

Consolidated Financial Results

for the Three Months Ended June 30, 2023 (Q1 FY2023)

(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>
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 Scheduled date for filing of securities report: August 10, 2023
 Scheduled date of commencement of dividend payment: –
 Supplementary documents for financial results: Yes
 Quarterly results briefing: None

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 1, 2023–June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Three months ended June 30, 2023	227,558	7.2	5,311	(25.3)	5,600	(27.2)	3,357	(34.5)
June 30, 2022	212,325	4.8	7,114	(5.8)	7,698	(8.6)	5,129	(13.2)

(Note) Comprehensive income: Three months ended June 30, 2023 5,592 million Yen (32.3) %
 Three months ended June 30, 2022 8,265 million Yen 26.0 %

	Profit per share		Diluted profit per share	
	Yen	Yen	Yen	Yen
Three months ended June 30, 2023	11.79		11.79	
June 30, 2022	17.60		17.59	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million Yen	Million Yen	%
As of June 30, 2023	464,199	267,986	57.6
As of March 31, 2023	436,763	269,261	61.5

(Reference) Shareholders' equity: As of June 30, 2023 267,347 million Yen
 As of March 31, 2023 268,608 million Yen

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
For the fiscal year ended March 31, 2023	–	0.00	–	24.00	24.00
For the fiscal year ending March 31, 2024 (Forecast)		0.00	–	25.00	25.00

(Note) Changes to most recent dividend forecast : None

(Note) As the effective date on October 1 2023, we will have consolidation of shares (combining 5 shares of common stock into 1 share).

In regard to above dividend per share figure for the fiscal year ending March 31, 2024 (Forecast), it does not consider the consolidation of shares. In case of considering the consolidation of shares, the company plans to issue a year-end dividend of ¥125.00 per share.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% figures show year-on-year change)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Second quarter-end (Cumulative)	455,000	1.6	9,200	(39.2)	10,000	(38.1)	6,500	(40.4)	22.83
Full year	930,000	0.8	23,000	0.0	25,000	(4.0)	15,000	(11.6)	52.68

(Note) Changes to most recent financial results forecast : None

(Note) As the effective date on October 1 2023, we will have consolidation of shares (combining 5 shares of common stock into 1 share).

In regard to above Profit per share figure, it does not consider the consolidation of shares. In case of considering the consolidation of shares, and full year profit per share is ¥263.41 per share.

(Translated)

* Notes

- (1) Changes in significant subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): 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:
 - As of June 30, 2023 : 287,355,059 shares
 - As of March 31, 2022 : 287,355,059 shares
 - (ii) Numbers of treasury shares at end of period:
 - As of June 30, 2023 : 2,632,939 shares
 - As of March 31, 2022 : 2,632,763 shares
 - (iii) Average number of shares outstanding during period:
 - As of June 30, 2023 : 284,722,187 shares
 - As of June 30, 2022 : 291,513,184 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) Future outlook” under “1. Overview of Operations etc.” on page “3”.

(Access to Supplementary Explanations)

Explanatory materials for quarterly financial results will be published on TD-net for viewing in Japan and on our website.

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1. Overview of Operating Results and Financial Position

(1) Overview of operating results

○Domestic economic situation

The Japanese economic activities show slow recovery trend and increase in consumption partly, since COVID-19 change to Category 5. On the other hand, rising resource prices and trends of financials/ foreign exchange markets affect domestic economy and prices as a background of global uncertainties.

○Our industry situation (Meat Processing industry)

The business environment remained harsh due to rising raw material and energy prices on top of persistently high packaging and logistics costs along with weakening yen. Besides, the Group should respond to consumer needs and values that are rapidly changing and diversifying, such as shift in consumer behavior, accelerated digitalization, and growing interest in sustainability.

○Our operating results and overview

◇Consolidated operating results (% figures show year-on-year change)

Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
227,558	7.2	5,311	(25.3)	5,600	(27.2)	3,357	(34.5)

We implement the following measures based on the four priority policies and financial strategies of the Medium-Term Management Plan 2023.

Priority policies	Main measures
Strengthen management base	Strategic-based reorganization , Promotion of digital strategy
Strengthen earnings base	Reorganization of production and logistics bases, Enhancement of WAGYU exports
Initiatives for new businesses and markets	Strengthen Frozen foods, Expanding range of Non-meat products, Strengthening Healthcare business
Initiatives for sustainability	Identification of Materiality, Setting of KPIs, and Promotion of initiatives achievement

In terms of financial strategy, we aim to enhance return on invested capital (ROIC) and increase dividends steadily around the payout ratio 40% to maximize shareholder value, by carrying out shareholder return policies while ensuring financial soundness and capital efficiency.

