Consolidated Financial Results for the Three Months Ended September 30, 2022 [Japanese GAAP]

November 11, 2022

Company name: ICHIMASA KAMABOKO Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 2904
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Scheduled date of filing quarterly securities report: November 14, 2022
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, 2022 (July 1, 2022 – September 30, 2022)

(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, 2022	7,179	0.6	(218)	—	(187)	—	(54)	—
September 30, 2021	7,139	—	(25)	—	(3)	—	76	(42.0)

(Note) Comprehensive income: Three months ended September 30, 2022: ¥(136) million [—%]
Three months ended September 30, 2021: ¥86 million [(66.8) %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2022	(2.95)	—
September 30, 2021	4.14	—

(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 fiscal year ended June 30, 2022. Key financial data for the three months ended September 30, 2021, indicated above, are 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, 2022	26,004	13,504	51.9
As of June 30, 2022	25,296	13,862	54.8

(Reference) Equity: As of September 30, 2022: ¥13,504 million
As of June 30, 2022: ¥13,862 million

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, 2022	—	0.00	—	12.00	12.00
Fiscal year ending June 30, 2023	—				
Fiscal year ending June 30, 2023 (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, 2023 (July 1, 2022 – June 30, 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	19,500	10.8	900	15.8	900	8.3	650	3.0	35.37
Full year	35,400	11.9	1,300	138.1	1,300	108.6	850	50.3	46.25

(Note) Revision to the financial results forecast announced most recently: None

*** 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: None
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, 2022: 18,590,000 shares
As of June 30, 2022: 18,590,000 shares

2) Total number of treasury shares at the end of the period:
As of September 30, 2022: 212,088 shares
As of June 30, 2022: 212,088 shares

3) Average number of shares during the period (cumulative quarterly accounting period):
Three months ended September 30, 2022: 18,377,912 shares
Three months ended September 30, 2021: 18,431,312 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 (147,000 shares as of September 30, 2022 and 147,000 shares as of June 30, 2022). 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 (147,000

shares for the three months ended September 30, 2022 and 93,600 shares for the three months ended September 30, 2021).

* 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

In the three months ended September 30, 2022, the Japanese economy showed signs of a recovery, most notably in service consumption, with socioeconomic activity starting to normalize from spring 2022 under the "living with COVID" policy. This was as a result of a series of flexible measures taken by the Japanese government according to disease trends, following a sharp economic downturn in spring 2020.

However, with Russia's invasion of Ukraine dragging on, and the Japanese yen dropping sharply on the back of widening Japan-US interest rate differentials as a result of the U.S. Federal Reserve Board's policy interest rate hike, in addition to Japan's trade deficits, the prices of surimi and other raw materials as well as energy, including electricity and gas, have soared up. Meanwhile, worker shortages have caused labor costs to increase. As theses various costs have risen far beyond expectations, the business environment surrounding the Group has become more severe than ever before.

Under these circumstances, the Group entered the second 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.

As a result, for the three months ended September 30, 2022, the Company posted net sales of ¥7,179 million, (up ¥39 million or 0.6% from the same period of the previous fiscal year), operating loss of ¥218 million (operating loss of ¥25 million for the same period of the previous fiscal year), ordinary loss of ¥187 million (ordinary loss of ¥3 million for the same period of the previous fiscal year), and loss attributable to owners of parent of ¥54 million (profit attributable to owners of parent of ¥76 million for the same period of the previous fiscal year).

The performance of each segment is as follows.

In order to more appropriately reflect individual segments' performance in the financial results, the standards for allocating corporate expenses have been revised and changes were made to the methods of calculating profit or loss for business segments, starting from the three months ended September 30, 2022. Segment information for the three months ended September 30, 2021 is based on the revised calculation methods.

(Fish-paste Products and Side Dishes Business)

With their colorful visual and fun flavor variations, the Salad Stick line of products enjoyed strong sales for the seasonal editions, "Salad Stick Edamame-Flavor" for summer and "Salad Stick Smoked Salmon Flavor" for fall. "Gaburich miwaku no kanikama" also proved very popular, catering to demand for snacks to accompany drinks as more people turned to cooking and eating at home.

Oden products, on the other hand, suffered weak sales as a number of typhoons hit Japan in August and September, causing the foehn effect and summer heat to linger.

In terms of profit, the prices of raw materials, including surimi, remained at high levels. Costs rose on other fronts as well, such as energy, oil and fats, and packaging materials, due to factors including the situation in Ukraine and the sharp depreciation of the yen.

