

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Q2 FY 2022) (Japanese Accounting Standards)

Company name: Itoham Yonekyu Holdings Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 2296
 URL: <https://www.itoham-yonekyu-holdings.com>
 Representative: Isao Miyashita, President and Representative Director
 Contact: Masaru Kato, General Manager, Public & Investor Relations Office
 Tel. +81-3-5723-6889
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 Scheduled date of commencement of dividend payment: -
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for analysts and institutional investors)

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022–September 30, 2022)

(1) Consolidated Results of Operations (Accumulated Total) (% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit (loss) attributable to owners	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Six months ended								
September 30, 2022	448,004	7.2	15,138	4.5	16,161	-2.3	10,905	-7.7
September 30, 2021	417,762	—	14,480	—	16,540	—	11,810	—

(Note) Comprehensive income: Six months ended September 30, 2022 15,557 million Yen (26.8%)
 Six months ended September 30, 2021 12,271 million Yen (—%)

	Profit (loss) per share	Diluted net income per share
	Yen	Yen
Six months ended		
September 30, 2022	37.52	37.51
September 30, 2021	40.33	40.31

(Note) As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. has been applied from the beginning of the second quarter of the fiscal year ending March 31, 2022, therefore the percentage change from the same period of the previous year is not stated.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million Yen	Million Yen	%
As of September 30, 2022	449,932	269,401	59.7
As of March 31, 2022	413,123	262,740	63.4

(Reference) Shareholders' equity: As of September 30, 2022 268,758 million Yen
 As of March 31, 2022 262,023 million Yen

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal quarter-end	Total
For the fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2022	—	0.00	—	23.00	23.00
March 31, 2023	—	0.00	—	—	—
For the fiscal year ending					
March 31, 2023 (Forecast)			—	24.00	24.00

(Note) Changes to most recent dividend forecast: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% figures show year-on-year change)

	Net Sales		Operating profit		Ordinary income		Profit (loss) attributable to owners		Profit (loss) per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Full year	895,000	4.8	21,000	-14.7	24,000	-16.1	15,000	-21.5	51.93

(Note) Changes to most recent financial results forecast: Yes

* Notes

- (1) Changes in significant subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): None
- (2) Application of special accounting treatment in the preparation of the quarterly consolidated financial statements: None
- (2) Changes in accounting policies, changes of accounting estimates and restatement
- | | |
|---|------|
| (i) Changes in accounting policies due to amendments to accounting standards: | None |
| (ii) Other Changes in accounting policies: | None |
| (iii) Changes in accounting estimates: | None |
| (iv) Restatement: | None |
- (3) Numbers of shares outstanding (common stock)
- | | |
|---|--------------------|
| (i) Numbers of issued shares at end of period: | |
| Six Months Ended September 30, 2022: | 292,355,059 shares |
| Year ended March 31, 2022: | 297,355,059 shares |
| (ii) Numbers of treasury shares at end of period: | |
| Six Months Ended September 30, 2022: | 3,511,640 shares |
| Year ended March 31, 2022: | 5,458,762 shares |
| (iii) Average number of shares outstanding during period (quarterly cumulative period): | |
| Six Months Ended September 30, 2022: | 290,631,539 shares |
| Six Months Ended September 30, 2021: | 292,809,698 shares |

* This Summary of Consolidated Financial Results is outside the scope of the external audit.

* Explanation for using the forecasted information and the other special notes

(Notes concerning forward-looking statements, etc.)

This summary financial report contains forward-looking statements and forecasts are made based on information available to the company at the time of preparation and certain assumption deemed to reasonable and actual result may significantly due to various factors.

For assumptions used for earnings forecasts and notes on the use of earnings forecasts, please refer to “(3) Information on the consolidated earnings forecasts and other future forecasts” under “1. Qualitative Information on Financial Results ” on page “3”.

(Access to Supplementary Explanations)

We plan to hold a briefing for institutional investors and analysts at the same time as the web conference on Wednesday November 9, 2022. Explanatory materials for quarterly financial results will be published on TDnet for viewing in Japan and on our website.

