SHOEI FOODS CORPORATION

FY 10/2024

Supplementary Materials for Financial Results

SHOEI FOODS CORPORATION

(TSE code:8079,Prime Market)

I. Results for FY 10/2024

II. Medium-term Management Plan

Financial Highlights

- In terms of sales, sales of dairy products and retail products in Japan increased, and overseas segment sales, such as exports of shelled walnuts from the United States and sales of nuts and dried fruit in China, also increased, resulting in sales that were almost in line with forecasts, and a year-on-year increase of 5.1%.
- In terms of profits, although profits in the United States decreased due to a reduction in walnut margins, profits in Japan improved due to factors such as the stabilization of energy costs and progress in product price revisions, and profitability in the China segment also improved for both exports and domestic sales. As a result, profits were higher than the initial forecast and there was a significant increase in profits compared to the previous year.

(Million yen)

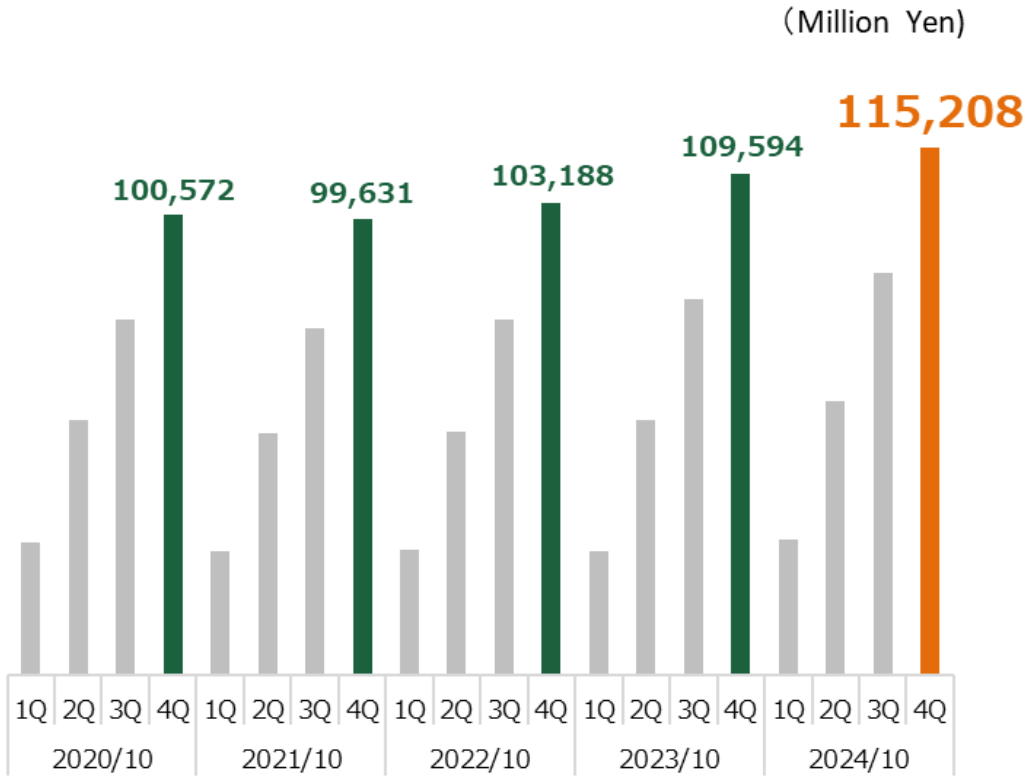
	FY 10/2023	FY 10/2024			Year on year change	Ratio to Initial Forecast	Ratio to Revised Forecast
	Result	Forecast at beginning of period	Revised Forecast	Result			
Net sales	109,594	110,000	115,000	115,208	+5.1%	+4.7%	+0.1%
Gross profit	17,552	–	–	18,617	–	–	–
Operating profit	4,034	4,200	5,000	4,844	+20.0%	+15.3%	▲3.1%
Ordinary profit	4,137	4,250	5,100	4,950	+19.6%	+16.4%	▲2.9%
Profit attributable to owners of parent	2,809	2,900	3,250	3,170	+12.8%	+9.3%	▲2.4%
Operating income to net sales	3.6%	3.8%	4.3%	4.2%	–	achieved	unachieved

Business Performance

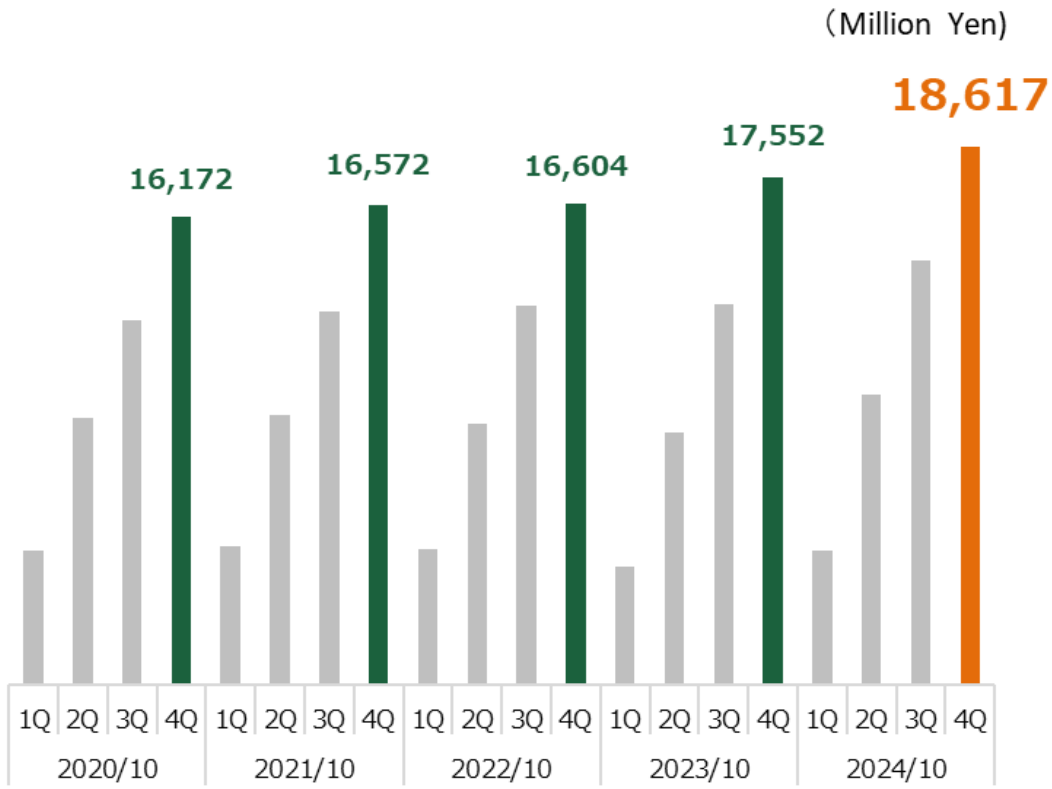
Net Sales and Gross Profit

- Sales increased steadily, reaching a new record high.
- Gross profit also reached a new record high.

