August 3, 2018

Consolidated Financial Results (Japanese Accounting Standards) for the Three Months Ended June 30, 2018 (Q1 FY2018) (English Translation)

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Stock exchange: Tokyo Stock Exchange
Stock code: 2220
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Scheduled date for filing of securities report: August 10, 2018
Scheduled date of commencement of dividend payment: -
Supplementary documents for quarterly results: None
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, 2018 (April 1 - June 30, 2018)

(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	
Three Months ended	¥ million	%	¥ million	%	¥ million	%	¥ million	%
June 30, 2018	23,453	(0.4)	390	(34.4)	627	(29.5)	275	(50.4)
June 30, 2017	23,540	0.4	595	(39.2)	890	(35.7)	554	(29.1)

(Note) Comprehensive income: ¥ 661 million (16.5%) for the three months ended June 30, 2018
¥ 568 million (－%) for the three months ended June 30, 2017

	Net income Per share (basic)	Net income Per share (diluted)
Three Months ended	¥	¥
June 30, 2018	13.05	－
June 30, 2017	26.31	－

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Three Months ended June 30, 2018	75,777	47,929	63.0	2,264.06
Year ended March 31, 2018	77,052	48,005	62.0	2,267.58

(Reference) Shareholder's equity: Three Months ended June 30, 2018: ¥ 47,736 million
Year ended March 31, 2018: ¥ 47,810 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, 2018	－	14.00	－	35.00	49.00
Year ending March 31, 2019	－				
Year ending March 31, 2019 (forecasts)		15.00	－	36.00	51.00

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

3. Consolidated Forecasts for the Fiscal year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)
(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, 2018	47,500	1.1	1,300	30.8	1,900	20.5	1,500	44.7	71.14
Year ending March 31, 2019	102,000	2.5	6,500	29.8	7,700	19.3	5,200	26.5	246.63

(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): Yes
Newly consolidated subsidiaries: (1) LYLY KAMEDA CO., LTD.

(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): Yes
- (iii) Changes in accounting estimates: Yes
- (iv) Restatement: None

(4) Number of shares outstanding (common stock):
- (i) Number of shares outstanding at end of period (including treasury stock)
  - As of June 30, 2018: 22,318,650 shares
  - As of March 31, 2018: 22,318,650 shares
- (ii) Number of treasury stock at end of period
  - As of June 30, 2018: 1,234,204 shares
  - As of March 31, 2018: 1,234,204 shares
- (iii) Average number of shares outstanding during the term
  - Three Months ended June 30, 2018: 21,084,446 shares
  - Three Months ended June 30, 2017: 21,084,917 shares

* Representations concerning the implementation of auditing procedures

These financial results are not subject to auditing under the Financial Instruments and Exchange Act, and auditing 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

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.

Contents of Appendix

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

(1) Explanation of Consolidated Operating Results

During the first quarter of the current fiscal year, the Japanese economy continued to experience a moderate recovery amid a virtuous circle in which strong corporate earnings had the effect of improving the employment environment and supporting individual consumption. At the same time, in addition to sharp increases in prices for raw materials and labor costs, concerns are emerging about intensification of trade friction triggered by the global spread of protectionism, and we cannot be optimistic about the outlook for the global economy.

In the food industry, although supported by strong demand, we expect a full-fledged recovery will still take some time given that customers have become more discerning in their consumption and prefer to restrain their spending.

Under such circumstances, the Kameda Seika Group announced a new medium-term business plan beginning from FY2018. Considering changes in the food industry environment, we are seeking to become a “Global Food Company” that provides customer value from the standpoint of our slogan “Better For You”, with the expression “Choose, eat, enjoy the tasty & healthy foods! We will contribute to such a healthy life-style!!”.

The three core strategies of the medium-term business plan through FY2023 are: (1) “Expansion of business areas” that focus on overseas business and domestic food businesses; (2) “Transformation of the cost/revenue structure” focused on brand integration for our Domestic Rice Cracker Business, strengthening the portfolio and improving manufacturing costs; and (3) “Reinforcement of the business base”, which will support these initiatives. To evolve from a “rice snacks and crackers manufacturer” into a “‘Better for You’ Food Company” by 2030, we will implement long-term structural reforms by 2023 and accelerate initiatives for sustainable growth and increased corporate value.

In FY2018, the first fiscal year of the new medium-term business plan, we are working on four key initiatives: (1) focusing on brands to create demand and reduce production costs through joint efforts of the Production and Sales Divisions; (2) promoting a growth strategy and building a production base in North America; (3) continuing to prepare a platform for the expansion of cross-border trading and development of local markets in Asia, and (4) investing in management resources for new businesses such as “Better for You” Food.

