Consolidated Financial Results for the Six Months Ended December 31, 2022 [Japanese GAAP]

February 10, 2023

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: February 14, 2023
Scheduled date of commencing dividend payments: —
Availability of supplementary explanatory materials on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Scheduled (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended December 31, 2022 (July 1, 2022 – December 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2022	18,080	2.8	311	(60.0)	366	(55.9)	350	(44.4)
December 31, 2021	17,593	—	777	(50.0)	831	(47.6)	631	(48.5)

(Note) Comprehensive income: Six months ended December 31, 2022: ¥205 million [(59.5) %]
Six months ended December 31, 2021: ¥508 million [(62.1) %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2022	19.09	—
December 31, 2021	34.28	—

(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 six months ended December 31, 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 December 31, 2022	29,854	13,846	46.4
As of June 30, 2022	25,296	13,862	54.8

(Reference) Equity: As of December 31, 2022: ¥13,846 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	—	0.00			
Fiscal year ending June 30, 2023 (Forecast)			—	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
Full year	34,000	7.5	500	(8.4)	500	(19.8)	470	(16.9)	25.57

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

*** 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 December 31, 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 December 31, 2022: 212,088 shares
As of June 30, 2022: 212,088 shares

3) Average number of shares during the period (cumulative quarterly accounting period):
Six months ended December 31, 2022: 18,377,912 shares
Six months ended December 31, 2021: 18,415,141 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 December 31, 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 six months ended December 31, 2022 and 109,771 shares for the six months ended December 31, 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 six months ended December 31, 2022, the Japanese economy showed signs of a recovery, most notably in service consumption, due to the relaxation of restrictions on movement and entry into Japan, with socioeconomic activity starting to normalize from spring 2022 under the "living with COVID" policy.

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 six months ended December 31, 2022, the Company posted net sales of ¥18,080 million (up ¥487 million or 2.8% from the same period of the previous fiscal year), operating profit of ¥311 million (down ¥466 million or 60.0% from the same period of the previous fiscal year), ordinary profit of ¥366 million (down ¥464 million or 55.9% from the same period of the previous fiscal year), and profit attributable to owners of parent of ¥350 million (down ¥280 million or 44.4% from the same period of the previous fiscal year).

The performance of each segment is as follows.

1) Fish-paste Products and Side Dishes Business

Sales increased from the same period of the previous fiscal year due to the price revisions of fish-paste products and side-dish products by approximately 5% to 20% for deliveries from September 1, 2022 onward, as well as strong sales of the Company's mainstay product, *kanikama* (crab-flavored kamaboko), and oden products.

Regarding products for the "*osechi*," Japanese traditional New Year's day food, sales grew for the "Jun" series *datemaki* (rolled omelet) and kamaboko, whose main raw and auxiliary materials are all made in Japan.

In terms of profit, the prices of raw materials including surimi, which is a main raw material, 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. As a result, profit was lower than in the same period of the previous fiscal year.

Against the backdrop of this severe cost environment, the Company plans to revise the prices of its fish-paste products and side-dish products by approximately 5% to 15%, effective from deliveries on March 1, 2023.

As a result, for the six months ended December 31, 2022, this segment posted net sales of ¥15,733 million (up ¥527 million or 3.5% from the same period of the previous fiscal year), and segment profit or operating profit of ¥119 million (segment profit or operating profit of ¥360 million for the same period of the previous fiscal year).

2) Mushroom Business

While both the vegetable and mushroom markets were stronger than the last year, maitake mushroom market remained weak, with an excess of supply due to the impact of increased production by other companies.

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 through marketing efforts for large-volume products and the newly launched "Kinari" cream-colored maitake mushrooms, and expanding its offerings for restaurants and commercial use.

As a result, for the six months ended December 31, 2022, this segment posted net sales of ¥2,111 million (down ¥15 million or 0.7 % from the same period of the previous fiscal year), and segment profit or operating profit of ¥133 million (segment profit or operating profit of ¥388 million for the same period of the previous fiscal year).

3) Other

(Transport business and warehouse business)

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 in an effort to cut costs despite a rise in fuel prices.

For the warehouse business, a high inventory level was maintained despite a slowdown in the movement of freight due to the COVID-19 pandemic, and as a result of steadily promoting the optimization of warehouse management to improve profitability, both net sales and profit increased from the same period of the previous fiscal year.

As a result, for the six months ended December 31, 2022, net sales in others, non-reportable segments were ¥236 million (down ¥25 million or 9.6% from the same period of the previous fiscal year), and segment profit or operating profit was ¥54 million (segment profit or operating profit of ¥22 million for the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Current assets)

Current assets as of December 31, 2022 were ¥13,024 million (an increase of ¥3,912 million from the end of the previous fiscal year). This is mainly attributable to a decrease in cash and deposits, coupled with increases in accounts receivable - trade and raw materials and supplies due to seasonal factors.