Under these circumstances, the Company revised the prices of its fish-paste products and side-dish products by approximately 5% to 20%, effective from deliveries on September 1, 2022, but 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, 2022, this segment posted net sales of ¥6,217 million (up ¥39 million or 0.6 % from the same period of the previous fiscal year), and segment loss or operating loss of ¥162 million (segment loss or operating loss of ¥105 million for the same period of the previous fiscal year).

(Mushroom Business)

While the vegetables market was stronger than the last year, market prices for mushrooms were weak, with an excess of supply partly due to sluggish growth in consumption and the impact of increased production by other companies.

In this market environment, 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 worked to stimulate consumption and increase sales of large-volume products and the newly-launched “Kinari” cream-colored maitake mushrooms.

As a result, for the three months ended September 30, 2022, this segment posted net sales of ¥841 million (up ¥8 million or 1.0 % from the same period of the previous fiscal year), and segment loss or operating loss of ¥80 million (segment profit or operating profit of ¥69 million for the same period of the previous fiscal year).

(Other)

The transport business saw net sales decrease from the same period of the previous fiscal year because of a lower handling volume of imported vegetables and fruits due to the effect of the weather and some of the regular services being discontinued. Profit increased from the same period of the previous fiscal year, however, thanks to the reduction of fixed costs as a result of efforts to cut down costs.

For the warehouse business, both net sales and profit increased from the same period of the previous fiscal year, as new cargo for storage was captured thanks to reinforced sales activities and warehouse management was optimized to improve profitability.

As a result, for the three months ended September 30, 2022, net sales in others, non-reportable segments were ¥120 million (down ¥7 million or 6.0 % from the same period of the previous fiscal year), and segment profit or operating profit was ¥26 million (segment profit or operating profit of ¥8 million for the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Current assets)

Current assets as of September 30, 2022 were ¥9,765 million (an increase of ¥653 million from the end of the previous fiscal year). This is mainly attributable to a decrease in cash and deposits, coupled with an increase in accounts receivable - trade due to seasonal factors and an increase in inventories such as merchandise and finished goods as well as raw materials and supplies.

(Non-current assets)

Non-current assets as of September 30, 2022 were ¥16,238 million (an increase of ¥55 million from the end of the previous fiscal year). This is mainly attributable to the progression of depreciation of property, plant and equipment and an increase in construction in progress of the second headquarters factory.

(Current liabilities)

Current liabilities as of September 30, 2022 were ¥9,819 million (an increase of ¥1,455 million from the end of the previous fiscal year). This is mainly attributable to decreases in accounts payable - other and accrued expenses, coupled with an increase in short-term borrowings and in accounts payable - trade due to seasonal factors.

(Non-current liabilities)

Non-current liabilities as of September 30, 2022 were ¥2,680 million (a decrease of ¥388 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, 2022 were ¥13,504 million (a decrease of ¥358 million from the end of the previous fiscal year). This was mainly attributable to a decrease due to the recording of loss attributable to owners of parent and payment of dividends. Equity ratio decreased to 51.9% from 54.8% 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, 2022 and full-year consolidated financial results forecasts announced on August 5, 2022.

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, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	2,318,833	966,829
Accounts receivable - trade	2,884,656	3,495,983
Merchandise and finished goods	888,761	1,360,666
Work in process	531,453	896,545
Raw materials and supplies	2,289,432	2,797,228
Other	199,892	248,964
Allowance for doubtful accounts	(559)	(636)
Total current assets	9,112,470	9,765,582
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,324,171	4,267,636
Machinery, equipment and vehicles, net	2,860,568	2,712,727
Tools, furniture and fixtures, net	167,085	168,831
Land	3,179,344	3,179,344
Leased assets, net	179,705	169,387
Construction in progress	2,232,915	2,490,095
Total property, plant and equipment	12,943,791	12,988,022
Intangible assets	434,986	437,002
Investments and other assets		
Investment securities	2,466,889	2,246,944
Other	362,424	591,477
Allowance for doubtful accounts	(24,500)	(24,500)
Total investments and other assets	2,804,814	2,813,921
Total non-current assets	16,183,592	16,238,946
Total assets	25,296,062	26,004,529
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,984,765	2,492,550
Short-term borrowings	2,723,152	4,729,602
Income taxes payable	176,906	44,675
Provision for bonuses	80,828	324,253
Provision for bonuses for directors (and other officers)	18,672	—
Accounts payable - other, and accrued expenses	1,860,553	1,340,032
Other	1,519,521	888,664
Total current liabilities	8,364,399	9,819,778
Non-current liabilities		
Bonds payable	200,000	150,000
Long-term borrowings	2,376,335	2,041,222
Provision for retirement benefits for directors (and other officers)	36,988	36,725
Provision for share awards for directors (and other officers)	97,280	101,619
Deferred tax liabilities	9,177	1,235
Other	348,888	349,346
Total non-current liabilities	3,068,671	2,680,147
Total liabilities	11,433,070	12,499,926

