

Consolidated Financial Results (Japanese Accounting Standards) for the Six Months Ended September 30, 2013 (Q2 FY2013) (English Translation)

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Supplementary documents for quarterly results: Available

Quarterly results briefing: Available (For Institutional Investors and Analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2013 (April 1 - September 30, 2013)

(1) Consolidated Results of Operations (Accumulated Total)

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Six months ended September 30, 2013	43,203	16.6	73	-64.3	622	8.1	644	85.7
September 30, 2012	37,037	-1.2	204	-81.6	575	-60.0	347	-65.9

(Note) Comprehensive income: ¥1,452million (523.8%) for the Six months ended September 30, 2013

¥232 million (-71.9%)for the Six months ended September 30, 2012

	Net income Per share (basic)	Net income Per share (diluted)
	¥	¥
Six months ended September 30, 2013	30.57	—
September 30, 2012	16.46	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Six months ended September 30, 2013	63,376	35,473	54.8	1,646.70
Year ended March 31, 2013	64,664	34,328	51.9	1,591.37

(Reference) Shareholder's equity: Six months ended September 30, 2013: ¥34,723 million
 Year ended March 31, 2013: ¥33,557 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, 2013	—	11.00	—	13.00	24.00
Year ending March 31, 2014	—	12.00			
Year ending March 31, 2014 (forecasts)			—	13.00	25.00

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

3. Consolidated Forecasts for the Fiscal year Ending March 31, 2014 (April 1, 2013 – March 31, 2014)

(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		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥
Year ending March 31, 2014	89,000	9.4	4,000	14.4	5,000	16.4	3,000	5.6	142.27

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

4. Others

(1) Changes of important subsidiaries during the period (changes of specific subsidiaries in accordance with changes in the scope of consolidation): None

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: None

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

(i) Changes in accounting policies caused by revision of accounting standards: None

(ii) Changes in accounting policies other than(i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

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

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

As of September 30, 2013: 22,318,650 shares

As of March 31, 2013: 22,318,650 shares

(ii) Number of treasury stock at end of period

As of September 30, 2013: 1,231,650 shares

As of March 31, 2013: 1,231,248 shares

(iii) Average number of shares outstanding during the term

Six months ended September 30, 2013: 21,087,263 shares

Six months ended September 30, 2012: 21,088,015 shares

* Status of a quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements under the Financial Instruments and Exchange Act have not been reviewed at the time of the announcement of this financial summary.

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

The forward-looking statements such as result 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. Regarding notes etc., when using this document, please refer to “(3) Explanation of Future Estimates, Including Consolidated Forecasts” under “1. Qualitative Consolidated Financial Results Data for the Period under Review” on Page 3 of the attached materials.

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

(1) Explanation of Consolidated Operating Results

During the period under review, business confidence improved moderately, helped by improving earnings at export-related companies due to yen depreciation based on expectations for economic recovery, and by increasing consumption of high-priced goods due to rising stock prices. However, the food industry faced harsh operating conditions, as consumer reluctance to spend remained firmly entrenched and price competition continued.

Under these conditions, the Kameda Seika Group focused resources on meeting three challenges outlined under its three-year medium-term business plan beginning in fiscal 2012—strengthening earnings platforms in the domestic rice cracker business, creating new domestic markets, and accelerating overseas expansion—with the aim of becoming a global food company. To realize these goals, in June 2013 the Group established THIEN HA KAMEDA, JSC. a joint-venture with THIEN HA CORPORATION, a major rice cracker manufacturer in Vietnam, as part of initiatives for strengthening operations in the Asian market. The joint venture is an equity-method affiliate.

