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Consolidated Financial Results for the Nine Months Ended July 31, 2024 [Japanese GAAP]



September 11, 2024

Company name: SHOEI FOODS CORPORATION

Stock exchange listing: Tokyo Stock Exchange

Code number: 8079

URL: <https://www.shoeifoods.co.jp/english>

Representative: Hidemitsu Honda, President and Representative Director

Contact: Kazunori Kano, Managing Director and General Manager, Corporate Planning Div.

Phone: +81-3-3253-1529

Scheduled date of commencing dividend payments: —

Preparation of supplementary material on financial results: None

Holding of financial results briefing: None

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

1. Consolidated Financial Results for the Nine Months Ended July 31, 2024 (November 1, 2023 – July 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended July 31, 2024	87,926	6.9	4,214	31.8	4,370	33.1	2,746	25.1
July 31, 2023	82,224	5.9	3,195	(10.7)	3,283	(14.6)	2,194	(15.7)

(Note) Comprehensive income: Nine months ended July 31, 2024: 4,059 million yen [80.3%]

Nine months ended July 31, 2023: 2,250 million yen [(54.4)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended July 31, 2024	163.01		—	
July 31, 2023	130.32		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of July 31, 2024	90,117		55,285		60.2	
As of October 31, 2023	87,452		52,035		58.4	

(Reference) Equity: As of July 31, 2024: 54,279 million yen

As of October 31, 2023: 51,107 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended October 31, 2023	Yen —	Yen 24.00	Yen —	Yen 24.00	Yen 48.00
Fiscal year ending October 31, 2024	—	25.00	—		
Fiscal year ending October 31, 2024 (Forecast)				25.00	50.00

Notes: 1. Revision to the forecast for dividends announced most recently: None

2. Breakdown of the interim dividend for the fiscal year ending October 31, 2024:

Ordinary dividend: 24.00 yen

Commemorative dividend: 1.00 yen

Breakdown of the year-end dividend for the fiscal year ending October 31, 2024 (forecast):

Ordinary dividend: 24.00 yen

Commemorative dividend: 1.00 yen

3. Consolidated Financial Results Forecasts for the Fiscal Year Ending October 31, 2024 (November 1, 2023 – October 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	115,000	4.9	5,000	23.9	5,100	23.2	3,250	15.6	192.94

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

*** Notes:**

(1) Significant changes in the scope of consolidation during the period under review: None

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 shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

July 31, 2024: 17,100,000 shares

October 31, 2023: 17,100,000 shares

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

July 31, 2024: 252,511 shares

October 31, 2023: 257,536 shares

3) Average number of shares during the period:

Nine months ended July 31, 2024: 16,844,961 shares

Nine months ended July 31, 2023: 16,839,604 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

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

Financial results forecasts and other forward-looking statements contained herein are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ significantly due to various factors. For the assumptions underlying the forecasts herein and cautionary notes regarding the use of these financial results forecasts, please see “(1) Explanation of Operating Results” under “1. Qualitative Information on Quarterly Financial Results” on page 2 of the Attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

(Million yen)

	Nine months ended		Change
	July 31, 2023	July 31, 2024	
Net sales	82,224	87,926	6.9%
Operating profit	3,195	4,214	31.8%
Ordinary profit	3,283	4,370	33.1%
Profit attributable to owners of parent	2,194	2,746	25.1%

During the period under review, the Japanese economy saw continued inflation due to rising prices of agricultural products and the yen's depreciation, and the outlook remained uncertain resulting from increased volatility in the financial markets.

In the food industry, while sales increased due to the continued price hikes, there is a need to respond to consumers' price preferences with healthier products and high value-added products. Under these circumstances, the ShoEi Foods Corporation group strived to realize reasonable prices by engaging in full-scale sales activities, including participation in exhibitions and visits to overseas suppliers, which had not been possible during the COVID-19 pandemic.

As a result of these efforts, consolidated net sales for the period under review increased by 6.9% year on year to 87,926 million yen, thanks to increases in exports of walnuts from the United States and sales of nuts and dried fruits in China, as well as an increase in sales of dairy products and retail products such as small-size nut bags in Japan.

On the profit front, operating profit increased by 31.8% year on year to 4,214 million yen, ordinary profit increased by 33.1% to 4,370 million yen, and profit attributable to owners of parent increased by 25.1% to 2,746 million yen. This was owing to an improvement in profits in Japan due to the stabilization of the rise in energy cost and the progress of product price revisions, among others. The China segment also saw improved profitability in both exports and domestic sales.

