

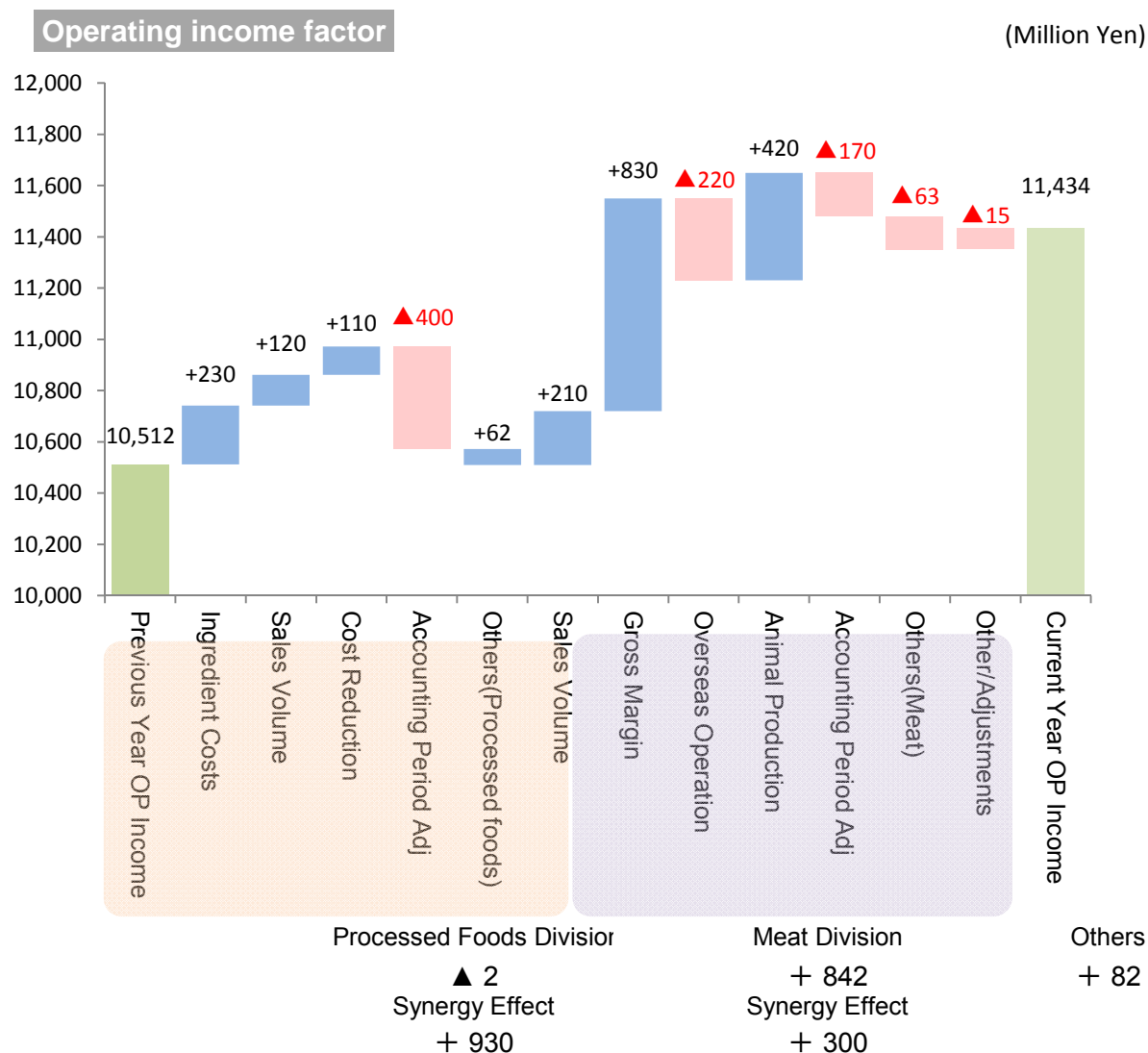
Itoham Yonekyu Holdings Inc.