In the Domestic Rice Cracker Business, while allocating management resources according to growth potential from the perspective of medium to long-term brand growth, we restricted the number of product items and concentrated on sales activities of mainstay products in core brands to focus on efficiency in the short run, as we steered clear of price competition from the standpoint of maintaining and improving brands. In addition, for some products, we are implementing measures to deal with the increased cost of our main raw materials, such as adjusting the content volume. Furthermore, considering the possibilities for future growth, we have plans to stimulate demand such as sales of exclusive products to strengthen e-commerce initiatives.

As a result of these efforts, although net sales of our core brands “Tsumami Dane,” “Usuyaki,” “Soft Salad,” “Age-Ichiban,” “Katabutsu” and “HaiHain” were stable year-on-year, net sales for “KAMEDA Kaki-no-Tane,” “Happy Turn,” “KAMEDA Magari Senbei,” “Teshioya,” “Pota-Pota Yaki” and “Waza-no-Kodowari” were down year-on-year due to reduced opportunities for exposure reflecting continuing restraint on the number of product items and the counter-reaction to promotions carried out in the same period of the previous year such for as the 60th anniversary of the founding of Kameda Seika.

In Overseas Business, net sales for the quarter were substantially higher year-on-year due to the impact of the crisis from the collapse of a nearby dam after record rainfall on consolidated U.S. subsidiary Mary’s Gone Crackers, Inc. during the same quarter of the previous fiscal year.

In addition, we have proceeded with preparations for anticipated future business expansion for this subsidiary, and the move and consolidation of production to a new factory was completed in July 2018.

In the Domestic Food Business, although the replacement cycle for long-life foods is entering an unfavorable period, net sales remained flat year-on-year due to the recent increase in demand to stockpile food.

As a result, net sales totaled ¥23,453 million (down 0.4% year-on-year).

With regards to income, operating income fell 34.4% year-on-year to ¥390 million. In Overseas Business, there were signs of a recovery from the impact of the suspension of operations of the U.S. subsidiary that occurred in the same period in the previous year and the integration effects on the new factory gradually became evident. However, in the

Domestic Rice Cracker Business, there was a decline in net sales, an increase in raw material prices, as well as a one-time reduction in production efficiency due to the containment of inventories from a cash flow standpoint.

Furthermore, ordinary income decreased 29.5% year-on-year to ¥627 million due to a decrease in equity method investment gains from TH FOODS INC. (U.S.), an equity method affiliate. As a result of one-time costs stemming from the integration of the factory for Mary's Gone Crackers, Inc. quarterly net income attributable to owners of the parent decreased 50.4% year-on-year to ¥275 million.

Supplementary Information (Unit: ¥ Million)

	Three Months ended June 30, 2017	Three Months ended June 30, 2018	YoY	
			Change (amount)	Change (%)
Net sales	23,540	23,453	(86)	(0.4)
Domestic rice cracker business	19,415	18,942	(473)	(2.4)
Overseas business	1,467	1,840	373	25.4
Domestic Food Business *	924	915	(9)	(1.0)
Other (freight transport)	1,734	1,756	22	1.3
Operating income	595	390	(204)	(34.4)
Operating income margin	2.5%	1.7%		
Domestic rice cracker business	888	515	(373)	(42.0)
Overseas business	(449)	(182)	267	—
Domestic Food Business *	52	5	(47)	(90.4)
Other (freight transport)	104	52	(52)	(50.0)

※ In accordance with the formulation of the medium-term business plan, we changed the previous name of "New Business" to "Domestic Food Business."

Furthermore, in keeping with this change, some of the costs that had been included under "New Business" have been reclassified and are shown under "Domestic Rice Cracker Business."

(2) Explanation of Consolidated Financial Position

(Assets)

Current assets stood at ¥21,801 million at the end of the first quarter, a decrease of ¥1,596 million from the end of the previous fiscal year. This was mainly due to increases of ¥596 million in cash and deposits and ¥244 million in other current assets, which were offset by a ¥2,343 million decrease in notes and accounts receivable-trade. Noncurrent assets stood at ¥53,975 million, an increase of ¥321 million from the end of the previous fiscal year. This was mainly attributable to increases of ¥459 million in machinery, equipment and vehicles and ¥369 million in other (investments and other assets), which were partly offset by decreases of ¥187 million in buildings and structures and ¥235 million in other property, plant and equipment.

As a result, total assets stood at ¥75,777 million, a decrease of ¥1,275 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities stood at ¥18,448 million at the end of the first quarter, a decrease of ¥2,566 million from the end of the previous fiscal year. This was mainly due to increases of ¥871 million in provision for bonuses and ¥110 million in other provisions, which were offset by decreases of ¥940 million in notes and accounts payable-trade, ¥1,107 million in short-term loans payable, ¥644 million in income taxes payable and ¥921 million in other current liabilities. Long-term liabilities stood at ¥9,399 million, an increase of ¥1,366 million from the end of the previous fiscal year. This was mainly due to an increase of ¥1,471 million in long-term loans payable, which was partly offset by a ¥63 million decrease in other long-term liabilities.

As a result, total liabilities stood at ¥27,847 million, a decrease of ¥1,199 million from the end of the previous fiscal year.