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1. Qualitative Information on Consolidated Operating Results for the Six Months Ended September 30, 2022

(1) Description of operating results

During the first half of the consolidated fiscal year under review, the Japanese economy showed some signs of recovery amid the normalization of socioeconomic activities. However, prices continue to rise due to soaring resource prices and the rapid depreciation of the yen, and there are concerns that consumer confidence will decline.

The industry also continued to face a challenging business environment as costs rose due to soaring raw material prices and heating and lighting expenses, as well as the effects of sharp depreciation of the yen. In addition, the Company continues to be required to respond to rapidly changing and diversifying consumer needs and values, such as change in consumer behavior and accelerating digitalization and growing interest in sustainability.

Under these circumstances, in accordance with the priority policies of the Medium-Term Management Plan 2023, the Group has decided to reorganize the entire Group as of April 1, 2023, with our company as the business holding company, in order to establish a more efficient and competitive business operation and organizational structures that will lead to maximizing the effects of integration and improving growth potential. In New Business and Market Initiatives, we are strengthening our lineup of non-meat products as well as our healthcare business through the acquisition of Australian company which we announced on April 2022. Furthermore, as part of the sustainability initiatives, we have defined a target to reduce the Group's greenhouse gas emissions by half from the fiscal 2016 level by fiscal 2030 and to achieve net zero emissions by 2050, and are moving forward with efforts to implement this target.

Focusing on return on invested capital (ROIC) as a quantitative indicator in the Medium-Term Management Plan 2023, the Group targets to improve it to 6.8% during the such period. In order to maximize shareholder value through shareholder return policies that take into account financial soundness and capital efficiency, the Group intends to steadily increase the dividend payout ratio to a range of 30% to 50%, with a target payout ratio of approximately 40%. As for share buybacks, we set a limit of 5 billion yen for the current fiscal year, and by the end of the second quarter, we had repurchased 2.1 billion yen and cancelled 5 million shares.

As a result of above efforts to respond to changes in the business environment, consolidated net sales for the second quarter increased 30,241 million yen to 448,004 million yen (up 7.2% YoY), operating income increased 658 million yen to 15,138 million yen (up 4.5% YoY), ordinary income decreased 379 million yen to 16,161 million yen (down 2.3% YoY), and net income attributable to owners of the parent decreased 904 million yen to 10,905 million yen (down 7.7% YoY).

The results by reportable segment are as outlined below.

Processed Foods Division

With regards to hams and sausages, net sales increased due to efforts to expand sales of mainstay products for home use such as “The GRAND Alt Bayern”, “Asano Fresh Series”, “Pork Bits”, “Gotenba Kogen Arabiki Pork” and “Genkei Bacon Block Series” by launching TV commercials and conducting consumer campaigns, in addition to sales growth of commercial-use products such as roast beef.

In cooked and processed foods, sales decreased due to lower sales volume despite effort to strengthen sales of products that meet diversifying consumer needs, such as the “Marude Oniku! Series” using soybean meat, in addition to pizzas such as “La Pizza” and “Pizza Garden”, “Quick Dinner Series”, which are prepared in a convenient manner, “Onikuyasan no Souzai Series”, and the “Yonekyu Meatball Series”.

As a result, net sales for the first half of the current fiscal year in the Processed Foods Division increased 4,002 million yen to 179,797 million yen (up 2.3% YoY), due in part to the effect of product price revisions. Ordinary income decreased 2,583 million yen YoY to 4,577 million yen (down 36.1% YoY) due to further cost increases, including higher raw materials prices and heating and lighting expenses.

Meat Division

As for domestic businesses, while sales volume of imported meat fell due to higher local prices and the sharp depreciation of the yen, sales grew primarily due to higher unit sales prices in the overall domestic business and stronger sales of domestic beef as a result of the recovery in the food service industry. Profits dropped due to the impact of rises in procurement and feed prices, as well as fuel and other costs.

As for overseas businesses, both net sales and profits increased due to ANZCO Foods Ltd.'s efforts to focus on profitability for procurement and sales, as well as higher sales prices reflecting strong overseas demand for meat products.

As a result, net sales in the Meat Division increased 26,146 million yen year-on-year to 266,018 million yen (up 10.9%), and ordinary income increased 2,392 million yen to 12,250 million yen (up 24.3% YoY) in the second quarter of the fiscal year under review thanks to the strong performance of ANZCO FOODS LTD.