# **Supplementary Explanation to Financial Results**

Second Quarter Year Ending March 2018

## 1) Summary of Financial Results

	(Million Yen, %)				
	Actual 2017	% of Sales	Actual 2016	% of Sales	Change
Sales	416,637		398,878		17,759 4.5
Gross Profit	65,108	15.6	62,854	15.8	2,254 3.6
S, G & A Expenses	53,674	12.9	52,341	13.1	1,333 2.5
Operating Income	11,434	2.7	10,512	2.6	922 8.8
Non-operating Income	777		926		▲ 149 ▲ 16.1
Non-operating Expenses	△ 57		△ 910		853
Equity Method Gain/Loss	907		1,428		▲ 521 ▲ 36.5
Net Non-operating Gain/Loss	1,117		1,445		▲ 328 ▲ 22.7
Ordinary Income	12,552	3.0	11,957	3.0	595 5.0
Extra-ordinary Gain	366		2,177		▲ 1,811 ▲ 83.2
Extra-ordinary Loss	△ 162		△ 218		56
Net Extra-ordinary Gain/Loss	204		1,959		▲ 1,755 ▲ 89.6
Income Before Taxes	12,756		13,916		▲ 1,160 ▲ 8.3
Net Income	8,418	2.0	9,526	2.4	▲ 1,108 ▲ 11.6



## 2) Segment Information

### (1) Operating Segment Information

(Million Yen, %)

		Actual 2017	Actual 2016	Change
Processed Foods Division	Sales	140,129	135,388	4,741
	OP Margin	5,900	5,902	▲ 2
	% of Sales	4.2	4.4	▲ 0.1
Meat Division	Sales	274,422	261,377	13,045
	OP Margin	5,902	5,060	842
	% of Sales	2.2	1.9	0.2
Others/Adjustments	Sales	2,085	2,112	▲ 27
	OP Margin	△ 368	△ 450	82
Consolidated	Sales	416,637	398,878	17,759
	OP Margin	11,434	10,512	922
	% of Sales	2.7	2.6	0.1

### Operating Income Factors

Processed Foods Division	(Million Yen)
	Change
Ingredient Costs	230
Sales Volume	120
Cost Reduction	110
Accounting Period Adj	▲ 400
Others	▲ 62
Total	▲ 2
Synergy Effect	930

Meat Division	(Million Yen)
	Change
Sales Volume	210
Gross Margin	830
Overseas Operation	▲ 320
Animal Production	420
Accounting Period Adj	▲ 170
Others	▲ 128
Total	842
Synergy Effect	300

### (2) Sales by Market

(Million Yen)

	Actual 2017	Actual 2016	Change
Japan	360,135	341,920	18,215
Asia	15,882	15,306	576
North America	15,736	17,152	▲ 1,416
Oceania	13,798	11,731	2,067
Europe	9,093	10,087	▲ 994
Others	1,994	2,682	▲ 688
Total	416,637	398,878	17,759
Overseas Sales (%)	13.6	14.3	▲ 0.7

### 3) Financial Data

#### Sales

(Million Yen, %)				
	Actual 2017	Actual 2016	Change	
Ham/Sausage	87,130	85,194	1,936	2.3
Processed Foods	61,832	58,607	3,225	5.5
Meat	260,021	247,551	12,470	5.0
Others	7,655	7,525	130	1.7
<b>Total</b>	<b>416,637</b>	<b>398,878</b>	<b>17,759</b>	<b>4.5</b>

Impact of fluctuations in foreign exchange rates related to ANZCO
15
282
3,192
<b>3,489</b>

#### SG & A Expenses

(Million Yen, %)				
	Actual 2017	Actual 2016	Change	
Labor Expenses	18,533	18,131	402	2.2
Shipping / Handling	14,566	14,068	498	3.5
Advertisement	3,838	3,428	410	12.0
Sales Fees	2,706	2,851	▲ 145	▲ 5.1
Packing	1,468	1,545	▲ 77	▲ 5.0
Depreciation	785	795	▲ 10	▲ 1.3
Other Expenses	11,778	11,523	255	2.2
<b>Total</b>	<b>53,675</b>	<b>52,341</b>	<b>1,334</b>	<b>2.5</b>

#### Non-Operational G/L

(Million Yen, %)				
	Actual 2017	Actual 2016	Change	
Equity Method	907	1,428	▲ 521	▲ 36.5
Financing	△ 286	△ 300	14	
Others	497	317	180	56.8
<b>Total</b>	<b>1,118</b>	<b>1,445</b>	<b>▲ 327</b>	<b>▲ 22.6</b>

\*Major G/L( Equity in earnings of affiliates)

	Actual 2017	Actual 2016	Change
MIY	16	583	▲ 567
IPC	711	580	132

#### Extra-ordinary Gain/Loss

(Million Yen, %)				
	Actual 2017	Actual 2016	Change	
Sales of Securities	295	1,906	▲ 1,611	▲ 84.5
Others	△ 91	53	▲ 144	
<b>Total</b>	<b>204</b>	<b>1,959</b>	<b>▲ 1,755</b>	<b>▲ 89.6</b>

#### 4) Forecast of Business Results and Dividends

##### Business Results Forecast

(Million Yen)