Net Sales Trend (Quarterly)



Gross Profit Trend (Quarterly)

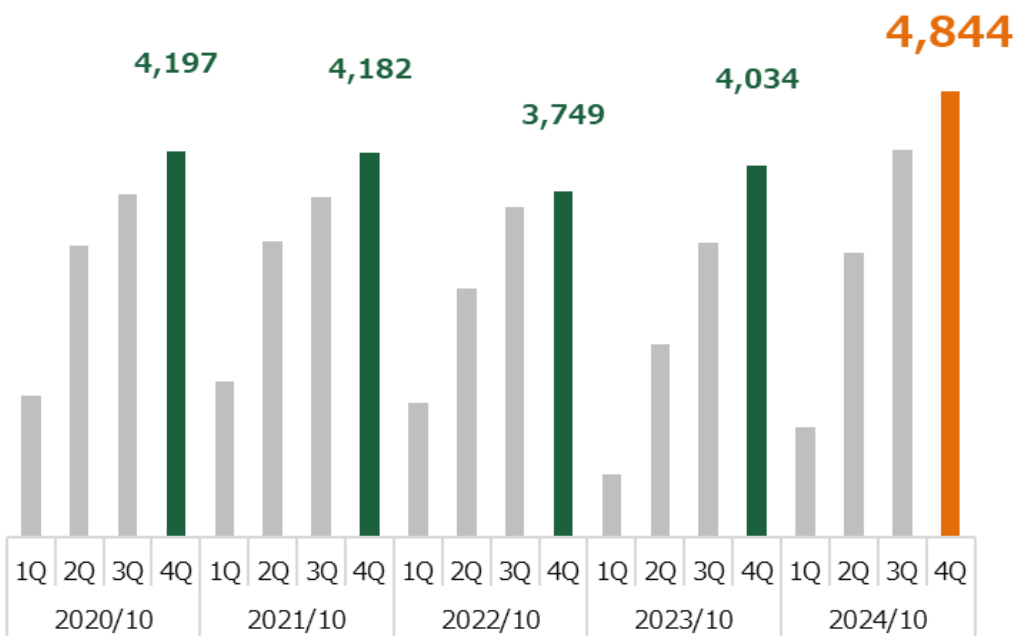


Business Performance

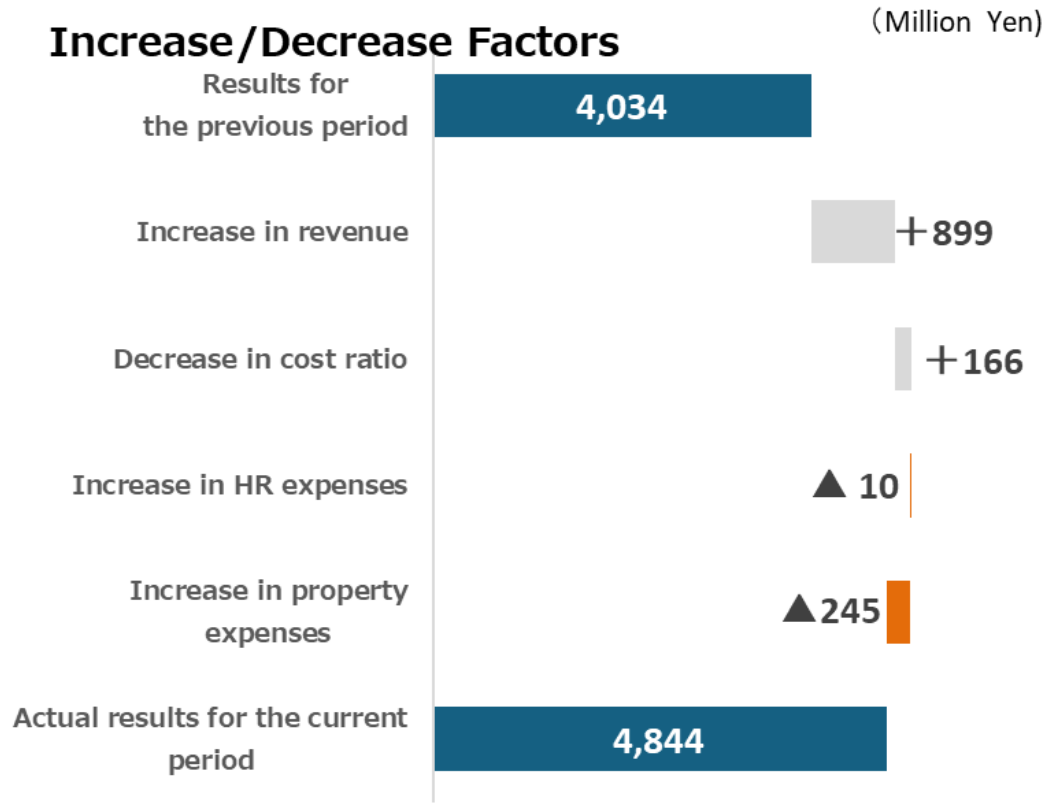
Operating Profit

- Operating profit did not reach the record high of the FY 10/2017, but it was the second highest profit.
- Compared to the previous term, there was an increase in property expenses, but profits increased due to the effect of increased revenue and a reduction in the cost ratio.

Operating Income Trend (Quarterly)



Operating Income Increase/Decrease Factors



Financial Results by Segment

Japan

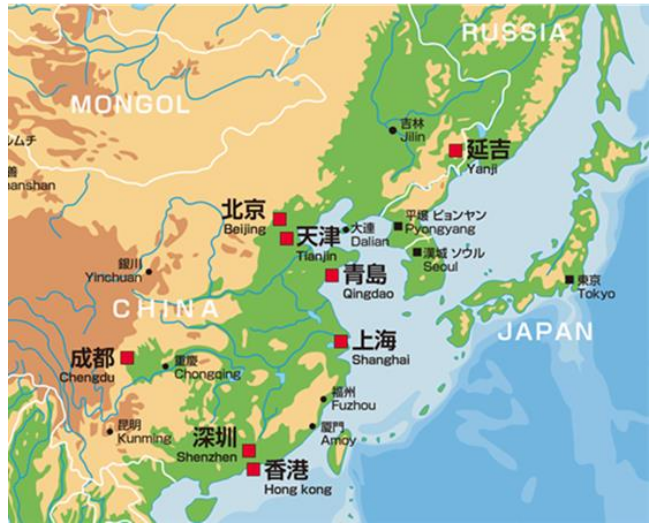
The company's main business is the procurement, processing, manufacturing, and sales of food ingredients (dairy products, oils and fats, confectionery ingredients, dried fruits, canned foods, food ingredients for restaurants, etc.) for the food industry, mainly the confectionery and baking industries, as well as the production and sales of retail confectionery and dried fruit products (nuts and dried fruits). The company owns seven plants in Japan.

USA

SHOEI FOODS (U.S.A.), INC

① Purchasing walnuts from growers, processing them with or without the shell, and exporting them mainly to overseas markets
② Purchasing and selling prunes
③ Purchasing dried fruits in the US and exporting them to Japan (ShoEi Foods Corporation)
④ Managing prune, walnut, and almond orchards
⑤ Importing dried fruits and selling them in the US





China

ShoEi Foods Qingdao Co., Ltd.
Yanji ShoEi Foods Co., Ltd.

① Processing and manufacturing of confectionery ingredients and dried fruits
② Export of processed and manufactured goods to Japan, Europe, etc.
③ Sales in China and Hong Kong via ShoEi International Trading Shanghai Co., Ltd.& ShoEi International Trading Hong Kong Co., Ltd.

ShoEi International Trading Shanghai Co., Ltd.
ShoEi International Trading Hong Kong Co., Ltd.

