

# Consolidated Financial Results (Japanese Accounting Standards) for the Three Months Ended June 30, 2021 (Q1 FY 2021)

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: Kenji Uchiyama, Manager, Investor Relations Section  
 Tel. +81-3-5723-6885  
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 Supplementary documents for financial results: Yes  
 Quarterly results briefing: No

(Amounts of less than one million yen are truncated)

## 1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 1, 2021–June 30, 2021)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Three months ended June 30, 2021	202,607	—	7,554	—	8,425	—	5,908	—
June 30, 2020	204,992	-2.8	5,028	5.4	5,516	5.6	3,657	5.4

(Note) Comprehensive income: Three months ended June 30, 2021 6,560 million Yen (—%)  
 Three months ended June 30, 2020 2,441 million Yen (-4.1%)

	Net income per share	Fully diluted net income
	Yen	Yen
Three months ended June 30, 2021	20.18	20.17
June 30, 2020	12.42	12.41

(Note) The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29), etc. has been applied since the beginning of the first three months of the consolidated fiscal year under review. As a result, the accounting treatment of revenue differs from that of the first three months of the previous fiscal year. Therefore, Consolidated Financial Results is provided without stating the amount of the year-on-year comparison (%).

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million Yen	Million Yen	%
As of June 30, 2021	414,856	247,869	59.6
As of March 31, 2021	394,086	247,648	62.7

(Reference) Shareholders' equity: As of June 30, 2021 247,165 million Yen  
 As of March 31, 2021 246,931 million Yen

(Note) The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29), etc. has been applied since the beginning of the first three months of the consolidated fiscal year under review. As a result, the accounting treatment of revenue differs from that of the first three months of the previous fiscal year.

## 2. Dividends

	First	Second	Third	Fiscal	Total
	Yen	Yen	Yen	Yen	Yen
For the fiscal year ended March 31, 2021	—	0.00	—	21.00	21.00
March 31, 2022	—				
For the fiscal year ending March 31, 2022 (Forecast)		0.00	—	22.00	22.00

(Note) Changes to most recent dividend forecast: None

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% figures show year-on-year change)

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Second quarter-end (Cumulative)	410,000	—	12,000	—	12,500	—	8,500	—	29.04
Full year	820,000	—	23,000	—	25,000	—	16,000	—	54.66

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

(Note) The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29), etc. has been applied since the beginning of the first three months of the consolidated fiscal year under review. As a result, the accounting treatment of revenue differs from that of the first three months of the previous fiscal year. Therefore, the Forecast of Consolidated Financial Results is provided without stating the amount of the year-on-year comparison (%).

## ○ Accompanying Materials – Contents

1. Qualitative Information on Consolidated Operating Results for the Three Months Ended June 30, 2021 .....	2
(1) Description of operating results.....	2
(2) Description of financial position .....	3
(3) Description of future outlook, including consolidated operating results forecasts .....	3
2. Quarterly Consolidated Financial Statements and Major Notes.....	4
(1) Quarterly consolidated balance sheets.....	4
(2) Quarterly consolidated statements of income and comprehensive income.....	6
(3) Notes on the quarterly consolidated financial statements .....	8
(Notes on going concern assumptions).....	8
(Notes in the case of significant changes in shareholders' equity) .....	8
(Changes in accounting policies) .....	8
(Segment information) .....	9

## 1. Qualitative Information on Consolidated Operating Results for the Three Months Ended June 30, 2021

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020; hereinafter the “Revenue Recognition Accounting Standard”), etc. has been applied since the beginning of the first three months of the consolidated fiscal year under review. As a result, the accounting treatment of revenue differs from that of the first three months of the previous fiscal year. Therefore, the explanation is provided without stating the amount of change or the year-on-year comparison (%) in the following (1) Description of operating results. For the amount of change corrected to the same accounting standards and the comparison with the same quarter of the previous year, please refer to the supplementary materials for quarterly operating results.

### (1) Description of operating results

During the first three months of the consolidated fiscal year under review, the Japanese economy continued to face a challenging situation given the restrictions imposed on socioeconomic activities by the impact of COVID-19. The outlook is also likely to remain uncertain until the impact of COVID-19 is contained by vaccination and other means.

In the industry where Itoham Yonekyu Holdings Inc. (the “Company”) and its subsidiaries (collectively the “Group”) operate, consumer needs and values are rapidly changing and diversifying with changes in their purchasing behavior and the acceleration of digitalization in society, reflecting the impact of COVID-19 as well as growing interest in ESG and SDGs. To fulfill its supply responsibilities as a food manufacturer, the Group operated based on a system that allows each employee to practice a variety of work styles in a safe and secure manner. It did so by commencing vaccinations at the workplace, in addition to continuing thorough countermeasures against COVID-19, and by working to strengthen its foundations to adapt to changes in the environment and demonstrate its strengths.