Then we have set 2 billion yen limit for the acquisition of treasury stock for this fiscal year.

◇Operating results by reportable segment (% figures show year-on-year change)

	Net Sales		Ordinary profit	
	Million Yen	%	Million Yen	%
Processed Food Division	93,852	5.6	1,598	(38.3)
Meat Division	133,702	8.3	4,332	(20.7)

<Processed Food Division>

- Regarding Hams and Sausages, net sales increased driven by TV commercials and consumer campaigns to expand sales of the main products for consumer products such as “The Grand Alt Bayern”, “Asano Fresh Series”, and “Gotenba Kogen Arabiki Pork”, on top of increased sales of business-use products such as roast beef.
- Regarding Cooked foods, net sales increased driven by expanded product range to accommodate more diversified consumer needs such as pizza products of “La Pizza” and “Pizza Garden”, “Onikuyasan-no-Sozai Series”, and soy-meat products of “Marude Oniku! Series”, on top of increased sales of business-use products for restaurants.
- Net sales of the Processed food division increased, but ordinary profit decreased, because the price revisions were unable to cover the increase in costs due to rising raw material prices and utility costs.

<Meat Division>

- In domestic business, net sales increased driven by recovering sales to food service business and higher chicken prices as background of recovering economic activities. The profits increased as a result of profit management linked to production and sales, despite the impact of high compound feed prices and distribution costs.
- In overseas business, profits decreased due to dropping the global beef demand comparison with previous year, and ANZCO Foods decreased the sales of beef products also.
- Net sales of Meat Division increased, but ordinary profit declined due to the impact of the decrease in overseas business profit.

(2) Overview of financial positions

(Assets, liabilities and net assets)

- Total assets was 464,199 million yen, an increase of 27,436 million yen from the end of the previous consolidated fiscal year.
Increase factors: Increase in Inventories, Accounts receivable-trade, and Non-current assets
- Liabilities was 196,213 million yen, an increase of 28,711 million yen from the end of the previous consolidated fiscal year.
Increase factors: Increase in Accounts payable - trade, and Short-term borrowings
- Net assets was 267,986 million yen, an decrease of 1,275 million yen from the end of the previous consolidated fiscal year.
Decrease factors: Decrease in Retained earnings due to Dividends paid

(3) Outlook

There are no changes to the consolidated results forecasts for the first half and the full year of the fiscal year ending March 31, 2024 that were announced on May 9, 2023.

Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheets

(Million Yen)

	As of March 31, 2023	As of June 30, 2023
ASSETS		
Current assets		
Cash and deposits	22,736	23,974
Notes and accounts receivable-trade	95,323	98,280
Merchandise and finished goods	97,801	110,028
Work in process	2,020	2,060
Raw materials and supplies	22,920	29,113
Other	15,681	17,987
Allowance for doubtful accounts	(20)	(5)
Total current assets	256,463	281,440
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,935	37,446
Machinery, equipment and vehicles, net	29,091	28,772
Tools, furniture & fixtures, net	1,454	1,464
Land	26,368	26,410
Leased assets, net	2,797	2,684
Others, net	4,825	5,417
Total property, plant and equipment	101,472	102,196
Intangible assets		
Goodwill	18,286	17,884
Other	8,555	8,976
Total intangible assets	26,842	26,861
Investments and other assets		
Investment securities	30,302	31,654
Retirement benefit asset	15,307	15,639
Other	6,462	6,576
Allowance for doubtful accounts	(88)	(169)
Investments and other assets	51,984	53,701
Total non-current assets	180,299	182,759
Total Assets	436,763	464,199