(Thousand yen)

	As of June 30, 2022	As of September 30, 2022
Net assets		
Shareholders' equity		
Share capital	940,000	940,000
Capital surplus	650,000	650,000
Retained earnings	11,320,455	11,043,956
Treasury shares	(166,135)	(166,135)
Total shareholders' equity	12,744,320	12,467,820
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,103,143	998,584
Foreign currency translation adjustment	15,528	38,197
Total accumulated other comprehensive income	1,118,672	1,036,782
Total net assets	13,862,992	13,504,602
Total liabilities and net assets	25,296,062	26,004,529

(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, 2021	For the three months ended September 30, 2022
Net sales	7,139,750	7,179,655
Cost of sales	5,825,336	6,056,571
Gross profit	1,314,413	1,123,084
Selling, general and administrative expenses	1,339,612	1,341,639
Operating loss	(25,198)	(218,555)
Non-operating income		
Interest income	265	1,001
Dividend income	7,299	8,333
Rental income	5,044	3,352
Commission income	4,328	484
Electricity sale income	6,686	6,729
Gain on redemption of securities	—	8,530
Share of profit of entities accounted for using equity method	113	3,522
Miscellaneous income	6,872	9,471
Total non-operating income	30,611	41,424
Non-operating expenses		
Interest expenses	5,714	7,299
Depreciation	2,697	2,697
Miscellaneous losses	114	11
Total non-operating expenses	8,526	10,007
Ordinary loss	(3,113)	(187,138)
Extraordinary income		
Gain on sale of investment securities	118,636	131,075
Total extraordinary income	118,636	131,075
Extraordinary losses		
Loss on retirement of non-current assets	168	275
Total extraordinary losses	168	275
Profit (loss) before income taxes	115,353	(56,338)
Income taxes - current	78,685	40,661
Income taxes - deferred	(39,621)	(42,799)
Total income taxes	39,064	(2,137)
Profit (loss)	76,289	(54,200)
Profit attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	76,289	(54,200)

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended September 30

(Thousand yen)

	For the three months ended September 30, 2021	For the three months ended September 30, 2022
Profit (loss)	76,289	(54,200)
Other comprehensive income		
Valuation difference on available-for-sale securities	(866)	(104,558)
Share of other comprehensive income of entities accounted for using equity method	11,089	22,668
Total other comprehensive income	10,222	(81,890)
Comprehensive income	86,512	(136,090)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	86,512	(136,090)
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.

(Segment information, etc.)

I. 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, and disaggregated revenue information

(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)	(105,866)	69,118	(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.

II. For the three months ended September 30, 2022 (from July 1, 2022 to September 30, 2022)

1. Information on net sales and profit (loss) by reportable segment, and disaggregated revenue information

(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	6,217,620	841,838	7,059,458	120,197	7,179,655	—	7,179,655
Other revenue	—	—	—	—	—	—	—
Net sales to outside customers	6,217,620	841,838	7,059,458	120,197	7,179,655	—	7,179,655
Inter-segment net sales or transfers	—	—	—	138,428	138,428	(138,428)	—
Total	6,217,620	841,838	7,059,458	258,625	7,318,083	(138,428)	7,179,655
Segment profit (loss)	(162,084)	(80,365)	(242,449)	26,073	(216,376)	(2,179)	(218,555)

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

2. In order to more appropriately reflect individual segments' performance in the financial results, the

standards for allocating corporate expenses have been revised and changes were made to the methods of calculating profit or loss for business segments, starting from the three months ended September 30, 2022. Segment information for the three months ended September 30, 2021 is based on the revised method of calculating profit or loss.

3. The adjustment of ¥(2,179) thousand in segment profit (loss) is primarily elimination of intersegment transactions.
4. 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.