Consolidated Financial Results for the Three Months Ended September 30, 2021 [Japanese GAAP]

November 12, 2021

Company name: ICHIMASA KAMABOKO Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 2904
URL: https://www.ichimasa.co.jp/global/en/
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Scheduled date of filing quarterly securities report: November 12, 2021
Scheduled date of commencing dividend payments: —
Availability of supplementary explanatory materials on quarterly financial results: 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 September 30, 2021 (July 1, 2021 - September 30, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2021	7,139	—	(25)	—	(3)	—	76	(42.0)
September 30, 2020	7,843	(0.5)	166	—	177	—	131	—

(Note) Comprehensive income: Three months ended September 30, 2021: ¥86 million [(66.8) %]
Three months ended September 30, 2020: ¥260 million [— %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2021	4.14	—
September 30, 2020	7.14	—

(Note) "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and related guidelines have been adopted effective the beginning of the first quarter of the current fiscal year. Key financial data for the three months ended September 30, 2021 above is figures after the adoption of these accounting standards, etc. and the change in net sales from the previous corresponding period is not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	22,761	13,486	59.3
As of June 30, 2021	22,216	13,585	61.2

(Reference) Equity: As of September 30, 2021: ¥13,486 million
As of June 30, 2021: ¥13,585 million

(Note) "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and related guidelines have been adopted effective the beginning of the first quarter of the current fiscal year. Key financial data for the three months ended September 30, 2021 above is figures after the adoption of these accounting standards, etc.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2021	–	0.00	–	10.00	10.00
Fiscal year ending June 30, 2022	–				
Fiscal year ending June 30, 2022 (Forecast)		0.00	–	12.00	12.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2022 (July 1, 2021 - June 30, 2022)

(% 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	18,500	–	1,200	(22.8)	1,200	(24.3)	800	(34.7)	43.40
Full year	34,000	–	1,400	(19.4)	1,400	(22.5)	950	(64.6)	51.54

(Notes) 1. Revision to the financial results forecast announced most recently: None

2. As “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and related guidelines have been adopted, the consolidated financial results forecasts above are figures after the adoption of these accounting standards, etc. and the changes in net sales from the previous full year and corresponding period of the previous year are not presented.

*** Notes:**

(1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – ( ), Excluded: – ( )

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(4) Total number of issued and outstanding shares (common shares)
1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

As of September 30, 2021:	18,590,000 shares
As of June 30, 2021:	18,590,000 shares

2) Total number of treasury shares at the end of the period:

As of September 30, 2021:	158,688 shares
As of June 30, 2021:	158,688 shares

3) Average number of shares during the period (cumulative quarterly accounting period):

Three months ended September 30, 2021:	18,431,312 shares
Three months ended September 30, 2020:	18,428,732 shares

Note: The Company has introduced the Board Benefit Trust (BBT) and the number of treasury shares at the end of each period includes shares of the Company held by the BBT (93,600 shares as of September 30, 2021 and 93,600 shares as of June 30, 2021). The number of treasury shares deducted in the calculation of the average number of shares during each period includes shares of the Company held by the BBT (93,600 shares for the three months ended September 30, 2021 and 96,200 shares for the three months ended September 30, 2020).

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The financial results forecasts and other forward-looking statements contained herein are based on the information available to the Company and certain assumptions deemed reasonable as of the date of this report and do not constitute a promise by the Company to achieve these forecasts. Actual results may be significantly different from these forecasts due to various factors. For the assumptions on which the financial results forecasts are based and the cautions and other related matters to consider when using thereof, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 4 of the attachment.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and related guidelines effective the beginning of the first quarter of the current fiscal year.

Key financial data for the three months ended September 30, 2021 in the explanation of operating results is figures after the adoption of these accounting standards, etc. For this reason, the changes in amounts and percentage changes of net sales from the corresponding period of the previous fiscal year are not presented.

For details of the adoption of the Revenue Recognition Standard, etc., please refer to "2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)."

In the three months ended September 30, 2021, the Japanese economy was expected to make a recovery, but with the Tokyo Olympic and Paralympic Games being held without spectators, the sharp rise in positive COVID-19 cases with the emergence of new variants, and the prolonged continuation of the state of emergency declarations and localized priority measures to prevent the spread of COVID-19, the economic recovery was delayed and personal spending remained at a low level, leaving the future unpredictable.

In addition, costs are increasing, such as soaring prices of surimi and other raw materials and energy prices, and rising labor costs resulting from labor shortages, and the business environment surrounding the Group has become increasingly severe.