(Million Yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	66,978	81,235
Electronically recorded obligations - operating	1,991	1,748
Short-term borrowings	32,062	43,266
Current portion of Long-term borrowings	10,126	10,125
Income taxes payable	5,024	517
Provision for bonuses	6,163	1,740
Provision for bonuses for directors (and other officers)	161	40
Provision for loss on disaster	329	—
Other	30,103	41,256
Total current liabilities	152,941	179,930
Non-current liabilities		
Long-term borrowings	446	415
Retirement benefit liability	1,653	1,674
Asset retirement obligations	1,469	1,471
Other	10,991	12,720
Total non-current liabilities	14,560	16,282
Total liabilities	167,501	196,213
Net assets		
Shareholders' equity		
Capital stock	30,003	30,003
Capital surplus	89,427	89,427
Retained earnings	140,066	136,590
Treasury shares	(1,841)	(1,841)
Total shareholders' equity	257,655	254,179
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,708	7,596
Deferred gains or losses on hedges	(828)	(306)
Foreign currency translation adjustment	2,237	3,110
Remeasurements of defined benefit plans	2,835	2,767
Total accumulated other comprehensive income	10,952	13,167
Share acquisition rights	77	77
Non-controlling interests	576	562
Total net assets	269,261	267,986
Total liabilities and net assets	436,763	464,199

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

(Million Yen)

	Three Months Ended June 30, 2022 (Apr 1, 2022 - Jun 30, 2022)	Three Months Ended June 30, 2023 (Apr 1, 2023 - Jun 30, 2023)
Net sales	212,325	227,558
Cost of sales	179,615	195,353
Gross profit	32,710	32,204
Selling, general and administrative expenses	25,596	26,892
Operating profit	7,114	5,311
Non-operating Income		
Interest income	13	54
Dividend income	132	145
Rental income	116	114
Subsidy income	276	170
Other	293	451
Total non-operating income	832	936
Non-operating expenses		
Interest expenses	107	324
Rental expenses on real estate	38	34
Share of loss in investments accounted for using the equity method	54	279
Other	48	9
Total non-operating expenses	248	647
Ordinary profit	7,698	5,600
Extraordinary income		
Gain on sale of non-current assets	3	1
Gain on sale of investment securities	0	1
Total extraordinary income	3	2
Extraordinary losses		
Loss on retirement of non-current assets	58	23
Loss on disaster	—	248
Others	—	4
Total extraordinary losses	58	277
Profit before income taxes	7,643	5,326
Income taxes-current	1,224	639
Income taxes-deferred	1,278	1,319
Total income taxes	2,503	1,959
Profit	5,140	3,366
Profit attributable to non-controlling interests	11	9
Profit attributable to owners of parent	5,129	3,357

Consolidated statements of comprehensive income

(Million Yen)

	Three Months Ended June 30, 2022 (Apr 1, 2022 - Jun 30, 2022)	Three Months Ended June 30, 2023 (Apr 1, 2023 - Jun 30, 2023)
Profit	5,140	3,366
Other comprehensive income		
Valuation difference on available-for-sale securities	(772)	879
Deferred gains or losses on hedges	557	521
Foreign currency translation adjustment	2,281	39
Remeasurements of defined benefit plans	(91)	(99)
Share of other comprehensive income of entities accounted for using equity method	1,149	884
Total other comprehensive income	3,124	2,225
Comprehensive income	8,265	5,592
(Breakdown)		
Comprehensive income attributable to owners of parent	8,226	5,572
Comprehensive income attributable to non-controlling interests	39	19

(3) Notes on the 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, Three Months Ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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	88,895	123,427	212,322	3	212,325	—	212,325
Intersegment net sales or transfers	6,828	19,696	26,525	201	26,727	(26,727)	—
Total	95,724	143,123	238,847	205	239,052	(26,727)	212,325
Segment profit (loss)	2,591	5,460	8,052	6	8,058	(360)	7,698

(Note)

- "Others" segment which is not included in the reportable segments such as human resource and payroll related services.
- The main content of adjustment of segment profit (loss) is the amortization of goodwill of (347) million yen.
- Segment profit (loss) is adjusted to ordinary profit in the quarterly consolidated statements of income.

II, Three Months Ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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	93,852	133,702	227,554	3	227,558	—	227,558
Intersegment net sales or transfers	9,556	16,802	26,359	221	26,580	(26,580)	—
Total	103,409	150,504	253,913	224	254,138	(26,580)	227,558
Segment profit (loss)	1,598	4,332	5,930	(3)	5,927	(326)	5,600

(Note)

- "Others" segment which is not included in the reportable segments such as human resource and payroll related services.
 - The main content of adjustment of segment profit (loss) is the amortization of goodwill of (347) million yen.
 - Segment profit (loss) is adjusted to ordinary profit in the quarterly consolidated statements of income.
2. Note for changes in reportable segments, etc.
From this first quarter, the segment of logistics business have changed from "Other" to "Processed Food Division" according to Group's organizational changes.
Previous year segment information show by after changing of logistics business.