① Mainly imports dried fruits for sale in China and Hong Kong
② Selling products processed and manufactured by ShoEi Foods Qingdao Co., Ltd.& Yanji ShoEi Foods Co., Ltd.in China and Hong Kong

Performance by Segment

(Million yen)

	Net sales				Segment profit			
	FY 10/2023	FY 10/2024	Difference	%	FY 10/2023	FY 10/2024	Difference	%
Japan	99,770	102,699	2,928	+2.9%	3,689	4,441	751	+20.3%
USA	7,950	8,940	990	+12.4%	563	379	▲ 183	▲32.6%
China	8,917	10,527	1,610	+18.0%	92	448	355	+384.3%
Adjustment	▲ 7,042	▲ 6,957	85	–	▲ 311	▲ 424	▲ 113	–
Total	109,594	115,208	5,614	+5.1%	4,034	4,844	810	+20.0%

Japan

- Net sales increased 2.9% year-on-year to 102,699 million yen, due to the effect of price increases and increased sales of dairy products, dried fruits, and retail products.
- Segment income increased 20.3% year-on-year to 4,441 million yen, due to improved profitability of dairy products, nuts, dried fruits, confectionery, and retail products.

USA

- Net sales increased by 12.4% year-on-year to 8,940 million yen, due to an increase in sales of walnuts, the company's main product, as a result of an increase in the amount received and sold due to a good harvest, as well as an increase in sales of pine nuts from China in the US.
- Segment income decreased 32.6% year-on-year to 379 million yen, due to the difference between the average purchase price and average sales price narrowing compared to the previous year as a result of price fluctuations during the period, despite an increase in the sales volume of walnuts.

China

- Net sales increased 18.0% year-on-year to 10,527 million yen, due to an increase in domestic sales of nuts, dried fruit, etc. in China and steady growth in exports of Chinese-produced seeds, etc.
- Segment income increased 384.3% year-on-year to 448 million yen, due to strong sales in China and improved profitability in exports, including exports of Chinese-produced seeds to Europe and exports of processed dried fruit to Japan.

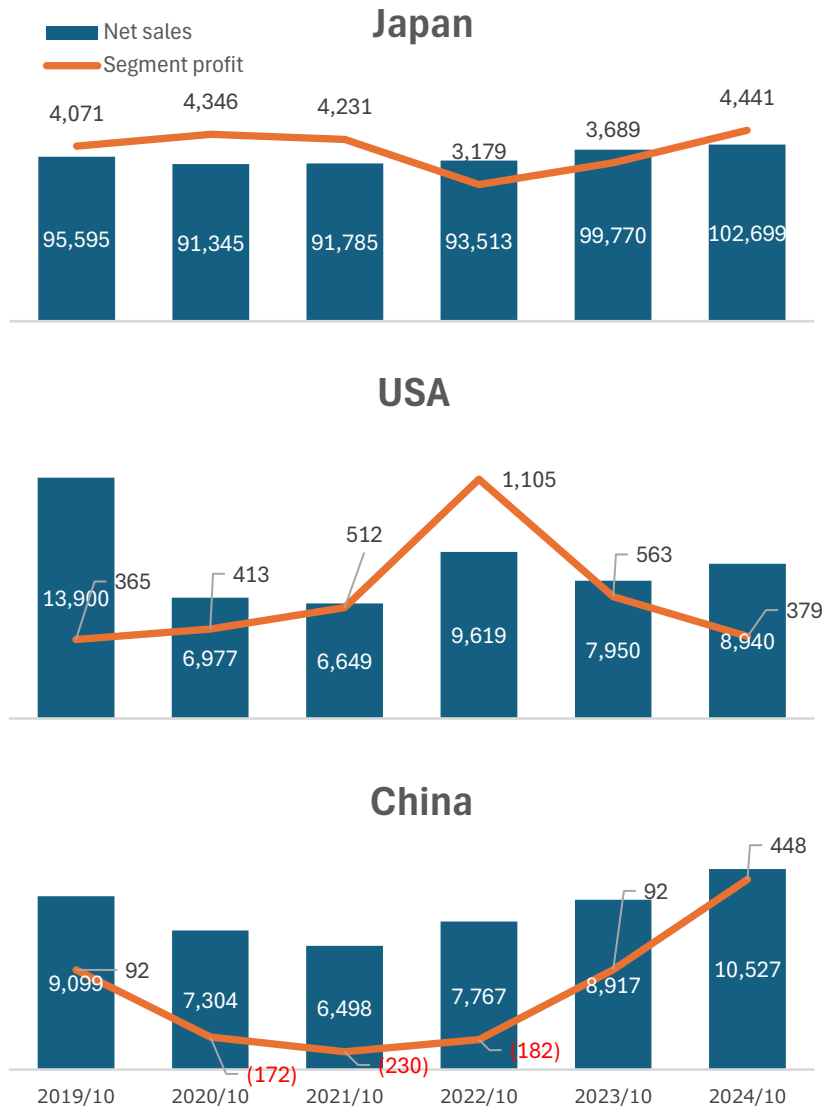
Business Portfolio

Basic Policy on Business Portfolio

- Although our business is limited to the food industry, we explain the breakdown of our business by dividing it into three segments: Japan, the United States, and China.
- In addition to this, we also provide information on sales by product category (dairy products and fats, confectionery ingredients, dried fruits and canned goods, confectionery and retail products) to help you better understand our business, but as these categories are closely related to each other, we do not manage them as a business portfolio.
- The status of business segments is explained in disclosure materials such as earnings statements and supplementary earnings materials.
- In addition to checking performance progress at the end of each quarter, we also hold internal monthly meetings to review performance trends.

Status of Reviewing Business Portfolio

- The Japan segment is our core business, and as you can see from the segment performance data in the chart above, sales and profits are both progressing steadily.
- In the U.S. segment, profits decreased from the previous year due to a reduction in the sales margin for walnuts, but sales are progressing steadily.
- In the China segment, sales have continued to increase, with the performance of our Hong Kong subsidiary remaining strong and domestic sales in China also recovering. Profits have also improved, and we have achieved significant profit growth this fiscal year. The effects of measures such as expanding our product lineup and promoting cooperation between manufacturing and sales divisions for sales of products manufactured in our own factories have led to improved business performance.



Main Products by Category

category	Subcategory	Main Products
Dairy products, oils and fats	Dairy products	Butter, milk powder, condensed milk, liquid dairy products, cheese, lactose, whey
	Oils and fats	Fats and oils for confectionery, frozen desserts and bread (margarines, shortening, etc.)
Confectionery raw materials	Confectionery Materials	Chocolate products, baked confectionery, fruits soaked in liquor (rum raisins, etc.), peel products, fruit fillings
	Chestnut products	Chestnut paste, candied chestnuts, marron glacé
	Japanese confectionery Materials	Sweet potato, apricot kernel powder, oak leaf, pickled cherry leaf
	Bread making materials	New flour and cake flour
	Purchased products	Leavening agents/jelly, chocolate/cocoa, honey/sugar, alcohol (liqueurs, etc.), matcha, sesame
Dried fruits and canned foods	Nuts	Almonds, walnuts, macadamia nuts, pine nuts, pumpkin seeds, coconut, pistachios, cashews, hazelnuts
	Dried Fruits	Raisins, prunes, cranberries, blueberries, pineapples
	Fruit Processed Products	Processed apples, processed mangoes, canned yellow peaches, canned pineapples
	Raw Materials for Food Service	Pasta, sweet corn, processed tomatoes, olive oil, dessert ingredients, frozen fruit puree
Confectionery and retail products	Confectionery	Chocolate confectionery, biscuits
	Retail products	Nuts bags, prunes bags, other dried fruit bags, vegetable products

Business results by product category

(Million yen)

	FY 10/2023		FY 10/2024		Year on year change	
	Net sales	Composition	Net sales	Composition	Difference	%
Dairy products, oils and fats	34,462	31.5%	35,937	31.2%	+1,474	+4.2%
Confectionery raw materials	20,070	18.3%	19,339	16.8%	▲730	▲3.6%
Dried fruits and canned foods	35,760	32.6%	40,174	34.9%	+4,414	+12.3%
Confectionery and retail products	19,002	17.3%	19,524	16.9%	+522	+2.7%
Other	298	0.3%	232	0.2%	▲66	▲22.1%
Total	109,594	100.0%	115,208	100.0%	+5,614	+5.1%

Dairy products, oils and fats

Although sales of imported dairy products such as milk powder and butter decreased, sales of domestically produced skim milk powder and products such as caramel milk and soft-serve ice cream ingredients manufactured by our production subsidiaries increased, and as a result, sales of dairy products and fats and oils increased by 4.2% compared to the same period of the previous year.