In this environment, the Group has developed the Medium-Term Management Plan 2023 for the period of three years starting from fiscal 2021. Setting the Group philosophy “We will contribute to achieving a sound and affluent society through business” and the vision of becoming “a leading food company that emphasizes the spirit of fairness, rises to the challenge of transformation and achieves sustainable growth with its employees,” the Group will increase its competitiveness and growth potential by taking on challenges such as strengthening its management base, strengthening its earnings base, pursuing initiatives for new businesses and markets and taking initiatives for sustainability. In doing so, it will aim to achieve new breakthroughs and growth by defying stereotypes and reaffirming its strengths. Focusing on return on invested capital (ROIC) as a quantitative indicator, the Group aims to improve it to 6.8% during the applicable period. The Group has also decided to implement shareholder return policies in consideration of financial soundness and capital efficiency and has a dividend policy of increasing dividends steadily, with the payout ratio ranging from 30% to 50%, aiming for a payout ratio of around 40%.

As a result of improving production efficiency and responding to changes in consumer needs linked to the impact of COVID-19 based on the policies above, the Group recorded net sales of 202,607 million yen and operating income of 7,554 million yen in its financial results for the first three months under review. Ordinary income stood at 8,425 million yen, and profit attributable to owners of parent was 5,908 million yen.

The operating results by reportable segment are as outlined below.

#### <Processed food business>

With regard to hams and sausages, net sales declined mainly due to the impact of reviewing unprofitable products to improve profitability, although sales of the main products such as The Grand Alt Bayern, Asano Fresh Series and Pork Bits remained firm due to the launch of TV commercials and implementation of consumer campaigns.

In cooked and processed food, net sales increased due to growth in products that responded to consumer preferences for convenience and health consciousness, such as Salad Chicken and Umazutsumi Volume Rich Hamburg, in addition to the solid performance of Pizza products such as La Pizza and Pizza Garden.

As a result, the processed food business recorded net sales of 72,525 million yen and operating income of 3,614 million yen as a consequence of working to improve production efficiency.

## &lt;Meat business&gt;

In domestic businesses, imported meat was affected by delays in vessel arrival in port due to global congestion in marine container transport. However, looking at the overall sales situation, while a rise in demand for home cooking food has slowed compared to the same quarter of the previous year, sales of products for the food service industry and processed food products were recovering. As a result, net sales increased slightly, combined with the improving market environment. On the profit front, although market price fluctuations had some impact on procurement costs, steps were taken to improve the profit margin by fully enforcing profitability management through inventory optimization. Consequently, profits increased.

As for overseas businesses, while ANZCO Foods Ltd. increased production volumes, net sales in foreign currency terms declined slightly, reflecting the impact of delays in shipments due to global congestion in marine container transport. However, profits increased as a result of a sales focus on profitability, in addition to the improvement of procurement costs.

As a result, the meat business recorded net sales of 129,016 million yen and operating income of 4,384 million yen.

## (2) Description of financial position

## (Assets, liabilities and net assets)

Total assets at the end of the first three months under review increased 20,769 million yen from the end of the previous fiscal year, to 414,856 million yen. This mainly reflects an increase in inventories.

Liabilities totaled 166,986 million yen, an increase of 20,547 million yen from the end of the previous fiscal year. This was mainly due to increases in notes and accounts payable - trade and short-term loans payable.

Net assets increased 221 million yen from the end of the previous fiscal year, to 247,869 million yen. This was primarily attributable to an increase in foreign currency translation adjustment and a decrease in retained earnings associated with the payment of dividends.

Due to the application of the Accounting Standard for Revenue Recognition, etc., the beginning balance of retained earnings decreased 155 million yen.

## (3) Description of future outlook, including consolidated operating results forecasts

There are no changes to the consolidated results forecasts for the first half and the full year of the fiscal year ending December 31, 2022 that were announced on May 10, 2021.

# Consolidated Financial Statements

Itoham Yonekyu Holdings Inc.