Under these circumstances, the Group entered the first year of its 2nd Medium-term Management Plan, which extends from July 2021 to June 2026, with the ICHIMASA30 Vision (the Company's vision for FY2045) as its aim. It is addressing business issues with the basic policy of "establishing the foundations for business growth and earnings capability through daring challenges toward markets in Japan and overseas and the certain achievement of a first-stage 'growth trajectory.'"

Further, the maintenance of the global environment is essential for the sustainable growth and development of corporate activity. With the aim of achieving the Sustainable Development Goals (SDGs), the Group is striving to resolve sustainability issues with the cooperation of stakeholders. On July 1, 2021, it established the ICHIMASA KAMABOKO ESG Management Declaration to promote ESG-oriented management that will both contribute to the realization of a sustainable society and enhance corporate value.

As a result, for the three months ended September 30, 2021, the Company posted net sales of ¥7,139 million, operating loss of ¥25 million (operating profit of ¥166 million for the same period of the previous fiscal year), ordinary loss of ¥3 million (ordinary profit of ¥177 million for the same period of the previous fiscal year), and profit attributable to owners of parent of ¥76 million (profit attributable to owners of parent of ¥131 million for the same period of the previous fiscal year).

The performance of each segment is as follows.

(Fish-paste Products and Side Dishes Business)

The Company's mainstay product, *kanikama* (crab-flavored kamaboko), has penetrated the market as an easily accessible source of fish meat protein, as health consciousness continues to rise. Within this category, the time-limited product, "Salad Stick Edamame-Flavor," proved popular, capturing demand for summer snacks to accompany drinks. "Large Kanikama," a satisfying way to eat quality fish meat protein, also performed well.

Regarding oden products, due to the effects of rainy weather, autumn rain fronts, and typhoons in August and September, temperatures were cooler than usual, and demand for pre-cooked oden and deep-fried products increased.

In terms of profit, due to the expansion of stay-at-home consumption during the COVID-19 pandemic, growing health consciousness around the world, and economic growth in emerging nations, demand for processed seafood products increased and surimi prices have remained at high levels. Rising edible oil and egg

prices and energy unit prices resulted in profit falling below that of the same period of the previous fiscal year.

As a result, for the three months ended September 30, 2021, this segment posted net sales of ¥6,178 million and segment loss or operating loss of ¥120 million (segment loss or operating loss of ¥41 million for the same period of the previous fiscal year).

(Mushroom Business)

As vegetable growth was favorable in the first half of the quarter due to relatively high atmospheric temperatures, market prices for vegetables and mushrooms trended at low levels. Combined with the recoil from last year's stay-at-home demand, the environment for mushroom sales was severe. On the other hand, due to poor vegetable growth due to lack of sunlight and lower atmospheric temperatures in mid-August, market prices exceeded those of the previous year, leading to an increase in demand for mushrooms.

In terms of production, efforts were made toward stable cultivation, production efficiency improvements, and the strengthening of quality control systems, while in the sales area, the Company responded to increased demand for home cooking by strengthening its menu proposals to stimulate demand.

Profits were down from the same quarter of the previous fiscal year due to the fall in mushroom market prices.

As a result, for the three months ended September 30, 2021, this segment posted net sales of ¥833 million, and segment profit or operating profit of ¥84 million (segment profit or operating profit of ¥184 million for the same period of the previous fiscal year).

(Others)

The transport business saw net sales increase from the same period of the previous fiscal year due to cultivation of new customers, but profit decrease from the same period of the previous fiscal year due to soaring fuel prices and increases in depreciation resulting from capital investments.

The warehouse business captured new cargo for storage in excess of the previous year, and net sales increased from the same period of the previous fiscal year, but electricity costs increased due to soaring crude oil prices, resulting in a slight decrease in profit compared with the same period of the previous fiscal year.

As a result, for the three months ended September 30, 2021, net sales in others, non-reportable segments were ¥127 million, and segment profit or operating profit was ¥8 million (segment profit or operating profit of ¥25 million for the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Current assets)

Current assets as of September 30, 2021 was ¥8,556 million (an increase of ¥680 million from the end of the previous fiscal year). This is mainly attributable to an increase in accounts receivable - trade due to seasonal factors, an increase in inventory assets such as merchandise and finished goods, and a decrease in cash and deposits.

(Non-current assets)

Non-current assets as of September 30, 2021 was ¥14,204 million (a decrease of ¥135 million from the end of the previous fiscal year). This is mainly attributable to the progression of depreciation of property, plant and equipment.

(Current liabilities)

Current liabilities as of September 30, 2021 was ¥7,134 million (an increase of ¥915 million from the end of the previous fiscal year). This is mainly attributable to an increase in short-term borrowings due to seasonal factors and a decrease in accounts payable - other and accrued expenses.