	First Half		Second Half		Year	
	2017 F'cast	Change	2017 F'cast	Change	2017 F'cast	Change
Sales	416,637	17,759	423,363	29,677	840,000	47,436
Operating Income	11,434	922	11,066	123	22,500	1,045
Non-operating G/L	1,117	▲ 328	1,383	▲ 600	2,500	▲ 928
Ordinary Income	12,552	595	12,448	▲ 479	25,000	116
Extra-ordinary G/L	204	▲ 1,755	△ 204	613	0	▲ 1,142
Income Before Taxes	12,756	▲ 1,160	12,244	133	25,000	▲ 1,027
Net Income	8,418	▲ 1,108	8,082	▲ 430	16,500	▲ 1,538

##### Dividends Forecasts

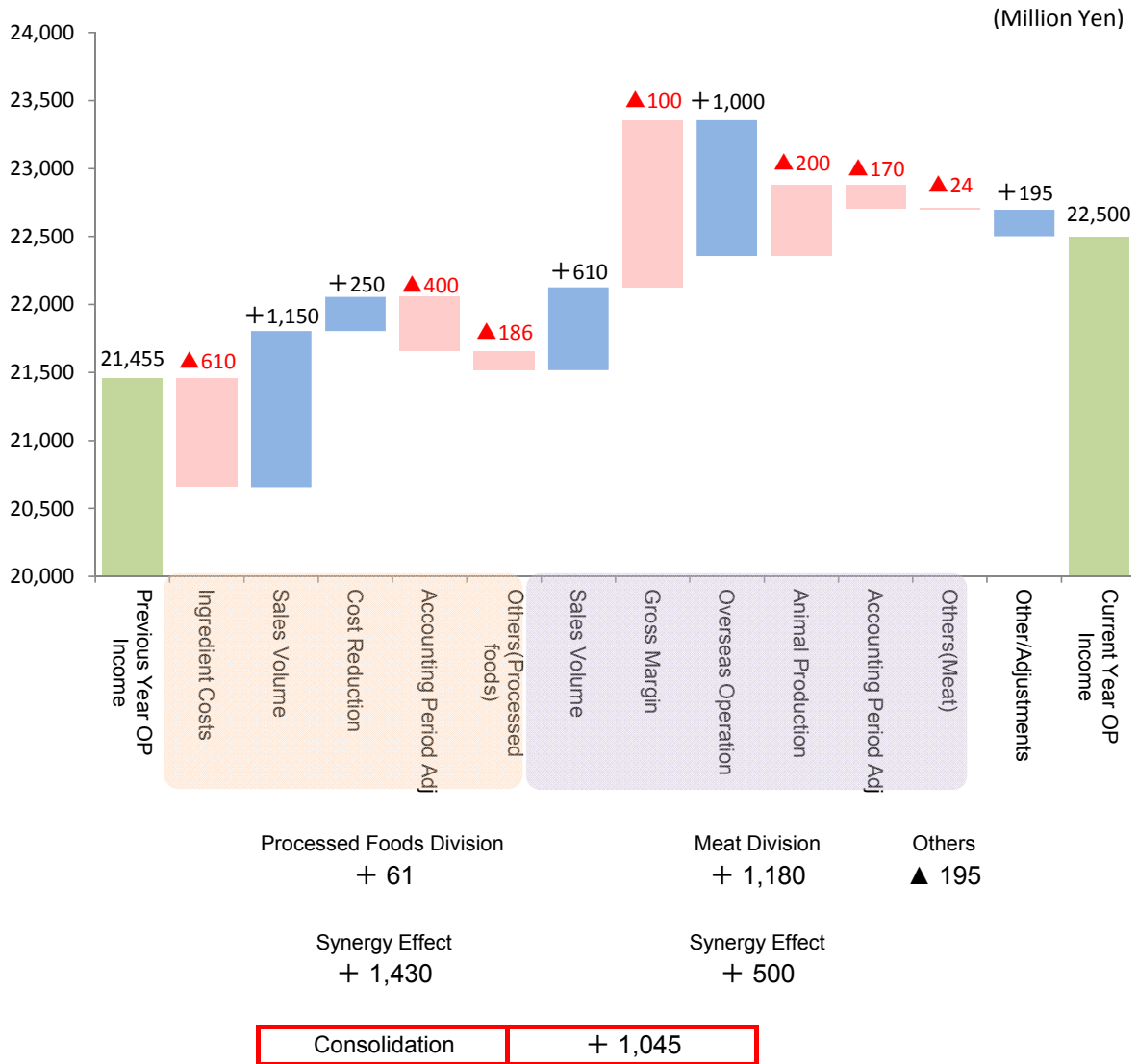
	End of Year Yen	EPS F'cast Yen	Payout Ratio %
2016 Actual	17.00	60.67	28.0
2017 Forecast	17.00	55.49	30.6