## (1) Consolidated Balance Sheets

(Million Yen)

	As of March 31, 2021	As of June 30, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	50,952	46,391
Notes and account receivable - trade	86,591	85,952
Merchandise and finished goods	63,313	75,955
Work in process	1,745	1,832
Raw materials and supplies	17,174	22,889
Other	6,617	13,958
Allowance for doubtful accounts	(10)	(10)
<b>Total current assets</b>	<b>226,384</b>	<b>246,969</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	36,433	36,846
Machinery, equipment and vehicles, net	28,919	29,684
Tools, furniture & fixtures, net	1,468	1,547
Land	25,745	25,945
Leased assets, net	2,758	2,698
Others, net	2,269	1,275
<b>Total property, plant and equipment</b>	<b>97,595</b>	<b>97,998</b>
<b>Intangible assets</b>		
Goodwill	19,573	19,223
Other	2,150	2,551
<b>Total intangible assets</b>	<b>21,724</b>	<b>21,775</b>
<b>Investments and other assets</b>		
Investment securities	29,331	28,885
Net defined benefit assets	12,162	12,506
Other	6,993	6,824
Allowance for doubtful receivables	(105)	(105)
<b>Total investments and other assets</b>	<b>48,382</b>	<b>48,112</b>
<b>Total non-current assets</b>	<b>167,702</b>	<b>167,886</b>
<b>Total Assets</b>	<b>394,086</b>	<b>414,856</b>

(Million Yen)

	As of March 31, 2021	As of June 30, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	56,615	67,515
Electronically recorded obligations	1,660	1,621
Short-term loans payable	25,704	29,740
Current portion of Long-term loans payable	155	155
Income taxes payable	4,149	674
Provision for bonuses	6,397	1,762
Provision for directors' bonuses	147	35
Provision for loss on disaster	467	321
Other	27,743	40,455
<b>Total current liabilities</b>	<b>123,041</b>	<b>142,281</b>
<b>Non-current liabilities</b>		
Long-term loans payable	10,717	10,678
Net defined benefit liability	1,725	1,733
Asset retirement obligation	1,475	1,478
Other	9,477	10,815
<b>Total non-current liabilities</b>	<b>23,396</b>	<b>24,705</b>
<b>Total liabilities</b>	<b>146,438</b>	<b>166,986</b>
<b>Net assets</b>		
<b>Shareholder's equity</b>		
Capital stock	30,003	30,003
Capital surplus	96,624	96,624
Retained earnings	116,989	116,595
Treasury shares	(3,624)	(3,625)
<b>Total shareholder's equity</b>	<b>239,992</b>	<b>239,597</b>
<b>Other accumulated comprehensive income</b>		
Valuation difference on available-for-sale securities	7,298	7,105
Deferred gains or losses on hedges	(329)	(437)
Foreign currency translation adjustment	(3,073)	(2,033)
Remeasurements of defined benefit plan	3,042	2,933
<b>Total accumulated other comprehensive income</b>	<b>6,939</b>	<b>7,567</b>
<b>Subscription rights to shares</b>	<b>131</b>	<b>131</b>
<b>Non-controlling interests</b>	<b>585</b>	<b>572</b>
<b>Total net assets</b>	<b>247,648</b>	<b>247,869</b>
<b>Total liabilities and net assets</b>	<b>394,086</b>	<b>414,856</b>

(2) Consolidated statements of income and comprehensive income  
(Consolidated statements of income)  
(April 1, 2020 – March 31, 2021)

Itoham Yonekyu Holdings Inc.

(Million Yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
<b>Net sales</b>	204,992	202,607
<b>Cost of goods sold</b>	172,825	169,114
<b>Gross profit</b>	32,166	33,493
<b>Selling, general and administrative expenses</b>	27,137	25,939
<b>Operating income</b>	5,028	7,554
<b>Non-operating income</b>		
Interest income	18	9
Dividend income	134	145
Rent income	104	104
Equity in income of affiliates	242	447
Other	248	433
<b>Total non-operating income</b>	748	1,140
<b>Non-operating expenses</b>		
Interest expenses	141	78
Rent on real estate	31	30
Other	87	160
<b>Total non-operating expenses</b>	260	269
<b>Ordinary income</b>	5,516	8,425
<b>Extraordinary income</b>		
Gain on sale of non-current assets	8	3
Gain on sale of investment securities	2	55
Gain on business transfer	-	24
<b>Total extra-ordinary income</b>	11	83
<b>Extraordinary loss</b>		
Loss on retirement of non-current assets	48	40
Others	9	0
<b>Total extra-ordinary expenses</b>	58	40
<b>Net income before taxes</b>	5,468	8,467
Income taxes-current	355	679
Income taxes-deferred	1,404	1,868
<b>Total income taxes</b>	1,760	2,548
<b>Net income</b>	3,708	5,919
<b>Income attributable to non-controlling interests</b>	51	10
<b>Income attributable to owners of parent</b>	3,657	5,908