Business results by product category for the period under review are as follows.

(Million yen)

	Nine months ended		Nine months ended		Year on year change	
	July 31, 2023		July 31, 2024			
	Net sales	Composition	Net sales	Composition	Amount	%
Dairy products, oils and fats	26,014	31.6%	26,901	30.6%	886	3.4%
Confectionery raw materials	14,449	17.6%	13,971	15.9%	(478)	(3.3)%
Dried fruits and canned foods	26,930	32.8%	32,014	36.4%	5,084	18.8%
Confectionery and retail products	14,575	17.7%	14,852	16.9%	277	1.9%
Other	254	0.3%	185	0.2%	(69)	(27.1)%
Total	82,224	100.0%	87,926	100.0%	5,701	6.9%

Segment operating results by region for the period under review are as follows.

1) Japan

In Japan, net sales increased by 2.5% year on year to 76,900 million yen due to the increased sales of products such as dairy products, dried fruits, and retail products.

Segment profit increased by 23.5% year on year to 3,532 million yen owing to the improved profitability of dairy products, confectionery and retail products, and others.

2) United States

In the United States, its main business, walnut, saw an increase in net sales resulting from the increased volumes received and sold amid favorable crop conditions. Sales of the Chinese-grown pine nuts also increased in the United States. As a result, net sales increased by 32.0% year on year to 8,598 million yen.

Segment profit increased by 6.7% year on year to 677 million yen. This was owing to an increase in profit from the sales of walnut due to increased sales volume, despite the lower profit from sales of prunes due to the continued decline in the volume for Japan.

3) China

Sales of nuts and dried fruits increased in China and the exports of the Chinese-grown seeds remained favorable. As a result, net sales increased by 36.2% year on year to 8,504 million yen.

Segment profit amounted to 398 million yen (compared to a loss of 21 million yen in the same period of the previous fiscal year), an improvement from the segment loss in the same period of the previous fiscal year, due to strong sales in China and Hong Kong and the improved profitability of the exports of goods such as the Chinese-grown seeds.

(2) Explanation of Financial Position

(Assets, liabilities, and net assets)

Total assets as of July 31, 2024 amounted to 90,117 million yen, an increase of 2,665 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 1,776 million yen in notes and accounts receivable - trade, 3,395 million yen in merchandise and finished goods, and 136 million yen in work in process, despite decreases of 2,642 million yen in cash and deposits, 124 million yen in raw materials and supplies, and 176 million yen in advance payments to suppliers, resulting in current assets of 58,177 million yen, an increase of 1,923 million yen from the end of the previous fiscal year. Non-current assets increased by 742 million yen compared with the end of the previous fiscal year to 31,940 million yen due to increases of 253 million yen in intangible assets and 399 million yen in investments and other assets.

Total liabilities as of July 31, 2024 amounted to 34,832 million yen, a decrease of 584 million yen compared with the end of the previous fiscal year. This was due mainly to decreases of 868 million yen in short-term borrowings, 2,000 million yen in current portion of long-term borrowings, 210 million yen in accounts payable - other, 283 million yen in income taxes payable, and 516 million yen in provision for bonuses, despite an increase of 1,331 million yen in notes and accounts payable - trade, resulting in current liabilities of 24,640 million yen, a decrease of 2,550 million yen from the end of the previous fiscal year. Non-current liabilities increased by 1,966 million yen compared with the end of previous fiscal year to 10,191 million yen due to increases of 1,721 million yen in long-term borrowings and 160 million yen in deferred tax liabilities.

Total net assets as of July 31, 2024 amounted to 55,285 million yen, an increase of 3,249 million yen compared with the end of the previous fiscal year. This was due mainly to increases of 1,920 million yen in retained earnings, 286 million yen in valuation difference on available-for-sale securities, and 1,155 million yen in foreign currency translation adjustment, despite a decrease of 211 million yen in deferred gains or losses on hedges.