(Non-current liabilities)

Non-current liabilities as of September 30, 2021 was ¥2,140 million (a decrease of ¥271 million from the end of the previous fiscal year). This is mainly attributable to a decrease in long-term borrowings.

(Net assets)

Net assets as of September 30, 2021 was ¥13,486 million (a decrease of ¥98 million from the end of the previous

fiscal year). This was mainly attributable to a decrease due to payment of dividends, despite the recording of profit attributable to owners of parent. Equity ratio decreased to 59.3% from 61.2% at the end of the previous fiscal year due to an increase in total assets resulting from seasonal factors.

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

There are no changes to the consolidated financial results forecast for the six months ending December 31, 2021 and full-year consolidated financial results forecasts announced on August 6, 2021.

Should the business environment change due to the situation regarding the spread of COVID-19 or other reasons and revision of the consolidated financial results forecasts become necessary, the Company will promptly disclose revised forecasts.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of June 30, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	1,320,890	708,638
Accounts receivable - trade	2,876,174	3,529,843
Merchandise and finished goods	687,705	1,038,482
Work in process	522,311	719,188
Raw materials and supplies	1,954,420	1,843,652
Other	514,930	717,701
Allowance for doubtful accounts	(540)	(652)
Total current assets	7,875,893	8,556,855
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,374,542	4,324,026
Machinery, equipment and vehicles, net	2,868,063	2,783,707
Tools, furniture and fixtures, net	172,113	173,915
Land	3,179,344	3,179,344
Leased assets, net	206,444	195,593
Construction in progress	42,438	44,042
Total property, plant and equipment	10,842,947	10,700,629
Intangible assets	501,445	484,184
Investments and other assets		
Investment securities	2,633,867	2,624,013
Other	386,452	420,089
Allowance for doubtful accounts	(24,500)	(24,500)
Total investments and other assets	2,995,819	3,019,603
Total non-current assets	14,340,212	14,204,417
Total assets	22,216,105	22,761,272
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,924,397	1,885,259
Short-term borrowings	1,677,037	2,863,008
Income taxes payable	30,079	78,000
Provision for bonuses	81,653	326,615
Accounts payable - other, and accrued expenses	1,978,329	1,431,708
Other	527,482	549,960
Total current liabilities	6,218,979	7,134,550
Non-current liabilities		
Bonds payable	300,000	250,000
Long-term borrowings	1,593,548	1,378,590
Provision for retirement benefits for directors (and other officers)	34,160	34,133
Provision for share awards for directors (and other officers)	92,210	101,830
Other	392,030	375,727
Total non-current liabilities	2,411,949	2,140,281
Total liabilities	8,630,928	9,274,832

(Thousand yen)

	As of June 30, 2021	As of September 30, 2021
Net assets		
Shareholders' equity		
Share capital	940,000	940,000
Capital surplus	650,000	650,000
Retained earnings	10,940,341	10,831,382
Treasury shares	(119,646)	(119,646)
Total shareholders' equity	12,410,694	12,301,735
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,186,541	1,185,674
Foreign currency translation adjustment	(12,059)	(969)
Total accumulated other comprehensive income	1,174,481	1,184,704
Total net assets	13,585,176	13,486,440
Total liabilities and net assets	22,216,105	22,761,272

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended September 30

(Thousand yen)

	For the three months ended September 30, 2020	For the three months ended September 30, 2021
Net sales	7,843,503	7,139,750
Cost of sales	5,770,305	5,825,336
Gross profit	2,073,197	1,314,413
Selling, general and administrative expenses	1,906,207	1,339,612
Operating profit (loss)	166,989	(25,198)
Non-operating income		
Interest income	105	265
Dividend income	6,649	7,299
Rental income	7,181	5,044
Commission income	5,140	4,328
Electricity sale income	6,084	6,686
Share of profit of entities accounted for using equity method	—	113
Miscellaneous income	6,120	6,872
Total non-operating income	31,281	30,611
Non-operating expenses		
Interest expenses	7,236	5,714
Share of loss of entities accounted for using equity method	1,713	—
Depreciation	2,697	2,697
Depreciation of inactive non-current assets	7,786	—
Miscellaneous losses	996	114
Total non-operating expenses	20,430	8,526
Ordinary profit (loss)	177,841	(3,113)
Extraordinary income		
Gain on sale of investment securities	28,627	118,636
Total extraordinary income	28,627	118,636
Extraordinary losses		
Loss on retirement of non-current assets	506	168
Total extraordinary losses	506	168
Profit before income taxes	205,962	115,353
Income taxes - current	132,421	78,685
Income taxes - deferred	(58,057)	(39,621)
Total income taxes	74,363	39,064
Profit	131,598	76,289
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	131,598	76,289

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended September 30

(Thousand yen)

	For the three months ended September 30, 2020	For the three months ended September 30, 2021
Profit	131,598	76,289
Other comprehensive income		
Valuation difference on available-for-sale securities	116,213	(866)
Foreign currency translation adjustment	15,452	—
Share of other comprehensive income of entities accounted for using equity method	(2,995)	11,089
Total other comprehensive income	128,670	10,222
Comprehensive income	260,269	86,512
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	260,269	86,512
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

Not applicable.