Confectionery raw materials

Sales of fruits soaked in liquor, chocolate processed products, fruit fillings, and cocoa increased, but sales of chestnut products such as chestnut paste and marron glacé decreased. As a result, sales of confectionery ingredients decreased by 3.6% compared to the same period last year.

Dried fruits and canned foods

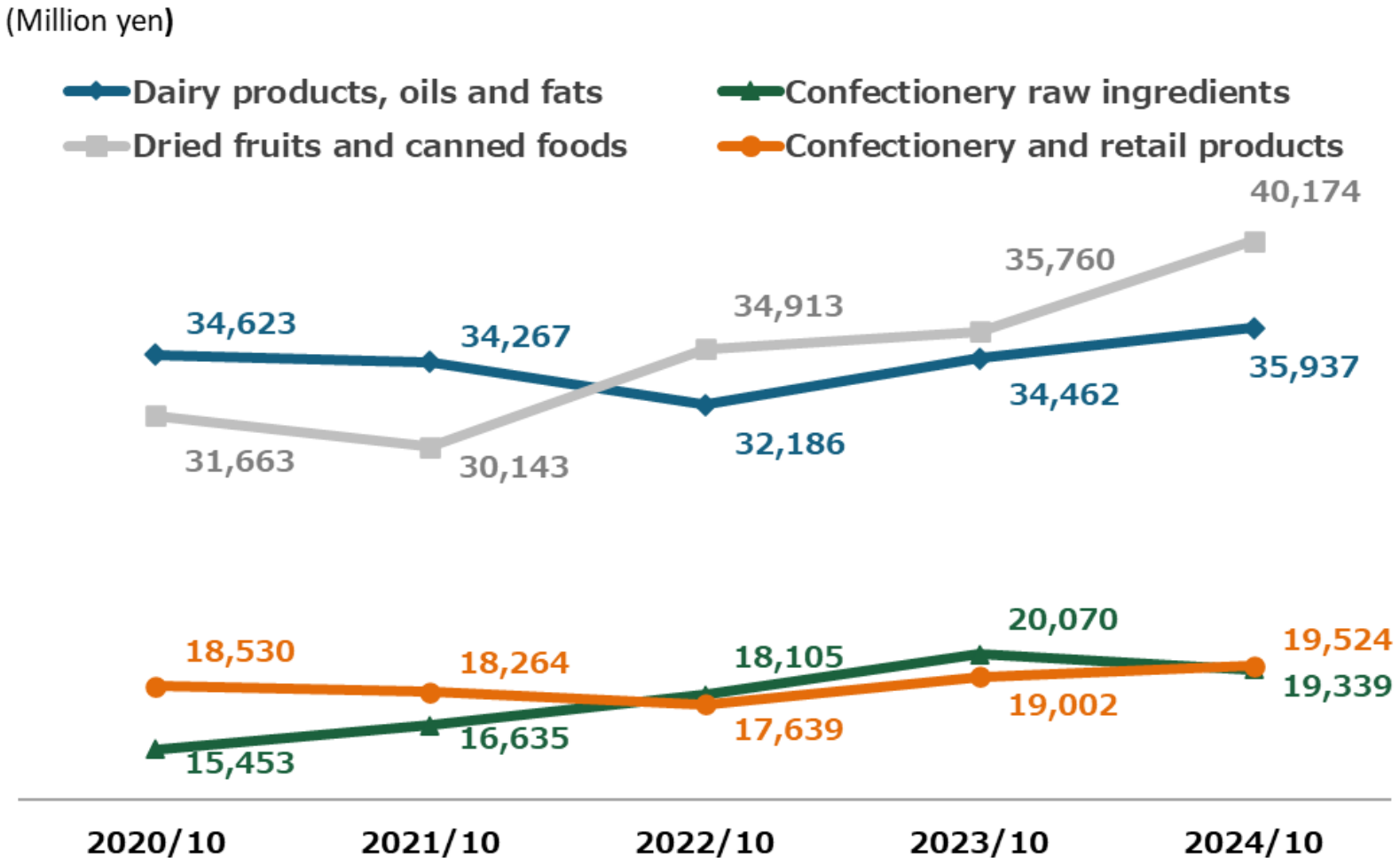
Sales of dried fruits such as raisins and cranberries increased in Japan, and there was also an increase in the export of shelled walnuts from the United States and sales of nuts and dried fruits in China. As a result of these factors, sales of dried fruits and canned goods increased by 12.3% compared to the same period last year.

Confectionery and retail products

There was also an increase in sales prices due to the rise in the price of cacao ingredients, and sales of NB chocolate confectioneries decreased, but sales of retail products such as small bags of nuts and PB chocolate confectioneries increased. As a result, sales of confectioneries and retail products increased by 2.7% compared to the same period last year.

Sales composition by product category

- Sales of dried fruit and canned goods are increasing due to increased sales in the United States and China.
- Other items have remained stable. Unit prices have been on an upward trend in the past two periods.

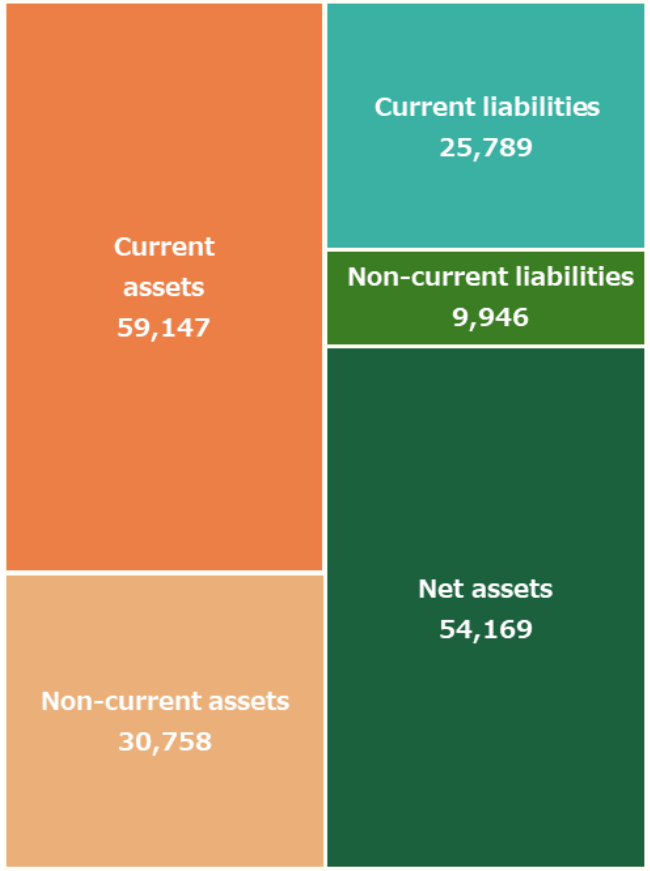


Financial Position

- Although Non-current assets decreased, inventories increased, and current assets increased, resulting in an increase in total assets.
- Current liabilities decreased, but Non-current liabilities increased, and total liabilities increased.
- As retained earnings increased, net assets also increased.

