

Consolidated Financial Results for the Nine Months Ended March 31, 2022 [Japanese GAAP]



May 13, 2022

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: May 13, 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 Nine Months Ended March 31, 2022 (July 1, 2021 – March 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	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	25,054	—	842	(56.9)	883	(55.3)	669	(55.9)
March 31, 2021	27,679	(3.2)	1,955	13.4	1,977	17.2	1,519	30.1

(Note) Comprehensive income: Nine months ended March 31, 2022: ¥477 million [(73.4) %]

Nine months ended March 31, 2021: ¥1,796 million [58.8 %]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2022	36.39	—
March 31, 2021	82.47	—

(Note) “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and related guidelines have been adopted effective the beginning of the first quarter of the current fiscal year. Key financial data for the nine months ended March 31, 2022, 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 March 31, 2022	22,841	13,828	60.5
As of June 30, 2021	22,216	13,585	61.2

(Reference) Equity: As of March 31, 2022: ¥13,828 million

As of June 30, 2021: ¥13,585 million

(Note) “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and related guidelines have been adopted effective the beginning of the first quarter of the current fiscal year. Key financial data for the nine months ended March 31, 2022, 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. Dividends

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Full year	31,600	—	550 (68.3)		650 (64.0)		550 (79.5)	29.89

(Notes) 1. Revision to the financial results forecast announced most recently: Yes

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

3. For the consolidated financial results forecast for the fiscal year ending June 30, 2022, please refer to the press release dated today titled “Notice regarding Revision of Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2022.”

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common shares)
- 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

As of March 31, 2022:	18,590,000 shares
As of June 30, 2021:	18,590,000 shares
 - 2) Total number of treasury shares at the end of the period:

As of March 31, 2022:	215,288 shares
As of June 30, 2021:	158,688 shares
 - 3) Average number of shares during the period (cumulative quarterly accounting period):

Nine months ended March 31, 2022:	18,403,012 shares
Nine months ended March 31, 2021:	18,429,510 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 (150,200 shares as of March 31, 2022 and 93,600 shares as of June 30, 2021). The number of treasury shares deducted in the calculation of the average number of shares during each period includes shares of the Company held by the BBT (121,900 shares for the nine months ended March 31, 2022 and 95,420 shares for the nine months ended March 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 nine months ended March 31, 2022, economic activity remained sluggish with the Tokyo Olympic and Paralympic Games held without spectators, which had been expected to jump-start an economic recovery, and a sharp rise in positive COVID-19 cases with the emergence of new variants, and a prolonged state of emergency and localized priority measures to prevent the spread of COVID-19. The international unrest and the turmoil in the global economy triggered by Russia's invasion of Ukraine also compounded the situation and the outlook for economic recovery remained uncertain.

Costs are increasing significantly beyond expectations, such as soaring prices of surimi and other raw materials, rises in energy prices, especially those of crude oil, and rising labor costs resulting from labor shortages, which are becoming chronic, and these prices can increase even further under the unstable social conditions. Thus, the business environment surrounding the Group has become increasingly severe.

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

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

As a result, for the nine months ended March 31, 2022, the Company posted net sales of ¥25,054 million, operating profit of ¥842 million (down ¥1,113 million or 56.9 % from the same period of the previous fiscal year), ordinary profit of ¥883 million (down ¥1,094 million or 55.3% from the same period of the previous fiscal year), and profit attributable to owners of parent of ¥669 million (down ¥850 million or 55.9% from the same period of the previous fiscal year).

The performance of each segment is as follows.

(Fish-paste Products and Side Dishes Business)

The Company's mainstay product, *kanikama* (crab-flavored kamaboko), has enjoyed strong popularity as an easily accessible source of fish meat protein, as health consciousness continues to rise. Within this category, the time-limited product, "Salad Stick Edamame-Flavor" proved very popular as summer snacks to accompany drinks, and "Large Kanikama" and its renewal product "Gaburich miwaku no kanikama," a satisfying way to eat quality fish meat protein, also proved very popular as a key ingredient for special-day dishes at home.