With the domestic rice cracker market remaining flat year on year, the Group worked to withdraw definitively from price competition and endeavored to strengthen its brands in order to maintain and enhance brand value. This resulted in year-on-year sales growth driven mainly by such major brands as “KAMEDA Kaki-no-Tane”, “Happy Turn” and “KAMEDA Magari Senbei”. In particular, under the KAMEDA Kaki-no-Tane brand, four products—*wasabi*, plum *shiso*, *yuzu*, and regular flavor—sold well. Under the Happy Turn brand, we expanded the line-up of limited-production run and other products and spent aggressively on TV commercials and sales activities. In addition, we broadened the KAMEDA Magari Senbei brand line-up by introducing a new type of cracker covered in coarse sugar to complement other sesame-flavored offerings.

Moreover, rice crackers sold at directly managed “Happy Turn’s” stores with novel tastes derived from Happy Turn, and “Kakitane Kitchen”, from specialty Kaki-no-Tane stores, sold well in department stores and other venues, adding new points of sale. This drove the sales rise.

Overseas, KAMEDA-STC CO., LTD. worked to expand the market in Thailand by launching sales of KAMEDA brand products targeting local consumers in conjunction with the DKSH Group, with which it has a distribution agreement.

As a result, net sales totaled ¥43,203 million (up 16.6% year-on-year, or ¥6,165 million), backed by the acquisition of Mary’s Gone Crackers, Inc. and Onisi Foods Co., Ltd. into consolidated subsidiaries in December 2012 and January 2013, respectively.

Turning to earnings, operating income was down, on increasing rice, peanut and other raw material costs and higher utility costs, stiffening competition pushing up sales promotion costs, the consolidation of two new subsidiaries that increased amortization of goodwill, and other factors. In contrast, ordinary income and quarterly net income both increased year-on-year due to equity earnings from affiliates and gains on the sale of investment securities.

As a result, operating income reached ¥73 million (down 64.3% year-on-year, or ¥131 million), ordinary income ¥622 million (up 8.1%, or ¥46 million), and quarterly net income ¥644 million (up 85.7%, or ¥297 million).

(2) Explanation of Consolidated Financial Position

(Assets)

Current assets stood at ¥19,820 at the end of the second quarter, a decline of ¥3,188 million from the end of the previous fiscal year. This was mainly due to a ¥185 million increase in raw material and supply costs and a ¥133 million increase in other costs, which were offset by a ¥3,487 million decline in notes and accounts receivable-trade. Noncurrent assets stood at ¥43,555 million, an increase of ¥1,900 million from the end of the previous fiscal year. The gain was mainly attributable to increases of ¥539 million in buildings and structures, ¥1,105 million in other property, plant and equipment, as well as increases of ¥133 million in goodwill (intangible assets) and ¥484 million in investments and other assets, which were partly offset by a ¥556 million decline in machinery, equipment and vehicles under property, plant and equipment.

As a result, total assets stood at ¥63,376 million, a decrease of ¥1,287 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities stood at ¥16,720 million at the end of the second quarter, a decline of ¥1,339 million from the end of the previous fiscal year. This was due primarily to increases of ¥2,018 million in electronic-recording liabilities and ¥296 million in bonus provisions, which were offset by decreases of ¥2,534 million in notes and accounts payable-trade, ¥798 million in short-term loans payable, and ¥310 million in income taxes payable. Noncurrent liabilities stood at ¥11,183 million, a decrease of ¥1,092 million from the end of the previous fiscal year, primarily reflecting decreases of ¥809 million in long-term loans payable and ¥389 million in provision for retirement benefits.

Consequently, total liabilities stood at ¥27,903 million, a decline of ¥2,432 million from the end of the previous fiscal year.

(Net assets)

Total net assets stood at ¥35,473 million at the end of the second quarter, an increase of ¥1,144 million from the end of the previous fiscal year. This mainly reflected increases of ¥370 million in retained earnings and ¥696 million in foreign currency translation adjustments.

As a result, the equity ratio was 54.8%, up from 51.9% at the end of the previous fiscal year.