(Million yen)

			FY 10/2023	FY 10/2024	Difference
Assets	Current assets	Cash and deposits	12,948	11,194	▲1,754
		Notes and accounts receivable - trade	21,124	21,823	+699
		inventories	20,104	23,775	+3,671
		Other current assets	2,077	2,354	+277
		Total current assets	56,254	59,147	+2,893
	Non-current assets	Property, plant and equipment	24,119	23,438	▲681
		Intangible assets	291	631	+339
		Total investments and other assets	6,787	6,688	▲98
		Total non-current assets	31,198	30,758	▲440
	Total assets		87,452	89,905	+2,453
Liabilities	Current liabilities		27,191	25,789	▲1,401
	Non-current liabilities		8,225	9,946	+1,721
	Total liabilities		35,416	35,736	+319
Net assets	Shareholders' equity		44,890	47,259	+2,368
	Accumulated other comprehensive income		6,217	5,910	▲306
	Non-controlling interests		928	999	+71
	Total net assets		52,035	54,169	+2,133
Total liabilities and net assets			87,452	89,905	+2,453
Interest-Bearing Debt			18,705	17,486	▲1,218

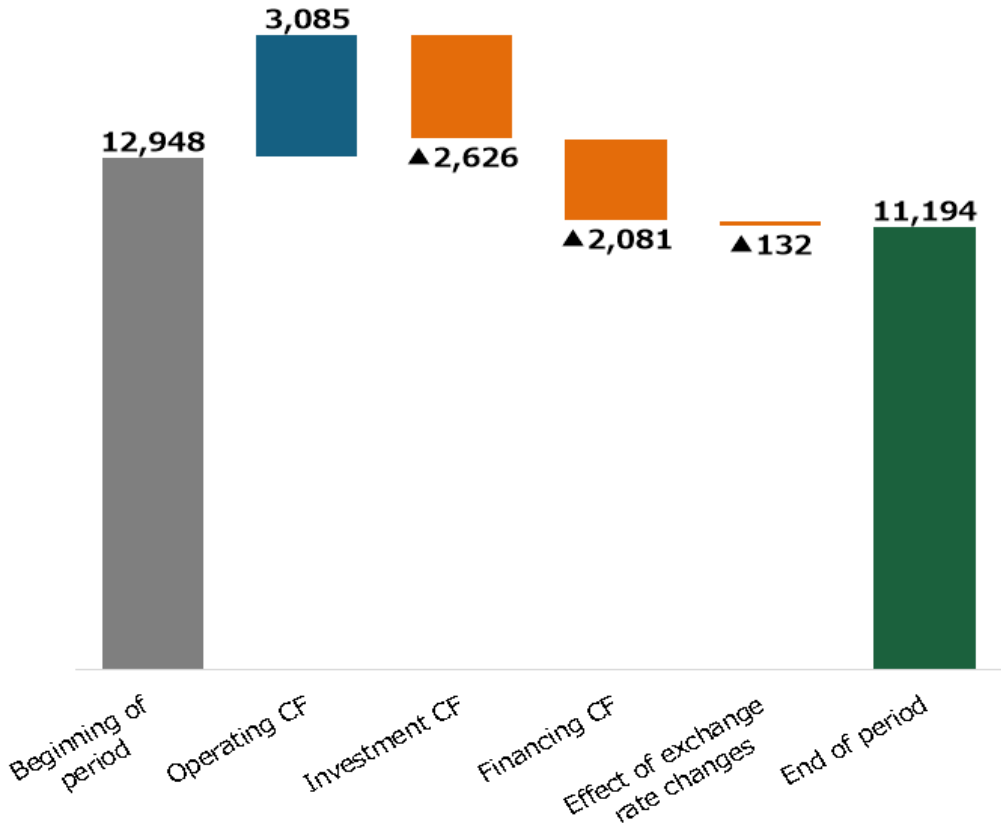


Cash flow

- Operating cash flows were positive due to the recording of profits, despite an increase in inventories.
- Capital investment increased compared to the previous year and Investment cash flows were negative.
- Financial cash flows were negative due to a decrease in interest-bearing debt.
- Cash and cash equivalents decreased.

(Million yen)

	FY 10/2023	FY 10/2024	Difference
Cash flows from operating activities	6,327	3,085	▲3,241
Cash flows from investing activities	▲1,998	▲2,626	▲627
Cash flows from financing activities	681	▲2,081	▲2,762
Effect of exchange rate change on cash and cash equivalents	71	▲132	▲203
Net increase (decrease) in cash and cash equivalents	5,081	▲1,754	▲6,835
Cash and cash equivalents at beginning of period	7,867	12,948	+5,081
Cash and cash equivalents at end of period	12,948	11,194	▲1,754