##### Operating Segment Information Forecast

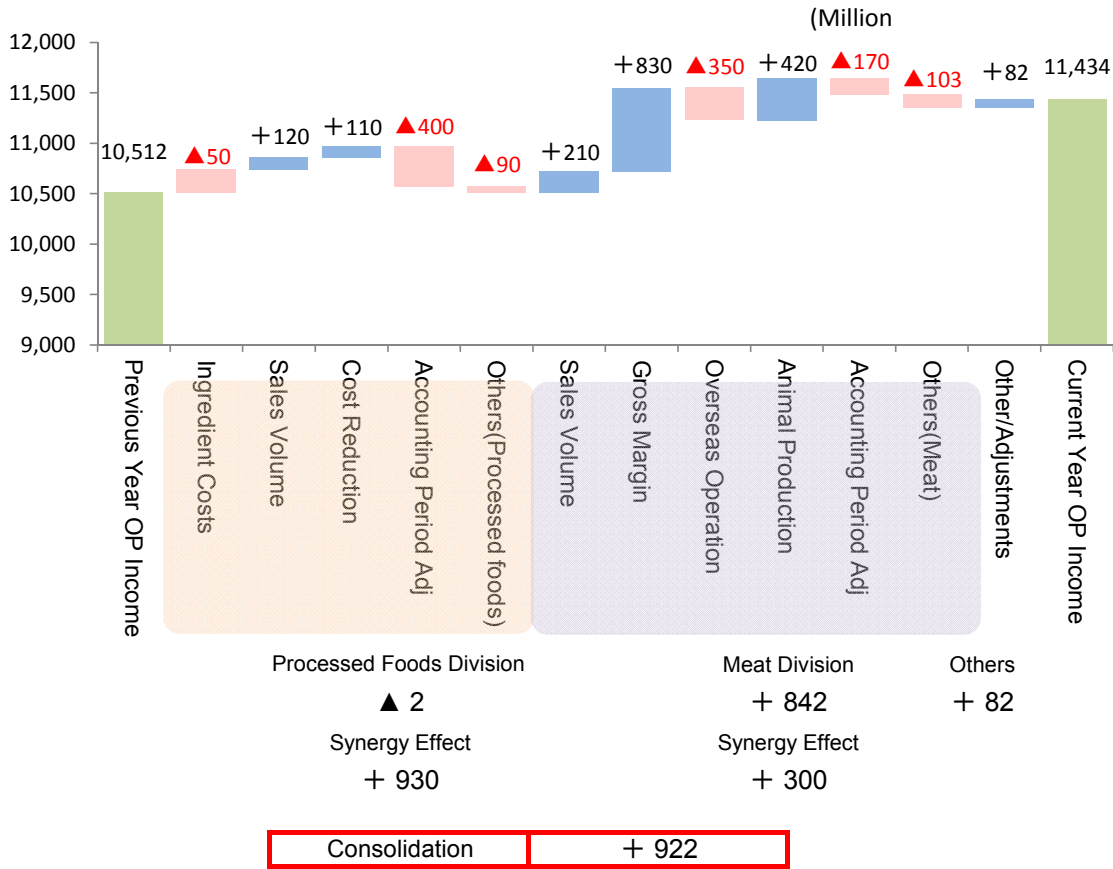
(Million Yen, %)

		First Half		Second Half		Year	
		2017 F'cast	Change	2017 F'cast	Change	2017 F'cast	Change
Processed Foods Division	Sales	140,129	4,740	160,871	18,965	301,000	23,705
	OP Margin	5,900	▲ 2	5,300	63	11,200	61
	% of Sales	4.2	▲ 0.1	3.3	▲ 0.4	3.7	▲ 0.3
Meat Division	Sales	274,422	13,044	259,578	9,889	534,000	22,933
	OP Margin	5,902	842	6,098	338	12,000	1,180
	% of Sales	2.2	0.2	2.3	0.0	2.2	0.1
Others/Adjustments	Sales	2,085	▲ 27	2,915	826	5,000	799
	OP Margin	△ 368	82	△ 332	▲ 277	△ 700	▲ 195
Consolidated	Sales	416,637	17,759	423,363	29,677	840,000	47,436
	OP Margin	11,434	922	11,066	123	22,500	1,045
	% of Sales	2.7	0.0	2.6	0.0	2.7	0.0

**Operating Income Variance (forecast)**



### Operating Income Variance (First Half)



### Operating Income Variance (Second Half)