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

No change has been made to the consolidated financial results forecast for the fiscal year ending October 31, 2024 announced on June 11, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	As of October 31, 2023	As of July 31, 2024
Assets		
Current assets		
Cash and deposits	12,948,689	10,305,885
Notes and accounts receivable - trade	21,124,074	22,900,135
Merchandise and finished goods	16,540,262	19,935,435
Work in process	817,472	954,174
Raw materials and supplies	2,746,495	2,622,421
Advance payments to suppliers	848,654	671,986
Other	1,232,081	790,779
Allowance for doubtful accounts	(3,454)	(3,420)
Total current assets	56,254,275	58,177,399
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,977,657	12,790,243
Machinery, equipment and vehicles, net	6,487,570	6,147,389
Tools, furniture and fixtures, net	336,936	371,399
Land	3,596,571	3,628,732
Leased assets, net	74,789	237,923
Construction in progress	299,805	678,634
Other, net	346,136	354,382
Total property, plant and equipment	24,119,465	24,208,705
Intangible assets		
Software	127,465	101,883
Other	164,213	443,346
Total intangible assets	291,678	545,230
Investments and other assets		
Investment securities	4,249,809	4,708,925
Insurance premium	29,080	—
Deferred tax assets	197,556	124,646
Long-term advance account	2,001,528	2,051,216
Other	400,843	395,233
Allowance for doubtful accounts	(91,760)	(93,740)
Total investments and other assets	6,787,057	7,186,281
Total non-current assets	31,198,202	31,940,216
Total assets	87,452,478	90,117,615

(Thousand yen)

	As of October 31, 2023	As of July 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,905,506	11,237,179
Short-term borrowings	9,676,926	8,808,549
Current portion of long-term borrowings	2,371,476	371,476
Accounts payable - other	2,170,117	1,959,413
Income taxes payable	769,593	486,148
Provision for bonuses	1,015,594	499,279
Provision for bonuses for directors (and other officers)	9,300	8,131
Other	1,272,764	1,270,689
Total current liabilities	27,191,277	24,640,865
Non-current liabilities		
Long-term borrowings	6,656,657	8,378,050
Deferred tax liabilities	358,057	518,143
Retirement benefit liability	712,584	699,247
Provision for retirement benefits for directors (and other officers)	96,512	73,359
Other	401,599	522,706
Total non-current liabilities	8,225,410	10,191,506
Total liabilities	35,416,688	34,832,372
Net assets		
Shareholders' equity		
Share capital	3,379,736	3,379,736
Capital surplus	3,059,298	3,065,720
Retained earnings	39,342,059	41,262,685
Treasury shares	(890,779)	(873,518)
Total shareholders' equity	44,890,315	46,834,624
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,053,590	2,340,156
Deferred gains or losses on hedges	210,103	(1,365)
Foreign currency translation adjustment	3,878,726	5,034,230
Remeasurements of defined benefit plans	74,958	71,651
Total accumulated other comprehensive income	6,217,379	7,444,673
Non-controlling interests	928,093	1,005,945
Total net assets	52,035,789	55,285,243
Total liabilities and net assets	87,452,478	90,117,615

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Nine months ended July 31

(Thousand yen)

	For the nine months ended July 31, 2023	For the nine months ended July 31, 2024
Net sales	82,224,976	87,926,146
Cost of sales	69,097,599	73,275,805
Gross profit	13,127,376	14,650,340
Selling, general and administrative expenses	9,931,946	10,435,699
Operating profit	3,195,429	4,214,640
Non-operating income		
Interest income	12,833	14,475
Dividend income	81,485	96,266
Foreign exchange gains	—	45,528
Share of profit of entities accounted for using equity method	21,231	23,484
Dividend income of insurance	3,053	26,378
Insurance claim income	1,556	6,081
Dividends investment	35,886	—
Factory attracting bounty	35,091	31,770
Other	49,958	44,599
Total non-operating income	241,096	288,584
Non-operating expenses		
Interest expenses	94,638	103,912
Foreign exchange losses	56,378	—
Compensation expenses	8	20,564
Other	1,696	7,992
Total non-operating expenses	152,721	132,469
Ordinary profit	3,283,804	4,370,756
Extraordinary income		
Gain on sale of non-current assets	3,590	2,083
Reversal of allowance for doubtful accounts	—	17
Total extraordinary income	3,590	2,100
Extraordinary losses		
Loss on retirement of non-current assets	13,309	9,844
Loss on sale of non-current assets	102	8,387
Total extraordinary losses	13,411	18,231
Profit before income taxes	3,273,982	4,354,625
Income taxes - current	847,788	1,352,057
Income taxes - deferred	189,400	183,568
Total income taxes	1,037,188	1,535,625
Profit	2,236,794	2,818,999
Profit attributable to non-controlling interests	42,190	72,967
Profit attributable to owners of parent	2,194,604	2,746,032