(2) Description of financial position

(Assets, liabilities and net assets)

Total assets at the end of the first half under review was 449,932 million yen, an increase of 36,808 million yen from the end of the previous fiscal year. This mainly reflects an increase in inventories.

Liabilities totaled 180,530 million yen, an increase of 30,147 million yen from the end of the previous fiscal year. This was mainly attributable to an increase in short-term borrowings and notes and accounts payable-trade.

Net assets was 269,401 million yen increased by 6,661 million yen from the end of the previous fiscal year. This was primarily attributable to an increase in retained earnings and foreign currency translation adjustment.

Overview of cash flows

The balance of cash and cash equivalents (hereinafter referred to as “Funds”) at the end of the fiscal year under review decreased by 27,330 million yen from the end of the previous fiscal year (a decrease of 21,599 million yen YoY) to 20,359 million yen.

◇Cash flows from operating activities

Operating activities decreased funds by 17,187 million yen (a decrease of 9,705 million yen YoY). The decrease was primarily due to a rise in inventories, while the increase was largely as a result of recording net income before income taxes.

◇Cash flows from investing activities

Investing activities decreased funds by 14,717 million yen (a decrease of 5,433 million yen YoY). The main factors of the decrease were payments for acquisition of non-current assets and businesses.

◇Cash flows from financing activities

Financing activities increased funds by 3,866 million yen (a decrease of 6,778 million yen YoY). The increase was largely due to an increase in short-term borrowings, while the decrease was mostly due to cash dividends paid and purchase of treasury shares.

(3) Information on the consolidated financial forecasts and other future forecasts

In regard with the full-year forecast, we have revised up our previous financial result announced on May 9th 2022, because the selling price of the meat business have exceeded the previous forecast.

As for profits, we remain the previous forecast.

Because overseas business keep the favorite result, however it has concern of rising raw material prices, utility costs, and the weakening of the JPY.

Revisions to the forecast for the year ending March 31, 2023 (April 1, 2022-March 31, 2023)

	Sales (Million Yen)	Operating profit (Million Yen)	Ordinary profit (Million Yen)	Net Income (Million Yen)	Net Income per Share (Yen)
Previous forecasts (A)	865,000	21,000	24,000	15,000	51.93
Curent forecasts (B)	895,000	21,000	24,000	15,000	51.93
Change (B-A) Change (%)	30,000	-	-	-	
Previous Year (March 31, 2022)	3.5	-	-	-	
	854,374	24,611	28,596	19,118	65.34

(Note)

The above forecasts are based on currently available information and certain assumptions judged to be reasonable, and actual performance may differ from forecast figures due to various factors in the future.

2. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheets

(Million Yen)

	As of March 31, 2022	As of September 30, 2022
ASSETS		
Current assets		
Cash and deposits	47,991	20,659
Notes and accounts receivable-trade	89,008	98,385
Merchandise and finished goods	74,814	103,325
Work in process	1,713	1,977
Raw materials and supplies	19,037	27,206
Other	10,848	17,344
Allowance for doubtful accounts	(7)	(14)
Total current assets	243,405	268,885
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,252	37,343
Machinery, equipment and vehicles, net	28,274	28,575
Tools, furniture & fixtures, net	1,530	1,520
Land	26,017	26,475
Leased assets, net	2,487	3,001
Others, net	2,437	4,720
Total property, plant and equipment	97,000	101,636
Intangible assets		
Goodwill	18,158	19,041
Other	3,955	7,654
Total intangible assets	22,114	26,695
Investments and other assets		
Investment securities	29,598	30,893
Retirement benefit asset	14,722	15,323
Other	6,374	6,590
Allowance for doubtful accounts	(93)	(92)
Investments and other assets	50,602	52,714
Total non-current assets	169,717	181,046
Total Assets	413,123	449,932