(3) Explanation of Future Estimates, Including Consolidated Forecasts

In the full fiscal year ending March 31, 2014 (FY2014), the Group will maintain profits by actively launching new products and bolstering sales of core brands for the winter season of brisk rice cracker and snack demand, and by reducing cost of sales through changes in product specifications and productivity improvements. Based on these measures, the Group has not changed its consolidated FY2014 forecasts that were announced on May 8, 2013.

2. Summary Data (Notes)

(1) Changes in Important Subsidiaries during the Period under Review

Not applicable

(2) Application of Particular Accounts Procedures to Preparation for Quarterly Consolidated Financial Statements

Not applicable

(3) Changes in Accounting Policies and Changes or Restatement of Accounting Estimates

Not applicable

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(¥ Thousand)

	Year ended March 31, 2013	Six months ended September 30, 2013
Assets		
Current assets		
Cash and deposits	5,583,013	5,535,256
Notes and accounts receivable-trade	12,035,804	8,548,666
Merchandise and finished goods	1,744,908	1,819,602
Work in process	669,639	619,057
Raw materials and supplies	1,939,207	2,124,353
Other	1,048,809	1,182,782
Allowance for doubtful accounts	-11,883	-8,762
Total current assets	23,009,498	19,820,957
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	8,583,719	9,123,673
Machinery, equipment and vehicles, net	9,016,458	8,460,424
Land	6,509,668	6,487,063
Other, net	1,631,079	2,736,433
Total noncurrent assets	25,740,925	26,807,594
Intangible assets		
Goodwill	2,304,966	2,438,138
Customer assets	2,357,481	2,441,883
Trademark assets	1,817,802	1,860,704
Technology assets	980,215	994,807
Other	636,265	709,691
Total intangible assets	8,096,730	8,445,224
Investments and other assets		
Other	7,874,013	8,358,695
Allowance for doubtful accounts	-56,903	-55,850
Total investments and other assets	7,817,110	8,302,845
Total noncurrent assets	41,654,767	43,555,664
Total assets	64,664,265	63,376,622

(¥ Thousand)

	Year ended March 31, 2013	Six months ended September 30, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,225,826	3,690,936
Electronic-recording liabilities	—	2,018,976
Short-term loans payable	3,757,047	2,958,956
Income taxes payable	630,385	320,294
Bonus provisions	1,051,711	1,347,900
Other provisions	390,000	316,200
Asset retirement obligations	73,543	78,500
Other	5,931,638	5,988,756
Total current liabilities	18,060,153	16,720,519
Noncurrent liabilities		
Long-term loans payable	3,845,660	3,035,900
Provision for retirement benefits	5,818,192	5,428,297
Asset retirement obligations	79,192	77,911
Other	2,532,536	2,640,930
Total noncurrent liabilities	12,275,581	11,183,039
Total liabilities	30,335,734	27,903,558
Net assets		
Shareholders' equity		
Capital stock	1,946,132	1,946,132
Capital surplus	486,533	486,533
Retained earnings	32,726,958	33,097,550
Treasury stock	-1,885,304	-1,886,500
Total shareholders' equity	33,274,319	33,643,714
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	213,995	312,025
Deferred gains (losses) on hedges	-1,666	321
Foreign currency translation adjustment	71,144	767,896
Total valuation and translation adjustments	283,474	1,080,242
Minority interests	770,737	749,105
Total net assets	34,328,531	35,473,063
Total liabilities and net assets	64,664,265	63,376,622

(2) Consolidated Income Statement and Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Income Statement)
(Cumulative Second Quarter)

