,256	217,200
Long-term advance account	1,945,050	1,421,504
Other	390,976	385,287
Allowance for doubtful accounts	(90,794)	(88,587)
Total investments and other assets	6,072,223	5,783,458
Total non-current assets	31,253,077	30,448,585
Total assets	82,851,870	83,945,044

(Thousand yen)

	As of October 31, 2022	As of January 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,579,403	11,938,868
Short-term borrowings	8,803,952	10,447,817
Current portion of long-term borrowings	3,251,476	2,251,476
Accounts payable - other	2,098,822	2,160,632
Income taxes payable	388,111	70,046
Provision for bonuses	918,285	407,662
Provision for bonuses for directors (and other officers)	10,767	16,183
Other	1,039,897	1,438,398
Total current liabilities	27,090,716	28,731,084
Non-current liabilities		
Long-term borrowings	5,038,133	6,000,264
Deferred tax liabilities	174,558	191,862
Retirement benefit liability	924,580	931,698
Provision for retirement benefits for directors (and other officers)	79,499	82,975
Other	385,708	415,424
Total non-current liabilities	6,602,479	7,622,225
Total liabilities	33,693,195	36,353,309
Net assets		
Shareholders' equity		
Share capital	3,379,736	3,379,736
Capital surplus	3,055,283	3,055,283
Retained earnings	37,341,125	37,275,188
Treasury shares	(910,568)	(910,568)
Total shareholders' equity	42,865,576	42,799,640
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,546,959	1,782,487
Deferred gains or losses on hedges	422,721	(255,912)
Foreign currency translation adjustment	3,548,784	2,473,883
Remeasurements of defined benefit plans	(111,845)	(104,068)
Total accumulated other comprehensive income	5,406,620	3,896,389
Non-controlling interests	886,477	895,704
Total net assets	49,158,674	47,591,734
Total liabilities and net assets	82,851,870	83,945,044

(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, 2022	For the three months ended January 31, 2023
Net sales	27,285,205	26,939,247
Cost of sales	22,623,528	22,854,233
Gross profit	4,661,676	4,085,013
Selling, general and administrative expenses	3,202,206	3,401,313
Operating profit	1,459,469	683,700
Non-operating income		
Interest income	2,576	3,315
Dividend income	30,645	33,652
Foreign exchange gains	4,945	—
Share of profit of entities accounted for using equity method	12,202	10,586
Insurance claim income	—	343
Dividends investment	—	32,844
Other	29,074	21,066
Total non-operating income	79,444	101,809
Non-operating expenses		
Interest expenses	29,109	30,519
Foreign exchange losses	—	128,172
Other	1,333	305
Total non-operating expenses	30,442	158,997
Ordinary profit	1,508,470	626,512
Extraordinary income		
Gain on sale of non-current assets	303	2,263
Total extraordinary income	303	2,263
Extraordinary losses		
Loss on sale of non-current assets	118	6
Loss on retirement of non-current assets	1,993	3,167
Total extraordinary losses	2,112	3,173
Profit before income taxes	1,506,662	625,601
Income taxes - current	286,142	50,650
Income taxes - deferred	199,638	230,198
Total income taxes	485,781	280,849
Profit	1,020,881	344,752
Profit attributable to non-controlling interests	10,351	6,607
Profit attributable to owners of parent	1,010,529	338,144

Quarterly Consolidated Statement of Comprehensive Income

Three months ended January 31

(Thousand yen)

	For the three months ended January 31, 2022	For the three months ended January 31, 2023
Profit	1,020,881	344,752
Other comprehensive income		
Valuation difference on available-for-sale securities	(162,427)	238,146
Deferred gains or losses on hedges	(5,631)	(678,634)
Foreign currency translation adjustment	363,952	(1,074,900)
Remeasurements of defined benefit plans, net of tax	5,245	7,776
Total other comprehensive income	201,139	(1,507,611)
Comprehensive income	1,222,020	(1,162,858)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,213,719	(1,172,085)
Comprehensive income attributable to non-controlling interests	8,300	9,226

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Additional information)

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and some of its consolidated subsidiaries in Japan have transitioned from the consolidated taxation system to the group tax sharing system since the first quarter of the fiscal year under review. In accordance with the transition, with regard to accounting procedures and disclosure for income and local taxes and tax effect accounting, we apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No. 42, August 12, 2021; hereinafter referred to as “Practical Solution No.42”). In addition, based on Paragraph 32 (1) of Practical Solution No.42, we consider there will be no impact from changes in our accounting policy resulting from the application of Practical Solution No.42.

(Segment information, etc.)

[Segment information]

I. For the three months ended January 31, 2022 (from November 1, 2021 to January 31, 2022)

Information on net sales and profit (loss) by reportable segment and disaggregation of revenues

(Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statement of Income (Note 2)
	Japan	United States	China	Total		
Net sales						
Revenue from contracts with customers	24,552,578	1,563,311	1,168,662	27,284,551	—	27,284,551
Other revenue (Note 3)	653	—	—	653	—	653
Net sales to outside customers	24,553,231	1,563,311	1,168,662	27,285,205	—	27,285,205
Inter-segment net sales or transfers	79,696	785,713	694,094	1,559,504	(1,559,504)	—
Total	24,632,928	2,349,024	1,862,756	28,844,709	(1,559,504)	27,285,205
Segment profit (loss)	1,192,302	374,013	(53,519)	1,512,795	(53,326)	1,459,469

- Notes: 1. The adjustment of segment profit (loss) of negative 53,326 thousand yen includes inter-segment elimination of 32,795 thousand yen and company-wide expenses of negative 86,121 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, 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.