(Million Yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	62,351	72,853
Electronically recorded obligations - operating	1,747	1,824
Short-term borrowings	24,407	39,938
Current portion of Long-term borrowings	144	133
Income taxes payable	2,891	4,531
Provision for bonuses	6,617	4,322
Provision for bonuses for directors (and other officers)	151	77
Provision for loss on disaster	329	329
Other	27,894	30,938
Total current liabilities	126,533	154,948
Non-current liabilities		
Long-term borrowings	10,572	10,508
Retirement benefit liability	1,706	1,689
Asset retirement obligations	1,490	1,489
Other	10,080	11,894
Total non-current liabilities	23,849	25,581
Total liabilities	150,383	180,530
Net assets		
Shareholders' equity		
Capital stock	30,003	30,003
Capital surplus	96,615	92,924
Retained earnings	129,805	133,996
Treasury shares	(4,150)	(2,494)
Total shareholder's equity	252,273	254,429
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,727	6,803
Deferred gains or losses on hedges	151	85
Foreign currency translation adjustment	(684)	4,015
Remeasurements of defined benefit plans	3,556	3,423
Total accumulated other comprehensive income	9,750	14,328
Share acquisition rights	118	77
Non-controlling interests	598	565
Total net assets	262,740	269,401
Total liabilities and net assets	413,123	449,932

(2) Consolidated statements of income and comprehensive income
 Consolidated statements of income

(Million Yen)

	Six Months Ended September 30, 2021 (Apr. 1, 2021 - Sep. 30, 2021)	Six Months Ended September 30, 2022 (Apr. 1, 2022 - Sep. 30, 2022)
Net sales	417,762	448,004
Cost of sales	350,583	380,396
Gross profit	67,178	67,607
Selling, general and administrative expenses	52,698	52,469
Operating profit	14,480	15,138
Non-operating Income		
Interest income	17	36
Dividend income	148	136
Rental income	210	231
Subsidy income	540	547
Share of profit of entities accounted for using equity method	888	—
Other	551	562
Total non-operating income	2,357	1,514
Non-operating expenses		
Interest expenses	168	306
Rental expenses on real estate	63	73
Share of loss in investments accounted for using the equity method	—	19
Other	64	92
Total non-operating expenses	296	491
Ordinary profit	16,540	16,161
Extraordinary income		
Gain on sale of non-current assets	4	4
Gain on sale of investment securities	55	0
Insurance claim income	134	—
Gain on donation of non-current assets	232	—
Other	24	—
Total extraordinary income	451	4
Extraordinary losses		
Loss on retirement of non-current assets	91	127
Others	11	—
Total extraordinary losses	103	127
Profit before income taxes	16,888	16,038
Income taxes-current	3,867	4,625
Income taxes-deferred	1,188	478
Total income taxes	5,055	5,104
Profit	11,833	10,934
Profit attributable to non-controlling interests	23	28
Profit attributable to owners of parent	11,810	10,905

Consolidated statements of comprehensive income

(Million Yen)

	Six Months Ended September 30, 2021 (Apr. 1, 2021 - Sep. 30, 2021)	Six Months Ended September 30, 2022 (Apr. 1, 2022 - Sep. 30, 2022)
Profit	11,833	10,934
Other comprehensive income		
Valuation difference on available-for- sale securities	(314)	58
Deferred gains or losses on hedges	(73)	(65)
Foreign currency translation adjustment	1,001	3,004
Remeasurements of defined benefit plans	(229)	(183)
Share of other comprehensive income of entities accounted for using equity method	55	1,809
Total other comprehensive income	438	4,623
Comprehensive income	12,271	15,557
(Breakdown)		
Comprehensive income attributable to owners of parent	12,247	15,483
Comprehensive income attributable to non-controlling interests	24	73

(3) Consolidated statements of cash flows

(Million Yen)