(Net assets)

Total net assets stood at ¥47,929 million at the end of the first quarter, a decrease of ¥76 million from the end of the previous fiscal year. This mainly reflected increases of ¥170 million in valuation difference on available-for-sale securities and ¥205 million in foreign currency translation adjustment, which were offset by decreases of ¥275 million in quarterly net income attributable to the owners of the parent, ¥737 million in dividends from surplus, and ¥462 million in retained earnings.

As a result, the equity ratio was 63.0%, up from 62.0% at the end of the previous fiscal year.

Note that the “Partial Revision of the Accounting Standard on Tax Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), etc. was applied from the beginning of the first quarter. Comparisons are made to figures from the end of the previous fiscal year after retroactive application to the Consolidated Financial Statements.

(3) Explanation of Future Estimates, Including Consolidated Forecasts

The Group's consolidated earnings forecasts for the 2nd quarter of FY2018 on a cumulative basis and full-year FY2018 remain unchanged from the earnings forecasts disclosed on May 10, 2018.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(¥ Million)

	Year ended March 31, 2018	Three months ended June 30, 2018
Assets		
Current assets		
Cash and deposits	3,950	4,546
Notes and accounts receivable-trade	12,734	10,391
Merchandise and finished goods	2,152	2,118
Work in process	663	687
Raw materials and supplies	3,265	3,180
Other	640	884
Allowance for doubtful accounts	(9)	(7)
Total current assets	23,398	21,801
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	13,271	13,083
Machinery, equipment and vehicles, net	11,840	12,299
Other, net	13,948	13,713
Total fixed assets	39,059	39,096
Intangible assets		
Goodwill	623	607
Customer assets	907	891
Trademark assets	737	725
Technology assets	457	449
Other	1,138	1,119
Total intangible assets	3,863	3,792
Investments and other assets		
Investment securities	9,021	9,007
Other	1,754	2,124
Allowance for doubtful accounts	(45)	(45)
Total investments and other assets	10,731	11,086
Total noncurrent assets	53,654	53,975
Total assets	77,052	75,777

(¥ Million)

	Year ended March 31, 2018	Three months ended June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,333	3,393
Electronic-recording liabilities	2,549	2,614
Short-term loans payable	3,493	2,386
Income taxes payable	891	247
Provision for bonuses	1,259	2,130
Other provisions	630	740
Asset retirement obligations	79	80
Other	7,777	6,855
Total current liabilities	21,014	18,448
Long-term liabilities		
Long-term loans payable	5,604	7,075
Provision for retirement benefits	450	460
Asset retirement obligations	222	171
Other	1,755	1,692
Total long-term liabilities	8,032	9,399
Total liabilities	29,046	27,847
Net assets		
Shareholders' equity		
Capital stock	1,946	1,946
Capital surplus	329	329
Retained earnings	45,117	44,654
Treasury stock	(1,898)	(1,898)
Total shareholders' equity	45,494	45,031
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	987	1,158
Deferred gains (losses) on hedges	5	0
Foreign currency translation adjustment	1,378	1,584
Remeasurements of defined benefit plans	(56)	(38)
Total valuation and translation adjustments	2,315	2,704
Non-controlling interests	194	193
Total net assets	48,005	47,929
Total liabilities and net assets	77,052	75,777

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

(Consolidated Income Statement)

(Cumulative First Quarter)

(¥ Million)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	23,540	23,453
Cost of sales	13,726	13,827
Gross profit	9,813	9,626
Selling, general and administrative expenses	9,218	9,235
Operating income	595	390
Non-operating income		
Interest income	2	1
Dividend income	18	19
Equity in earnings of affiliates	255	196
Other	42	62
Total non-operating income	319	278
Non-operating expenses		
Interest expenses	13	31
Other	10	10
Total non-operating expenses	24	42
Ordinary income	890	627
Extraordinary losses		
Loss on disposal of noncurrent assets	40	50
Impairment loss	24	—
Loss related to disaster	22	—
Provision of allowance for loss on closing of plants	—	181
Total extraordinary losses	87	231
Income before income taxes	802	395
Income taxes-current	566	385
Income taxes-deferred	(311)	(263)
Total income taxes	254	121
Net income	547	273
Net income (loss) attributable to non-controlling interests	(6)	(1)
Net income attributable to owners of the parent	554	275

(Consolidated Comprehensive Income Statement)

(Cumulative First Quarter)

(¥ Million)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net income	547	273
Other comprehensive income		
Valuation difference on available-for-sale securities	79	170
Deferred gains (losses) on hedges	2	(4)
Foreign currency translation adjustment	(92)	(47)
Adjustment for retirement benefits	43	17
Share of other comprehensive income of associates accounted for using equity method	(12)	252
Other comprehensive income	20	388
Comprehensive income	568	661
(Breakdown)		
Comprehensive income attributable to owners of the parent	576	663
Comprehensive income (loss) attributable to non-controlling interests	(8)	(1)