(Non-current assets)

Non-current assets as of December 31, 2022 were ¥16,829 million (an increase of ¥645 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 December 31, 2022 were ¥13,544 million (an increase of ¥5,180 million from the end of the previous fiscal year). This is mainly attributable to increases in short-term borrowings and notes and accounts payable - trade due to seasonal factors.

(Non-current liabilities)

Non-current liabilities as of December 31, 2022 were ¥2,462 million (a decrease of ¥605 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 December 31, 2022 were ¥13,846 million (a decrease of ¥16 million from the end of the previous fiscal year). This was mainly attributable to the recording of profit attributable to owners of parent and the payment of dividends. The equity ratio decreased to 46.4% from 54.8% at the end of the previous fiscal year, with an increase in total assets due mainly to an increase in accounts receivable - trade resulting from seasonal factors.

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

For the full-year consolidated financial results forecasts for the fiscal year ending June 30, 2023, please refer to the press release dated today titled “Notice regarding Difference between the Forecasts and Actual Financial Results for the Six Months Ended December 31, 2022 and Revision of Consolidated Financial Results Forecasts for the Fiscal Year Ending June 30, 2023.”

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of June 30, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	2,318,833	1,129,951
Accounts receivable - trade	2,884,656	6,705,166
Merchandise and finished goods	888,761	675,173
Work in process	531,453	420,884
Raw materials and supplies	2,289,432	3,843,720
Other	199,892	250,709
Allowance for doubtful accounts	(559)	(987)
Total current assets	9,112,470	13,024,619
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,324,171	4,243,993
Machinery, equipment and vehicles, net	2,860,568	2,593,529
Tools, furniture and fixtures, net	167,085	150,799
Land	3,179,344	3,179,344
Leased assets, net	179,705	159,274
Construction in progress	2,232,915	3,486,941
Total property, plant and equipment	12,943,791	13,813,882
Intangible assets	434,986	418,883
Investments and other assets		
Investment securities	2,466,889	2,109,275
Other	362,424	511,942
Allowance for doubtful accounts	(24,500)	(24,500)
Total investments and other assets	2,804,814	2,596,718
Total non-current assets	16,183,592	16,829,484
Total assets	25,296,062	29,854,103
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,984,765	3,329,007
Short-term borrowings	2,723,152	6,362,852
Income taxes payable	176,906	131,084
Provision for bonuses	80,828	81,552
Provision for bonuses for directors (and other officers)	18,672	—
Accounts payable - other, and accrued expenses	1,860,553	2,047,745
Other	1,519,521	1,592,581
Total current liabilities	8,364,399	13,544,822
Non-current liabilities		
Bonds payable	200,000	150,000
Long-term borrowings	2,376,335	1,811,109
Provision for retirement benefits for directors (and other officers)	36,988	37,575
Provision for share awards for directors (and other officers)	97,280	105,957
Deferred tax liabilities	9,177	18,142
Other	348,888	340,060
Total non-current liabilities	3,068,671	2,462,843
Total liabilities	11,433,070	16,007,666

(Thousand yen)

	As of June 30, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	940,000	940,000
Capital surplus	650,000	650,000
Retained earnings	11,320,455	11,449,030
Treasury shares	(166,135)	(166,135)
Total shareholders' equity	12,744,320	12,872,894
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,103,143	945,517
Foreign currency translation adjustment	15,528	28,025
Total accumulated other comprehensive income	1,118,672	973,542
Total net assets	13,862,992	13,846,436
Total liabilities and net assets	25,296,062	29,854,103

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended December 31

(Thousand yen)

	For the six months ended December 31, 2021	For the six months ended December 31, 2022
Net sales	17,593,141	18,080,720
Cost of sales	13,996,330	14,813,131
Gross profit	3,596,811	3,267,588
Selling, general and administrative expenses	2,819,424	2,956,372
Operating profit	777,386	311,215
Non-operating income		
Interest income	500	1,002
Dividend income	17,831	15,394
Rental income	9,535	6,236
Commission income	15,636	11,574
Electricity sale income	11,344	11,257
Gain on redemption of securities	—	8,530
Share of profit of entities accounted for using equity method	3,079	10,259
Miscellaneous income	13,558	12,965
Total non-operating income	71,486	77,220
Non-operating expenses		
Interest expenses	11,956	16,440
Depreciation	5,394	5,394
Miscellaneous losses	245	184
Total non-operating expenses	17,596	22,019
Ordinary profit	831,277	366,417
Extraordinary income		
Gain on sale of non-current assets	2,365	—
Gain on sale of investment securities	118,636	174,321
Total extraordinary income	121,002	174,321
Extraordinary losses		
Loss on retirement of non-current assets	443	2,165
Total extraordinary losses	443	2,165
Profit before income taxes	951,835	538,573
Income taxes - current	193,283	112,393
Income taxes - deferred	127,304	75,306
Total income taxes	320,588	187,700
Profit	631,247	350,873
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	631,247	350,873