(Consolidated statements of comprehensive income)  
 (April 1, 2020 – March 31, 2021)

(Million Yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
<b>Net income</b>	3,708	5,919
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	349	(197)
Deferred gains or losses on hedges	(141)	(108)
Foreign currency translation adjustment	(1,505)	1,092
Remeasurements of defined benefit plan	48	(114)
Share of other comprehensive income of entities accounted for using equity method	(17)	(30)
<b>Total other comprehensive income</b>	(1,266)	641
<b>Comprehensive income</b>	2,441	6,560
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,424	6,537
Comprehensive income attributable to non-controlling interests	17	23



## (3) 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

(Changes in accounting policies)

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

The Company has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the first three months under review and recognize revenue from goods or services which the Company promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to a customer. The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in the case of retroactively applying the new accounting policy to before the beginning of the first three months under review are adjusted in retained earnings at the beginning of the first three months under review, and the new accounting policy is applied from this initial balance.

Major changes as a result of the application of Revenue Recognition Accounting Standard are as follows.

- For buy-sell transactions, in the past the Company recognized consideration received from outsourced companies as revenue. However, it has now adopted the method of not recognizing this revenue.
- In the past, the Company posted sales commissions and sales promotion support money, etc. that were the consideration paid to customers as selling, general and administrative expenses. However, it has now adopted the method of deducting them from net sales.
- For some sales rebates, in the past the Company recognized revenue at a provisional price at the time of sales and revised the price according to the status of achievement of sales. However, it has now adopted a method of estimating the amount of the variable portion of the consideration for a transaction and including in the transaction price only the portion that is highly unlikely to cause a significant reduction in the recognized revenue.

As a result, during the first three months of the consolidated fiscal year under review, net sales, cost of goods sold, and selling, general and administrative expenses decreased by 7,613 million yen, 5,300 million yen and 1,827 million yen, respectively, while operating income, ordinary income and profit before income taxes each decreased by 486 million yen. The balance of retained earnings at the beginning of the first three months under review also decreased by 155 million yen.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company started applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the first three months under review. Accordingly, the Company will apply new accounting policies prescribed in the Fair Value Measurement Accounting Standard and the like in the future in accordance with the provisional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the Fair Value Measurement Accounting Standard and others mentioned above has no impact on quarterly consolidated financial statements.

## (Segment information)

## I. The first three months of the previous fiscal year (from April 1, 2020 to June 30, 2020)

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

(Million yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount in quarterly consolidated statement of income (Note 3)
	Processed food business	Meat business	Total				
Net sales							
Sales to outside customers	73,488	130,508	203,996	995	204,992	-	204,992
Inter-segment sales and transfers	1,105	6,961	8,067	7,084	15,152	(15,152)	-
Total	74,593	137,469	212,063	8,080	220,144	(15,152)	204,992
Segment income (loss)	2,737	2,806	5,544	(14)	5,529	(500)	5,028

Notes: 1. "Others" represents a business segment comprising the logistics business and personnel and payroll-related operation services, etc. that are not included in reportable segments.

2. The main content of adjustment of segment income (loss) is the amortization of goodwill of 347 million yen.

3. Segment income (loss) is adjusted to be consistent with the operating income reported in the consolidated statements of income.

## II. The first three months of the current fiscal year (from April 1, 2021 to June 30, 2021)

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

(Million yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount in quarterly consolidated statement of income (Note 3)
	Processed food business	Meat business	Total				
Net sales							
Sales to outside customers	72,525	129,016	201,541	1,066	202,607	-	202,607
Inter-segment sales and transfers	349	6,789	7,139	7,161	14,300	(14,300)	-
Total	72,874	135,806	208,681	8,227	216,908	(14,300)	202,607
Segment income	3,614	4,384	7,998	45	8,044	(490)	7,554

Notes: 1. "Others" represents a business segment comprising the logistics business and personnel and payroll-related operation services, etc. that are not included in reportable segments.

2. The main content of adjustment of segment income is the amortization of goodwill of 347 million yen.

3. Segment income is adjusted to be consistent with the operating income reported in the consolidated statements of income.

## 2. Matters concerning changes in reportable segments, etc.

As described in the "Change in accounting policies," the Company has applied the Revenue Recognition Accounting Standard, etc. from the beginning of the three months under review and changed the accounting method for revenue recognition. Reflecting this change, it has modified the calculation method for business segment income in the same manner.

As a result of this change, net sales and segment income in the processed food business decreased 1,930 million yen and 482 million yen, respectively, and net sales and segment income in the meat business declined 5,683 million yen and 4 million yen, respectively, compared to the previous method.