(¥ Thousand)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net sales	37,037,674	43,203,250
Cost of sales	22,520,390	26,063,617
Gross profit	14,517,283	17,139,633
Selling, general and administrative expenses	14,312,364	17,066,471
Operating income	204,919	73,161
Non-operating income		
Interest income	8,882	5,939
Dividend income	60,835	29,788
Equity in earnings of affiliates	299,743	505,616
Other	72,965	77,373
Total non-operating income	442,426	618,717
Non-operating expenses		
Interest expenses	22,678	41,122
Other	49,198	28,552
Total non-operating expenses	71,876	69,675
Ordinary income	575,469	622,203
Extraordinary income		
Gains on sale of investment securities	—	348,595
Total extraordinary income	—	348,595
Extraordinary losses		
Loss on disposal of noncurrent assets	58,013	92,179
Total extraordinary losses	58,013	92,179
Income before income taxes	517,455	878,619
Income taxes-current	193,386	326,786
Income taxes-deferred	-22,714	-54,919
Total income taxes	170,671	271,866
Income before minority interests	346,783	606,752
Minority interests in losses (-)	-429	-37,975
Net income	347,213	644,728

(Consolidated Comprehensive Income Statement)
(Cumulative Second Quarter)

(¥ Thousand)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Income before minority interests	346,783	606,752
Other comprehensive income		
Valuation difference on available-for-sale securities	4,906	98,062
Deferred gains (losses) on hedges	-8,778	1,987
Foreign currency translation adjustment	-4,260	651,658
Share of other comprehensive income of associates accounted for using equity method	-105,838	93,830
Other comprehensive income	-113,970	845,538
Comprehensive income	232,812	1,452,291
(Breakdown)		
Comprehensive income attributable to owners of the parent	244,465	1,441,496
Comprehensive income attributable to minority interests	-11,653	10,794

(3) Consolidated Cash Flow Statement

(¥ Thousand)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Cash flows from operating activities		
Income before income taxes	517,455	878,619
Depreciation and amortization	1,640,333	1,966,966
Amortization of goodwill	3,022	103,264
Increase (decrease) in allowance for doubtful accounts	-3,794	-3,442
Increase (decrease) in provisions for retirement benefits	-185,904	-389,668
Increase (decrease) in bonus provisions	194,589	296,188
Increase (decrease) in other allowances	-93,500	-73,800
Interest and dividend income	-69,717	-35,727
Interest expenses	22,678	41,122
Equity in losses (earnings) of affiliates	-299,743	-505,616
Gains on sale of investment securities	-566	-348,595
Loss (gain) on disposal of noncurrent assets	40,665	64,985
Decrease (increase) in notes and accounts receivable-trade	2,456,326	3,502,454
Decrease (increase) in inventories	37,877	-167,988
Increase (decrease) in notes and accounts payable-trade	-763,829	-552,037
Increase (decrease) in other liabilities	-347,912	-1,002,720
Other	-149,787	-83,809
Subtotal	2,998,193	3,690,194
Interest and dividend income received	410,372	488,232
Interest expenses paid	-26,560	-46,461
Income taxes paid	-628,845	-641,394
Net cash provided by operating activities	2,753,159	3,490,570
Cash flows from investing activities		
Decrease (increase) in time deposits	-85,838	47,795
Purchase of property, plant and equipment	-1,115,761	-1,327,055
Proceeds from sales of property, plant and equipment	128,823	39,410
Purchase of investment securities	-111,071	-162,552
Proceeds from sales of investment securities	6,764	380,425
Payments for investments in capital of unconsolidated subsidiaries and affiliated companies	-98,904	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	-125,934
Purchase of intangible assets and investments	-55,589	-423,203
Other	3,734	5,321
Net cash used in investing activities	-1,327,843	-1,565,794

(¥ Thousand)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	-628,707
Repayment of long-term loans payable	-450,000	-993,657
Purchase of treasury stock	-216	-1,196
Cash dividends paid	-274,070	-274,370
Other	-38,568	-99,522
Net cash used in financing activities	-762,856	-1,997,454
Effect of exchange rate changes on cash and cash equivalents	1,311	68,102
Net increase (decrease) in cash and cash equivalents	663,771	-4,575
Cash and cash equivalents, beginning of term	6,414,216	5,138,458
Cash and cash equivalents, end of term	7,077,987	5,133,882