I. Results for FY 10/2024

II. Medium-term Management Plan

Mission Statement and Corporate Vision

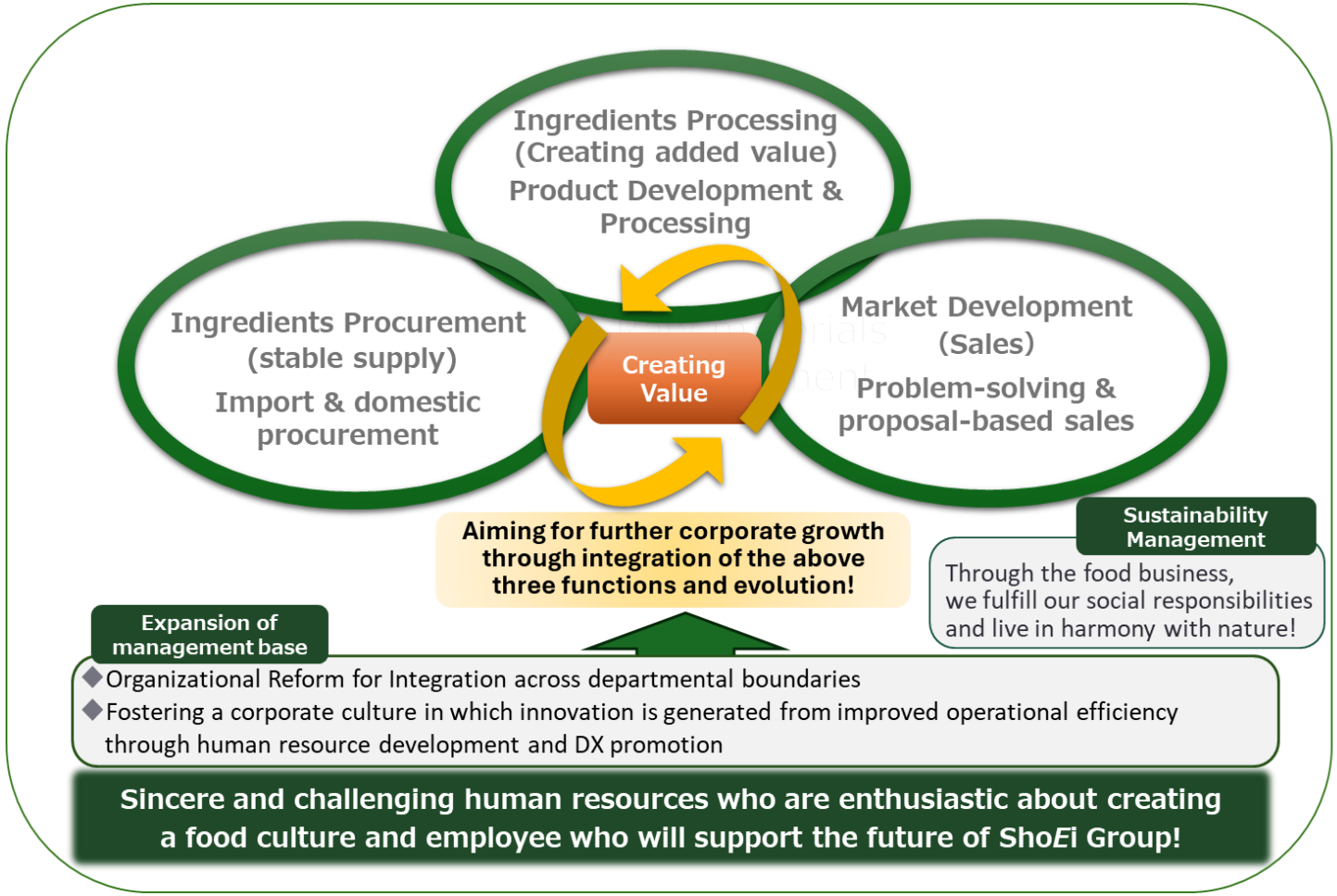
Mission Statement

Our mission is to contribute to society through creation of a new food culture. We will achieve this mission by always providing our customers with safe and reliable food from carefully selected sources both domestically and globally.

Corporate Vision

Beyond ingredients,
creating New Value!

By pursuing the possibilities of ingredients through passion for food and endless challenges, we aim to pave the way for people's enjoyment and a healthy future.



Business environment & Issues Surrounding our company

External Environment:

- The price of raw materials overseas has been fluctuating wildly due to crop failures of agricultural products caused by climate change, international situations, political risks, etc. Furthermore, the price of raw materials continues to rise due to soaring energy costs and logistics costs.
- Consumer needs have diversified such as thrifty consumers due to high prices and clearly "contrasted" consumption, in which health and value-added products are attracting attention, and “ethical” consumption, in which the environment is taken into consideration.
- Competition for human resources intensified as a result of a serious labor shortage and rising labor costs due to the declining birthrate and aging population
- The environment became even more challenging for management to respond to the promotion of DX, due in part to the advancement of digital technology.
- Expectations of corporate social responsibility increased, and demands for sustainability management grew stronger, including an emphasis on human capital management.

Fluctuations in raw material prices

Changes in the market environment, diversification of consumer needs

Low birthrate and aging population

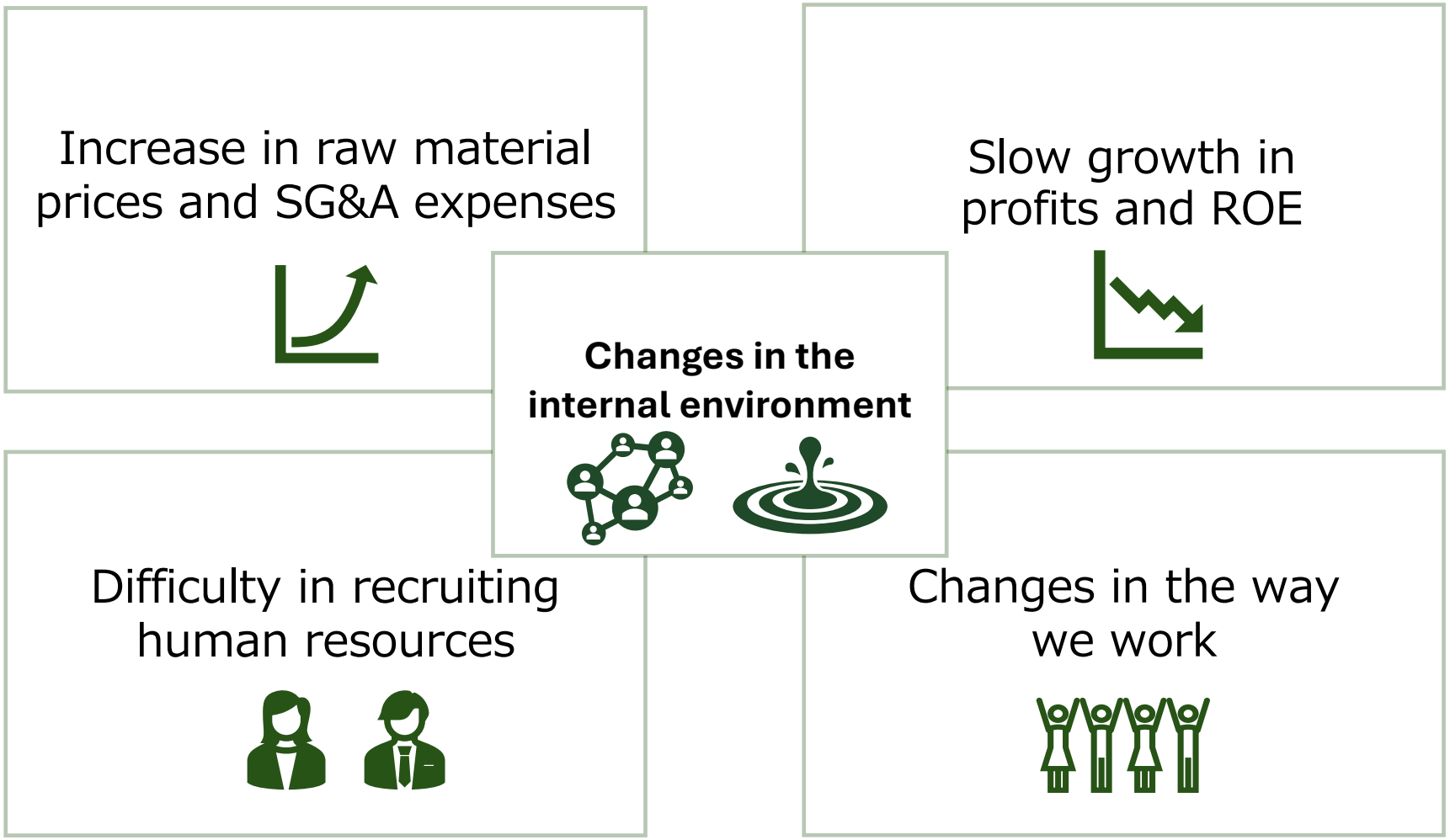
Advances in digital technology

Growing interest in sustainability management

Flexible response to changes in the environment, sustainable growth, and a resilient corporate structure that can withstand adversity are necessary!