	Six Months Ended September 30, 2021 (Apr. 1, 2021 - Sep. 30, 2021)	Six Months Ended September 30, 2022 (Apr. 1, 2022 - Sep. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	16,888	16,038
Depreciation	5,428	5,742
Increase (decrease) in provision for bonuses	(2,226)	(2,295)
Amortization of goodwill	717	724
Interest and dividend income	(166)	(172)
Interest expenses	168	306
Insurance claim income	(322)	(110)
Subsidy income	(540)	(547)
Gain on receipt of donated non-current assets	(232)	—
Share of loss (profit) of entities accounted for using equity metho	(888)	19
Loss (gain) on sale of investment securities	(55)	(0)
Decrease (increase) in trade receivables	(2,393)	(8,053)
Decrease (increase) in inventories	(23,388)	(31,249)
Increase (decrease) in trade payables	8,825	9,645
Increase (decrease) in accounts payable - other	(520)	138
Increase (decrease) in retirement benefit liability	(13)	(38)
Decrease (increase) in retirement benefit asset	(944)	(848)
Other	(2,518)	(1,535)
Subtotal	(2,181)	(12,234)
Interest and dividends received	818	1,024
Proceeds from insurance income	265	110
Subsidies received	324	487
Interest paid	(168)	(306)
Payments associated with disaster loss	(60)	—
Income taxes paid	(8,703)	(6,268)
Net cash provided by (used in) operating activities	(9,705)	(17,187)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,530)	(6,011)
Purchase of intangible assets	(922)	(1,226)
Purchase of investment securities	(33)	(33)
Proceeds from sale and redemption of investment securities	65	23
Loan advances	(118)	(117)
Proceeds from collection of loans receivable	101	142
Payments for acquisition of businesses	—	(6,969)
Other	4	(525)
Net cash provided by (used in) investing activities	(5,433)	(14,717)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(77)	13,398
Repayments of long-term borrowings	(78)	(75)
Purchase of treasury shares	0	(2,156)
Dividends paid	(6,140)	(6,704)
Other	(482)	(595)
Net cash provided by (used in) financing activities	(6,778)	3,866
Effect of exchange rate change on cash and cash equivalents	317	708
Net increase (decrease) in cash and cash equivalents	(21,599)	(27,330)
Cash and cash equivalents at beginning of period	50,651	47,690
Cash and cash equivalents at end of period	29,051	20,359

(4) Notes on the quarterly consolidated financial statements

(Notes on going concern assumptions)

Not applicable.

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

Not applicable.

(Segment information)

I, The first six months of the previous fiscal year (from April 1, 2021 to September 30, 2021)

1. Information on net sales and profit and loss for each reportable segment

(Million Yen)

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded on consolidated quarterly statements of income (Note 3)
	Processed Food Division	Meat Division	Total				
Net sales							
Net sales to customers	175,794	239,872	415,667	2,095	417,762	-	417,762
Intersegment net sales or transfers	12,195	38,461	50,657	14,503	65,160	(65,160)	-
Total	187,990	278,334	466,324	16,598	482,923	(65,160)	417,762
Segment profit (loss)	7,160	9,857	17,018	(24)	16,993	(452)	16,540

(Note)

- "Others" represents a business segment that is not included in the reportable segments such as logistics business and human resource and payroll related services.
- The main content of adjustment of segment income (loss) is the amortization of goodwill of -694 million yen.
- Segment income (loss) is adjusted to ordinary income in the quarterly consolidated statements of income.

II, The first six months of the current fiscal year (from April 1, 2022 to September 30, 2022)

1. Information on net sales and profit or loss for each reportable segment

(Million Yen)

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded on consolidated quarterly statements of income (Note 3)
	Processed Food Division	Meat Division	Total				
Net sales							
Net sales to customers	179,797	266,018	445,816	2,187	448,004	-	448,004
Intersegment net sales or transfers	13,672	39,981	53,654	14,196	67,851	(67,851)	-
For the fiscal year ending	193,470	306,000	499,471	16,384	515,855	(67,851)	448,004
(Forecast)	4,577	12,250	16,827	(274)	16,553	(392)	16,161

(Note)

- "Others" represents a business segment that is not included in the reportable segments such as logistics business and human resource and payroll related services.
- The adjustment to segment income (loss) mainly includes amortization of goodwill of -694 million yen.
- Segment income (loss) is adjusted to ordinary income in the consolidated statements of income.

2. Matters concerning changes in reportable segments, etc.

Effective from the first quarter of the current fiscal year, following the Group's organizational restructuring, the Company has changed its reporting segments from product and service-based to organization-based reporting segments. In addition, since the Company's Board of Directors and other management decision-making bodies have decided to use ordinary income as a management indicator for determining the allocation of management resources and evaluating business performance, segment income (loss) is now adjusted to ordinary income, whereas it was previously adjusted to operating income in the quarterly consolidated statements of income.

Segment information for the first quarter of the previous fiscal year is presented based on the segment income adjusted for the new classification method and adjusted to ordinary income.