In terms of products for the "*osechi*," Japanese traditional New Year's day food, sales grew for the "Jun" series kamaboko and *datemaki* rolled omelet, whose main and auxiliary ingredients are all made in Japan. With the effect of the adoption of the Accounting Standard for Revenue Recognition and related guidelines and the liquidation of a consolidated subsidiary, Marusu-kamaboko Industries Co., Ltd., in May 2021, sales in this segment decreased from the same period of the previous fiscal year.

In terms of profit, due to growing health consciousness around the world and increased demand for processed seafood products driven by economic growth in emerging nations, international market prices of surimi have remained at high levels. Energy prices also have remained high, due to the global economic recovery from the impact of the COVID-19 pandemic and the situation in Ukraine. West Texas Intermediate (WTI), one of the primary benchmarks of crude oil prices, hovered around \$100. Furthermore, various costs continue to rise, which include the repeated increases of edible oil prices due to a decreased crop of grains, etc. Under these circumstances, the Company revised the prices of its fish-paste products and side-dish products by approximately 5% to 15%, effective from shipments on March 1, 2022, but the effect during the period under review was limited,

resulting in profit falling below that of the same period of the previous fiscal year.

As a result, for the nine months ended March 31, 2022, this segment posted net sales of ¥21,447 million and segment profit or operating profit of ¥254 million (segment profit or operating profit of ¥1,055 million for the same period of the previous fiscal year).

(Mushroom Business)

Market prices of vegetables in general and mushrooms in mid-August surpassed those in the same period of the previous fiscal year as the growth of some vegetables was slowed by the lack of sunlight and lower atmospheric temperatures. From March, with a decrease in the supply of mushrooms, the market prices stopped falling and exceeded the previous year's levels, but were generally low for most of the period under review as the weather was relatively stable, resulting in a favorable vegetable growth. Under these circumstances, the environment surrounding mushroom sales was severe.

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 strengthen its menu proposals to increase demand for home cooking and the marketing of large-volume products.

As a result, for the nine months ended March 31, 2022, this segment posted net sales of ¥3,238 million, and segment profit or operating profit of ¥553 million (segment profit or operating profit of ¥830 million for the same period of the previous fiscal year).

(Transport Business and Warehouse Business)

For the transport business, both net sales and profit decreased from the same period of the previous fiscal year, mainly because of a lower handling volume of imported vegetables and fruits due to the effect of the weather, soaring fuel prices and increases in depreciation resulting from capital investments.

For the warehouse business, net sales increased from the same period of the previous fiscal year thanks to efforts to pursue further opportunities in business with existing customers, but profit dropped from the same period of the previous fiscal year, due mainly to higher electricity costs.

As a result, for the nine months ended March 31, 2022, net sales in others, non-reportable segments were ¥369 million, and segment profit or operating profit was ¥24 million (segment profit or operating profit of ¥55 million for the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Current assets)

Current assets as of March 31, 2022 were ¥8,082 million (an increase of ¥206 million from the end of the previous fiscal year).

This is mainly attributable to an increase in cash and deposits despite a decrease in merchandise, finished goods, raw materials and supplies.

(Non-current assets)

Non-current assets as of March 31, 2022 were ¥14,759 million (an increase of ¥418 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 March 31, 2022 were ¥5,694 million (a decrease of ¥524 million from the end of the previous fiscal year). This is mainly attributable to decreases in notes and accounts payable - trade.

(Non-current liabilities)

Non-current liabilities as of March 31, 2022 were ¥3,319 million (an increase of ¥907 million from the end of the previous fiscal year). This is mainly attributable to an increase in long-term borrowings.

(Net assets)

Net assets as of March 31, 2022 were ¥13,828 million (an increase of ¥242 million from the end of the previous

fiscal year) due mainly to the recording of profit attributable to owners of parent, while equity ratio decreased to 60.5% from 61.2% at the end of the previous fiscal year.