Quarterly Consolidated Statement of Comprehensive Income

Nine months ended July 31

(Thousand yen)

	For the nine months ended July 31, 2023	For the nine months ended July 31, 2024
Profit	2,236,794	2,818,999
Other comprehensive income		
Valuation difference on available-for-sale securities	394,539	299,551
Deferred gains or losses on hedges	(323,047)	(211,469)
Foreign currency translation adjustment	(80,835)	1,155,503
Remeasurements of defined benefit plans, net of tax	23,329	(3,307)
Total other comprehensive income	13,985	1,240,278
Comprehensive income	2,250,780	4,059,278
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,204,634	3,973,325
Comprehensive income attributable to non-controlling interests	46,145	85,952

(3) Notes to Quarterly Consolidated Financial Statements

(Significant matters that serve as the basis for preparation of quarterly consolidated financial statements)

The quarterly consolidated financial statements have been prepared in accordance with Rule 4, Paragraph 1 of the Standards for Preparation of Quarterly Financial Statements, etc. of Tokyo Stock Exchange, Inc. and accounting principles generally accepted in Japan regarding quarterly consolidated financial statements. Provided, however, that the omission of information set forth in Rule 4, Paragraph 2 of the Standards has been applied.

(Segment information, etc.)

[Segment information]

I. For the nine months ended July 31, 2023 (from November 1, 2022 to July 31, 2023)

Information on net sales and profit (loss) by reportable segment and disaggregation of revenues

(Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statement of Income (Note 2)
	Japan	United States	China	Total		
Net sales						
Revenue from contracts with customers	74,229,245	3,742,460	4,251,257	82,222,963	—	82,222,963
Other revenue (Note 3)	2,012	—	—	2,012	—	2,012
Net sales to outside customers	74,231,258	3,742,460	4,251,257	82,224,976	—	82,224,976
Inter-segment net sales or transfers	768,235	2,768,104	1,991,760	5,528,100	(5,528,100)	—
Total	74,999,493	6,510,564	6,243,018	87,753,076	(5,528,100)	82,224,976
Segment profit (loss)	2,859,032	634,359	(21,406)	3,471,985	(276,555)	3,195,429

- Notes: 1. The adjustment of segment profit (loss) of negative 276,555 thousand yen includes inter-segment elimination of negative 24,926 thousand yen and company-wide expenses of negative 251,628 thousand yen. Company-wide expenses are general and administrative expenses that do not belong to the reportable segments.
2. Segment profit (loss) has been adjusted with operating profit in the Quarterly Consolidated Statement of Income.
3. Other revenue includes real estate lease revenue included in the scope of the Accounting Standard for Lease Transactions.

II. For the nine months ended July 31, 2024 (from November 1, 2023 to July 31, 2024)

Information on net sales and profit (loss) by reportable segment and disaggregation of revenues

(Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statement of Income (Note 2)
	Japan	United States	China	Total		
Net sales						
Revenue from contracts with customers	75,781,332	6,201,371	5,940,238	87,922,942	—	87,922,942
Other revenue (Note 3)	3,203	—	—	3,203	—	3,203
Net sales to outside customers	75,784,536	6,201,371	5,940,238	87,926,146	—	87,926,146
Inter-segment net sales or transfers	1,116,404	2,396,754	2,563,992	6,077,151	(6,077,151)	—
Total	76,900,941	8,598,126	8,504,230	94,003,298	(6,077,151)	87,926,146
Segment profit	3,532,574	677,303	398,249	4,608,127	(393,486)	4,214,640

- Notes: 1. The adjustment of segment profit of negative 393,486 thousand yen includes inter-segment elimination of negative 105,899 thousand yen and company-wide expenses of negative 287,587 thousand yen. Company-wide expenses are general and administrative expenses that do not belong to the reportable segments.
2. Segment profit has been adjusted with operating profit in the Quarterly Consolidated Statement of Income.
3. Other revenue includes real estate lease revenue included in the scope of the Accounting Standard for Lease Transactions.

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

Not applicable.

(Notes on going concern assumption)

Not applicable.

(Notes on statement of cash flows)

Quarterly consolidated statement of cash flows for the nine months ended July 31, 2024 is not prepared. Depreciation for the nine months ended July 31, which includes amortization of intangible assets, is as follows:

(Thousand yen)

	For the nine months ended July 31, 2023	For the nine months ended July 31, 2024
Depreciation	2,152,089	2,167,583