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended December 31

(Thousand yen)

	For the six months ended December 31, 2021	For the six months ended December 31, 2022
Profit	631,247	350,873
Other comprehensive income		
Valuation difference on available-for-sale securities	(137,451)	(157,626)
Share of other comprehensive income of entities accounted for using equity method	14,745	12,496
Total other comprehensive income	(122,705)	(145,130)
Comprehensive income	508,541	205,743
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	508,541	205,743
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended December 31, 2021	For the six months ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	951,835	538,573
Depreciation	691,814	654,887
Increase (decrease) in allowance for doubtful accounts	432	428
Increase (decrease) in provision for bonuses	1,141	724
Increase (decrease) in provision for retirement benefits for directors (and other officers)	835	586
Increase (decrease) in provision for share awards for directors (and other officers)	(2,073)	8,676
Interest and dividend income	(18,332)	(16,396)
Interest expenses	11,956	16,440
Share of loss (profit) of entities accounted for using equity method	(3,079)	(10,259)
Loss (gain) on sale of investment securities	(118,636)	(174,321)
Loss (gain) on sale of non-current assets	(2,365)	—
Loss on retirement of non-current assets	443	2,165
Decrease (increase) in trade receivables	(3,707,863)	(3,938,436)
Decrease (increase) in inventories	(96,945)	(1,230,131)
Increase (decrease) in trade payables	998,545	1,509,607
Increase (decrease) in provision for bonuses for directors (and other officers)	—	(18,672)
Increase (decrease) in accounts payable - other, and accrued expenses	401,226	555,726
Other, net	365,420	(103,015)
Subtotal	(525,644)	(2,203,418)
Income taxes paid	(43,589)	(145,488)
Income taxes refund	247,092	—
Net cash provided by (used in) operating activities	(322,141)	(2,348,907)
Cash flows from investing activities		
Decrease (increase) in time deposits	(1,000)	(6,500)
Purchase of property, plant and equipment	(886,855)	(1,962,544)
Proceeds from sale of property, plant and equipment	4,051	—
Purchase of intangible assets	(6,296)	(500)
Purchase of investment securities	(2,855)	(2,747)
Proceeds from sale and redemption of investment securities	135,226	359,841
Purchase of shares of subsidiaries and associates	—	(9,764)
Interest and dividends received	18,332	16,396
Net cash provided by (used in) investing activities	(739,396)	(1,605,818)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,800,000	3,700,000
Repayments of long-term borrowings	(639,574)	(625,526)
Redemption of bonds	(50,000)	(50,000)
Interest paid	(11,776)	(15,917)
Dividends paid	(185,249)	(222,298)
Other, net	(102,942)	(27,914)
Net cash provided by (used in) financing activities	810,457	2,758,343
Effect of exchange rate change on cash and cash equivalents	—	1,001
Net increase (decrease) in cash and cash equivalents	(251,079)	(1,195,381)
Cash and cash equivalents at beginning of period	1,286,873	2,282,817
Cash and cash equivalents at end of period	1,035,793	1,087,435

(4) 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 six months ended December 31, 2021 (from July 1, 2021 to December 31, 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	15,205,433	2,126,625	17,332,058	261,082	17,593,141	—	17,593,141
Other revenue	—	—	—	—	—	—	—
Net sales to outside customers	15,205,433	2,126,625	17,332,058	261,082	17,593,141	—	17,593,141
Inter-segment net sales or transfers	—	—	—	253,431	253,431	(253,431)	—
Total	15,205,433	2,126,625	17,332,058	514,514	17,846,573	(253,431)	17,593,141
Segment profit	360,312	388,558	748,871	22,212	771,083	6,302	777,386

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

2. The adjustment of ¥6,302 thousand in segment profit is primarily elimination of intersegment transactions.

3. Segment profit 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 six months ended December 31, 2022 (from July 1, 2022 to December 31, 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	15,733,394	2,111,254	17,844,649	236,071	18,080,720	—	18,080,720
Other revenue	—	—	—	—	—	—	—
Net sales to outside customers	15,733,394	2,111,254	17,844,649	236,071	18,080,720	—	18,080,720
Inter-segment net sales or transfers				299,172	299,172	(299,172)	—
Total	15,733,394	2,111,254	17,844,649	535,243	18,379,892	(299,172)	18,080,720
Segment profit	119,532	133,417	252,949	54,841	307,790	3,425	311,215

(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 six months ended December 31, 2021 is based on the revised method of calculating profit or loss.

3. The adjustment of ¥3,425 thousand in segment profit is primarily elimination of intersegment transactions.
4. Segment profit 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.