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

The consolidated financial results forecasts for the full fiscal year ending June 30, 2022 have been revised in light of the financial results for the nine months ended March 31 and other factors. For details, please refer to the press release dated today titled “Notice regarding Revision of Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2022.”

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of June 30, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	1,320,890	1,991,690
Accounts receivable - trade	2,876,174	3,114,461
Merchandise and finished goods	687,705	533,162
Work in process	522,311	397,222
Raw materials and supplies	1,954,420	1,805,767
Other	514,930	240,923
Allowance for doubtful accounts	(540)	(554)
Total current assets	7,875,893	8,082,674
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,374,542	4,206,968
Machinery, equipment and vehicles, net	2,868,063	2,619,026
Tools, furniture and fixtures, net	172,113	149,328
Land	3,179,344	3,179,344
Leased assets, net	206,444	190,229
Construction in progress	42,438	1,329,381
Total property, plant and equipment	10,842,947	11,674,277
Intangible assets	501,445	453,106
Investments and other assets		
Investment securities	2,633,867	2,283,267
Other	386,452	372,905
Allowance for doubtful accounts	(24,500)	(24,500)
Total investments and other assets	2,995,819	2,631,673
Total non-current assets	14,340,212	14,759,056
Total assets	22,216,105	22,841,731
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,924,397	1,406,614
Short-term borrowings	1,677,037	1,810,642
Income taxes payable	30,079	263,318
Provision for bonuses	81,653	331,179
Accounts payable - other, and accrued expenses	1,978,329	1,493,931
Other	527,482	388,828
Total current liabilities	6,218,979	5,694,513
Non-current liabilities		
Bonds payable	300,000	200,000
Long-term borrowings	1,593,548	2,624,056
Provision for retirement benefits for directors (and other officers)	34,160	35,858
Provision for share awards for directors (and other officers)	92,210	93,938
Other	392,030	365,305
Total non-current liabilities	2,411,949	3,319,158
Total liabilities	8,630,928	9,013,671

(Thousand yen)

	As of June 30, 2021	As of March 31, 2022
Net assets		
Shareholders' equity		
Share capital	940,000	940,000
Capital surplus	650,000	650,000
Retained earnings	10,940,341	11,424,747
Treasury shares	(119,646)	(169,402)
Total shareholders' equity	12,410,694	12,845,344
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,186,541	978,701
Foreign currency translation adjustment	(12,059)	4,014
Total accumulated other comprehensive income	1,174,481	982,715
Total net assets	13,585,176	13,828,060
Total liabilities and net assets	22,216,105	22,841,731

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended March 31

(Thousand yen)

	For the nine months ended March 31, 2021	For the nine months ended March 31, 2022
Net sales	27,679,745	25,054,881
Cost of sales	19,555,210	20,080,669
Gross profit	8,124,534	4,974,212
Selling, general and administrative expenses	6,169,323	4,132,005
Operating profit	1,955,211	842,207
Non-operating income		
Interest income	698	792
Dividend income	17,934	17,903
Rental income	20,891	13,211
Commission income	17,632	20,474
Electricity sale income	11,995	12,289
Share of profit of entities accounted for using equity method	4,739	9,004
Miscellaneous income	16,031	16,062
Total non-operating income	89,923	89,738
Non-operating expenses		
Interest expenses	21,637	18,147
Foreign exchange losses	70	—
Loss on valuation of investment securities	6,474	712
Depreciation	8,091	8,091
Depreciation of inactive non-current assets	18,657	—
Commission expenses	9,000	21,200
Miscellaneous losses	3,630	253
Total non-operating expenses	67,562	48,403
Ordinary profit	1,977,572	883,541
Extraordinary income		
Gain on sale of non-current assets	235,062	2,485
Gain on sale of investment securities	32,843	132,170
Insurance claim income	39,256	—
Subsidy income	43,652	—
Total extraordinary income	350,815	134,656
Extraordinary losses		
Loss on retirement of non-current assets	2,302	443
Impairment losses	156,605	—
Total extraordinary losses	158,907	443
Profit before income taxes	2,169,481	1,017,754
Income taxes - current	776,907	260,501
Income taxes - deferred	(127,316)	87,597
Total income taxes	649,591	348,099
Profit	1,519,889	669,654
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,519,889	669,654