Business environment & Issues Surrounding our company

Internal environment:



Management Strategies and Measures

Growth strategy as a food trading company

- Cultivating growing industries and users 
- Pioneering new fields 
- Expansion of product lineup
  (Promote changes in the profit structure to increase profits) 
- Strengthening global expansion 
- Strengthening the supply chain for main products 

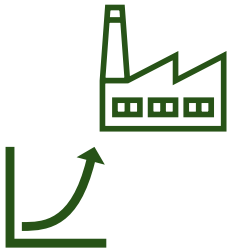
Management Strategies and Measures

Growth strategy as a food manufacturer

Product design tailored to customer needs and the accompanying capital investment



Initiatives to improve factory utilization rates

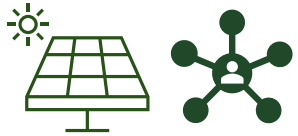


Efforts to provide safe and reliable food



Management Strategies and Measures

Promotion of Sustainability Management

- Promoting environmental responsiveness and human resource diversity 
- Maintaining a sustainable logistics network 
- Collaborating with Stakeholders 
- Promotion of DX 
- Strengthening the Corporate Governance System 

Progress of Medium-Term Management Plan Initiatives

Growth strategy as a Trading Company Specializing in Food Products

Diversification of suppliers・Approaches to developing new markets

In order to respond to climate change and meet the needs of our customers, we are promoting **diversification of production areas** for each product, such as by starting to handle South African macadamia nuts and Chinese red raisins. We have also focused on **developing new products**, such as frozen fruit puree and steamed beans.



Efforts to improve quality

We actively carried out **overseas supplier visits** for our main products, which were impossible due to the restrictions on movement during the covid 21 virus period, and conducted purchasing negotiations while also carrying out **factory audits** in line with our own quality check sheets.
We worked on improving quality by discussing various issues together.

Progress of Medium-Term Management Plan Initiatives

Growth strategy as a food manufacturer

Active promotion of capital investment that contributes to new products

Based on our capital investment plan, we have added a new paste line for processing locally produced sweet potato ingredients, mainly from Ibaraki Prefecture. We have also started up a new line for candied nuts, more than doubling our production capacity. In addition, we have actively invested in equipment to respond to new products that meet the wide-ranging needs of our business partners.

Health ingredients, Well-Being Initiatives



We have started manufacturing and selling the plant-based product “Guilt-Free Bar”, which was proposed at the “Well-Being” corner of the 120th anniversary product exhibition held in April. This product is a confectionary made from a mix of nuts and dried fruits, and is a bar-shaped snack with excellent preservation and portability. It is a gluten-free plant-based product that uses a well-balanced blend of roasted almonds, hazelnuts, raisins, prunes and figs, and cocoa powder to add richness to the flavor, and contains no sugar.

We will continue to work on developing health-related products that meet the needs of our customers.

Progress of Medium-Term Management Plan Initiatives

Sustainability Initiatives

Strengthening the corporate governance system

- Achieving corporate transparency and accountability through enhanced information disclosure

We enhanced the content of our financial results briefing materials and began preparing them at the time of the interim financial results. In addition, we began simultaneous disclosure in Japanese and English prior to the requirement, and worked to strengthen information disclosure and improve corporate transparency.

- Review of effective and fair decision-making processes

In order to strengthen internal governance and improve the decision-making process, we reviewed the functions and authority of the Executive Committee. By reporting the content of discussions to the Board of Directors, we improved the decision-making process and transparency on the executive side, and got the management of the committee back on track.

- Risk Management・Improving compliance

In addition to the company-wide compliance training that has been in place until now, we have begun to centrally manage training materials and conduct department-specific training tailored to the characteristics of each department's work. We have also introduced a new system for monitoring the formulation of training plans and their implementation status, and we will strive to promote these efforts efficiently and further enhance the company's compliance and risk management systems.

Progress of Medium-Term Management Plan Initiatives

Sustainability Initiatives

Recycling of food waste



At the Amakusa factory of our group company, Kyomaron, we are working to turn the chestnut skins that are a by-product of the chestnut paste production process into fertilizer. In addition, our US subsidiary is working to commercialize the shells and oil that are generated as by-products in the walnut production process, and we are promoting initiatives to utilize by-products generated in the production process without disposing of them.

Human Capital Management

We are promoting diversity in our workforce, including women, foreign nationals, and mid-career hires, and have set targets for increasing diversity in our workforce based on job position. We update our targets every three years, and having exceeded the targets we set for October 2024, which we set in 2021, we have set new targets. We will continue to work to ensure diversity in our workforce to improve our corporate value over the medium to long term.

Earnings forecast and management targets for FY 10/2025

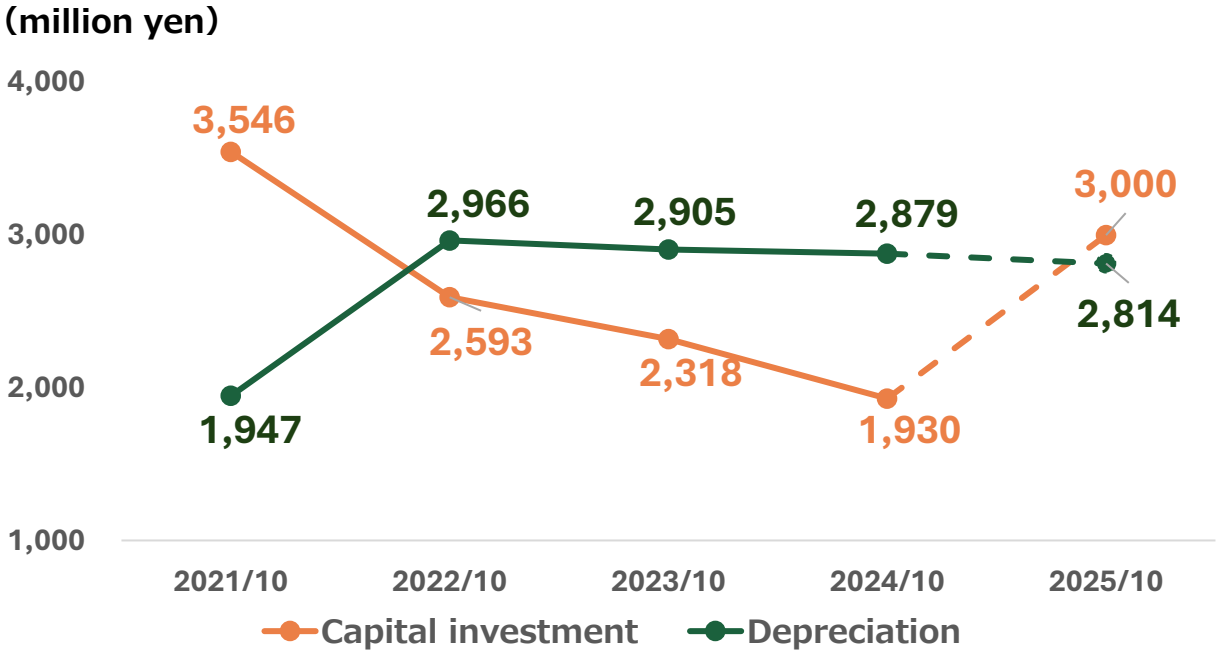
- We expect consolidated results for FY 10/2025 to show a decrease in both sales and profits.
- Due to the nature of our business, sales prices fluctuate in line with changes in the unit cost of imported foodstuffs, which in turn fluctuates in line with changes in raw material prices and exchange rates. Therefore, rather than sales, our main management targets are to increase gross profit and operating profit.
- While actively investing in facilities, DX, and human capital, we aim to achieve sustainable growth in corporate value by securing an ROE (Return on Equity) that consistently exceeds the cost of capital, targeting 8% in the medium to long term.