(Changes in accounting policies)

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and related guidelines effective the beginning of the first quarter of the current fiscal year. In line with this adoption, revenue is recognized upon the transfer of control for promised goods or services to customers in an amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services.

With this adoption, whereas sales commissions, logistics costs, and other considerations paid to customers were previously treated as "selling, general and administrative expenses," their treatment has changed to a method of deducting them from "net sales."

The Revenue Recognition Standard has been adopted in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Standard, but there has been no effect on retained earnings at the beginning of the first quarter of the current fiscal year.

As a result, "net sales," "gross profit," and "selling, general and administrative expenses" each declined by ¥568,350 thousand. There was no effect on "operating profit (loss)," "ordinary profit (loss)," or "profit before income taxes." Further, in accordance with the transitional treatment set forth in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information about breakdown of revenue from contracts with customers for the first quarter of the previous fiscal year has not been presented.

(Adoption of Accounting Standard for Fair Value Measurement)

The Company has adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and related guidelines effective the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will continue to apply new accounting policies prescribed by the Fair Value Measurement Standard and other standards proactively. This adoption has no effect on the quarterly consolidated financial statements.

(Additional information)

(Accounting estimates related to the effects of the spread of COVID-19)

In the three months ended September 30, 2021, there were no material changes to the contents of the Securities Report for the previous fiscal year.

(Segment information, etc.)

[Segment information]

I. For the three months ended September 30, 2020 (from July 1, 2020 to September 30, 2020)

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Fish-paste Products and Side Dishes Business	Mushroom Business	Total				
Net sales							
Net sales to outside customers	6,674,878	1,050,713	7,725,591	117,911	7,843,503	—	7,843,503
Inter-segment net sales or transfers	—	—	—	592,741	592,741	(592,741)	—
Total	6,674,878	1,050,713	7,725,591	710,652	8,436,244	(592,741)	7,843,503
Segment profit (loss)	(41,801)	184,112	142,310	25,289	167,599	(609)	166,989

(Notes) 1. The "Others" category refers to the transport business and warehouse business not included in reportable segments.

2. The adjustment of ¥(609) thousand in segment profit (loss) is primarily elimination of intersegment transactions.

3. Segment profit (loss) has been adjusted with operating profit in the Quarterly Consolidated Statements of Income.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

Not applicable.

II. For the three months ended September 30, 2021 (from July 1, 2021 to September 30, 2021)

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Fish-paste Products and Side Dishes Business	Mushroom Business	Total				
Net sales							
Revenue from contracts with customers	6,178,146	833,715	7,011,861	127,888	7,139,750	—	7,139,750
Other revenue	—	—	—	—	—	—	—
Net sales to outside customers	6,178,146	833,715	7,011,861	127,888	7,139,750	—	7,139,750
Inter-segment net sales or transfers	—	—	—	115,467	115,467	(115,467)	—
Total	6,178,146	833,715	7,011,861	243,356	7,255,218	(115,467)	7,139,750
Segment profit (loss)	(120,958)	84,211	(36,747)	8,106	(28,641)	3,442	(25,198)

(Notes) 1. The "Others" category refers to the transport business and warehouse business not included in reportable segments.

2. The adjustment of ¥3,442 thousand in segment profit (loss) is primarily elimination of intersegment transactions.

3. Segment profit (loss) has been adjusted with operating loss in the Quarterly Consolidated Statements of Income.

2. Information on impairment loss on non-current assets and goodwill by reportable segment
Not applicable.

3. Matters concerning changes to reportable segments, etc.
As stated in "Changes in accounting policies," the Company has adopted the Revenue Recognition Standard and related guidelines effective the beginning of the first quarter of the current fiscal year and changed its methods for the accounting treatment concerning revenue recognition. For this reason, the Company has made similar changes to the methods of calculation of profit or loss of its business segments. Due to these changes, compared with the previous methods, net sales in the Fish-paste Products and Side Dishes Business and Mushroom Business have declined by ¥528,035 thousand and ¥40,315 thousand respectively. There is no effect on segment profit (loss).