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended March 31

(Thousand yen)

	For the nine months ended March 31, 2021	For the nine months ended March 31, 2022
Profit	1,519,889	669,654
Other comprehensive income		
Valuation difference on available-for-sale securities	210,094	(207,840)
Foreign currency translation adjustment	66,009	—
Share of other comprehensive income of entities accounted for using equity method	245	16,074
Total other comprehensive income	276,349	(191,766)
Comprehensive income	1,796,238	477,888
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,796,238	477,888
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

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

Not applicable.

(Changes in accounting policies)

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

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

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

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

As a result, "net sales," "gross profit," and "selling, general and administrative expenses" each declined by ¥2,003,988 thousand. There was no effect on "operating profit," "ordinary profit" or "profit before income taxes." Further, in accordance with the transitional treatment set forth in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information about breakdown of revenue from contracts with customers for the third quarter of the previous fiscal year has not been presented.

(Adoption of Accounting Standard for Fair Value Measurement)

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

(Additional information)

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

In the nine months ended March 31, 2022, there were no material changes to the contents of the Securities Report for the previous fiscal year.

(Segment information, etc.)

I. For the nine months ended March 31, 2021 (from July 1, 2020 to March 31, 2021)

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

(Thousand yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Fish-paste Products and Side Dishes Business	Mushroom Business	Total				
Net sales							
Net sales to outside customers	23,593,989	3,731,027	27,325,017	354,727	27,679,745	—	27,679,745
Inter-segment net sales or transfers	—	—	—	1,900,178	1,900,178	(1,900,178)	—
Total	23,593,989	3,731,027	27,325,017	2,254,906	29,579,924	(1,900,178)	27,679,745
Segment profit	1,055,128	830,429	1,885,558	55,270	1,940,829	14,382	1,955,211

- (Notes) 1. The “Others” category refers to the transport business and warehouse business not included in reportable segments.
2. The adjustment of ¥14,382 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

(Thousand yen)

	Reportable segment			Others	Corporate / elimination	Total
	Fish-paste Products and Side Dishes Business	Mushroom Business	Total			
Impairment loss	156,605	—	156,605	—	—	156,605

II. For the nine months ended March 31, 2022 (from July 1, 2021 to March 31, 2022)

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

(Thousand yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Fish-paste Products and Side Dishes Business	Mushroom Business	Total				
Net sales							
Revenue from contracts with customers	21,447,412	3,238,412	24,685,825	369,055	25,054,881	—	25,054,881
Other revenue	—	—	—	—	—	—	—
Net sales to outside customers	21,447,412	3,238,412	24,685,825	369,055	25,054,881	—	25,054,881
Inter-segment net sales or transfers	—	—	—	350,878	350,878	(350,878)	—
Total	21,447,412	3,238,412	24,685,825	719,934	25,405,760	(350,878)	25,054,881
Segment profit	254,987	553,485	808,472	24,413	832,885	9,321	842,207

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

2. The adjustment of ¥9,321 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.

3. Matters concerning changes to reportable segments, etc.

As stated in “Changes in accounting policies,” the Company has adopted the Revenue Recognition Standard and related guidelines effective the beginning of the first quarter of the current fiscal year and changed its methods for the accounting treatment concerning revenue recognition. For this reason, the Company has made similar changes to the methods for measuring profit or loss of its business segments. Due to these changes, compared with the previous methods, net sales in the Fish-paste Products and Side Dishes Business and Mushroom Business have declined by ¥1,838,516 thousand and ¥165,471 thousand, respectively. There is no effect on segment profit.