(Million yen)

	First half			Full year		
	Results	Next FY forecast	Year on year change	Results	Next FY forecast	Year on year change
Net sales	59,692	59,500	▲0.3%	115,208	115,000	▲0.1%
Operating profit	3,092	2,900	▲6.2%	4,844	4,400	▲9.1%
Ordinary profit	3,178	2,950	▲7.2%	4,950	4,500	▲9.1%
Profit attributable to owners of parent	1,949	1,950	+0.0%	3,170	3,000	▲5.3%
Basic earnings per share	115.72 Yen	115.75 Yen		188.18 Yen	178.08 Yen	

Capital Investment Plan

- Capital investment in FY 10/2024 was approximately 1.9 billion yen.
- We are planning to invest approximately 3 billion yen in capital expenditures in FY 10/2025. This will be broken down into approximately 2.6 billion yen for tangible fixed assets and approximately 400 million yen for intangible fixed assets.
- Investment in tangible fixed assets is planned for the renewal and new introduction of equipment at domestic and overseas production subsidiaries, with the aim of improving production efficiency, etc.
- As for intangible fixed assets, we are planning to invest in IT to promote DX.



〈 Breakdown of capital investment〉

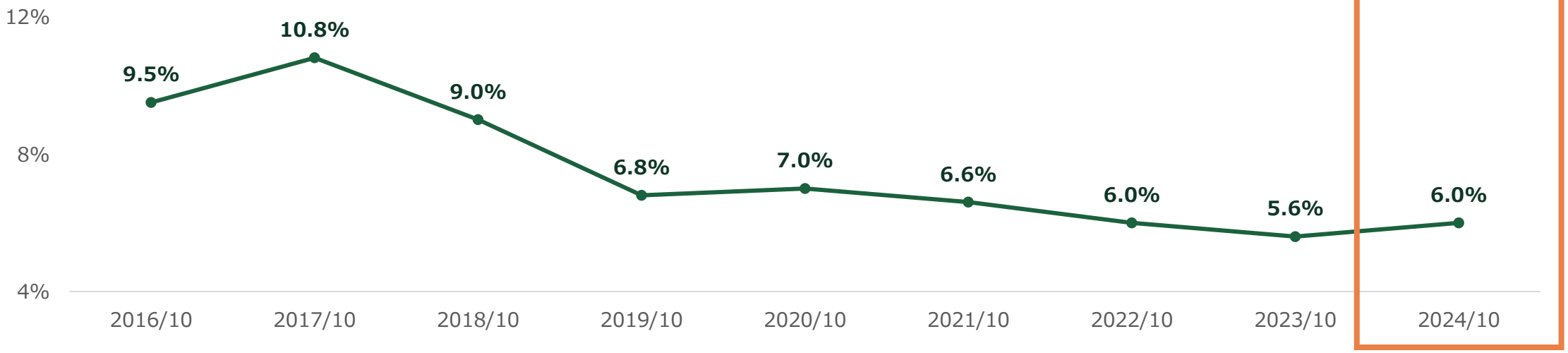
tangible fixed asset	2.6 billion yen
intangible fixed asset	0.4 billion yen
total	3.0 billion yen

Cost of Equity Capital

- We recognize that our cost of equity capital, as calculated using the CAPM model, is between 5.0% and 6.0%.
- We recognize that we need to further improve our equity spread (ROE - cost of equity), and we will work to improve ROE and reduce the cost of equity.

risk-free rate		β		Market Risk Premium		Cost of equity
0.9 ～ 1.0 %	+	About 0.7	×	6 ～ 7 %	=	5.0 ～ 6.0 %
Long-term interest rates in Japan		Average of historical and implied methods		Uses TOPIX values		

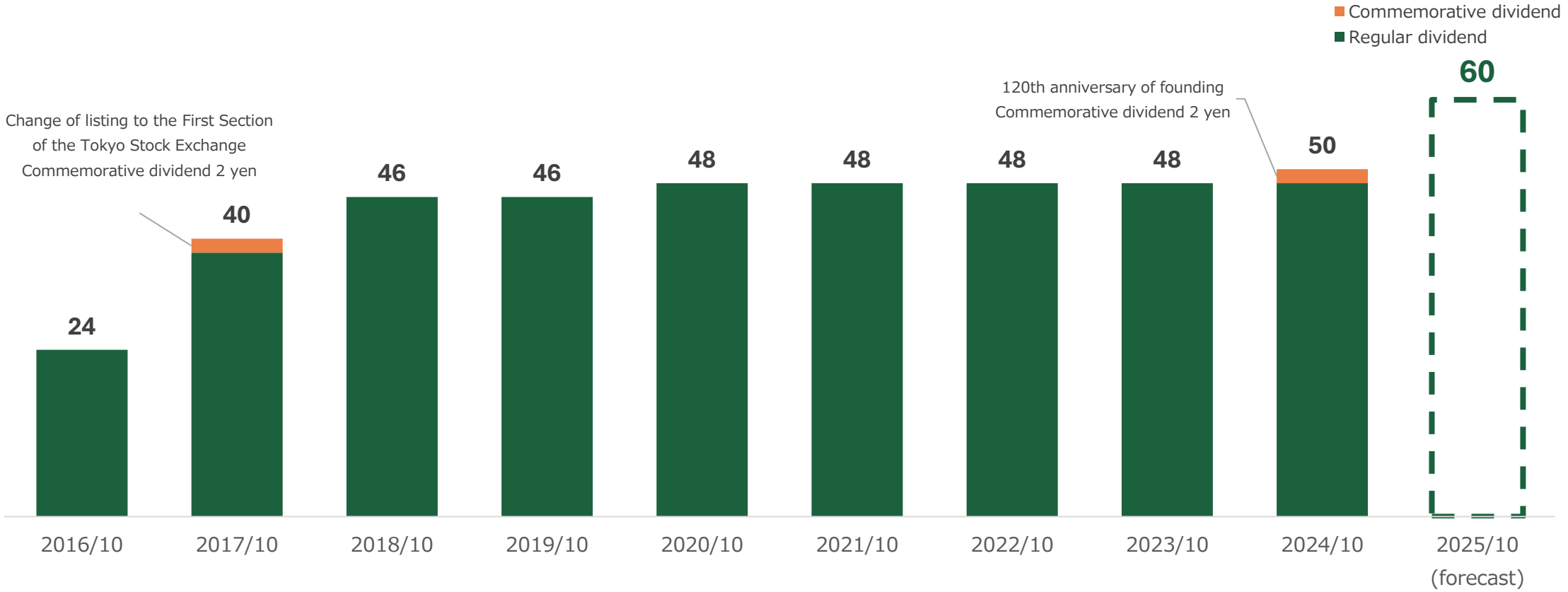
Trends in ROE



Shareholder Return Policy

- With regard to profit distribution, we regard returning profits to shareholders as a key management issue, and our basic policy is to maintain stable dividends. We also make comprehensive decisions based on factors such as business investment for achieving medium- to long-term growth and the level of internal reserves, and our basic policy is to pay dividends from retained earnings twice a year, as an interim dividend and a year-end dividend.

Dividend for the term ending October 2025 increased by 10 yen from the previous year.
We plan to pay a regular dividend of 60 yen (interim dividend of 30 yen, year-end dividend of 30 yen).



Cautionary Statement Regarding Forward-Looking Statements

This material is intended solely for informational purposes and is not intended as a solicitation to buy or sell any securities. Forward-looking statements in this material are based on targets and forecasts, and are not guarantees or assurances. Please be aware that our future business performance may differ from our current forecasts.

In addition, statements regarding the industry, etc., are based on various data that are believed to be reliable, but we do not guarantee their accuracy or completeness.
This material is presented on the premise that investors use this material at their own discretion and responsibility, regardless of the purpose for which they use it.