

# **Supplementary Explanation to Financial Results**

Second Quarter Year Ending March 2017

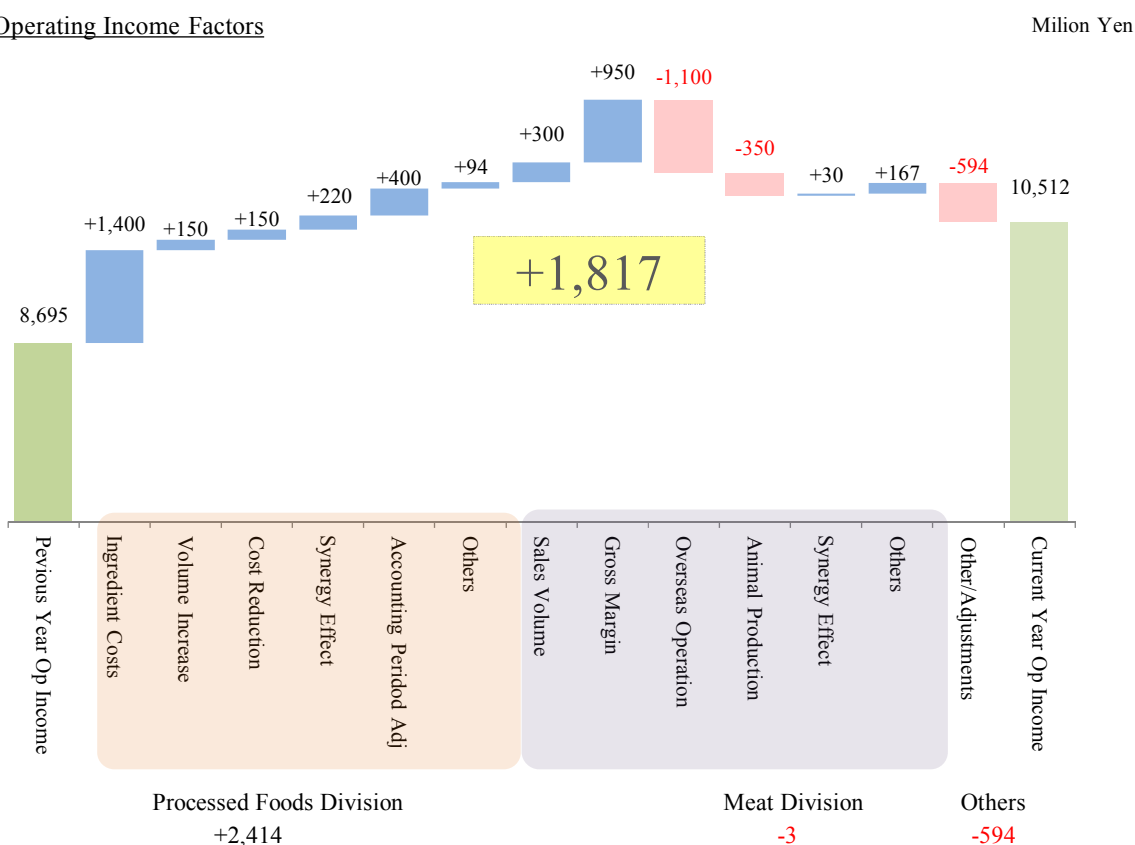
**Itoham Yonekyu Holdings Inc.**

## 1) Summary of 2Q Financial Results

### Supplementary Explanation to Financial Results

	Actual 2016	% of Sales	Actual 2015	% of Sales	Million Yen, % Change	
Sales	398,878		409,691		(10,813)	(2.6)
Gross Profit	62,854	15.8	59,663	14.6	3,191	5.3
S, G & A expenses	52,341	13.1	50,967	12.4	1,374	2.7
Operating Income	10,512	2.6	8,695	2.1	1,817	20.9
Non-operating Income	926		1,085		(159)	
Non-operating Expenses	(910)		(1,082)		172	
Equity Method Gain/Loss	1,428		(60)		1,488	
Net Non-operating Gain/Loss	1,445		(57)		1,501	
Operating Income	11,957	3.0	8,638	2.1	3,318	38.4
Extra-ordinary Gain	2,177		1,914		263	
Extra-ordinary Loss	(218)		(92)		(127)	
Net Extra-ordinary Gain/Loss	1,959		1,823		136	
Income Before Taxes	13,916		10,461		3,455	33.0
Net Income	9,526	2.4	6,370	1.6	3,156	49.5

### Operating Income Factors



## 2) Segment Information

### (1) Operating Segment Information

Supplementary Explanation to Financial Results (Million Yen, %)

		Actual 2016	Actual 2015	Change
Processed Foods Division Sales		137,430	132,388	5,042
OP Margin		6,065	3,651	2,414
% of Sales		4.4	2.8	
Meat Division	Sales	261,378	275,990	(14,612)
	OP Margin	5,073	5,076	(3)
	% of Sales	1.9	1.8	
Others/Adjustments	Sales	71	1,313	(1,242)
	OP Margin	(626)	(32)	(594)
Consolidated	Sales	398,879	409,691	(10,813)
	OP Margin	10,512	8,695	1,817
	% of Sales	2.6	2.1	

Meat sales of 55,486 million (120 million operating profit) transferred from Processed Meats Division to Meat Division for Actual 2015

### Operating Income Factors

Processed Foods Division	Million Yen	Meat Division	Million Yen
	Change		Change
Ingredient Costs	1,400	Sales Volume	300
Volume Increase	150	Gross Margin	950
Cost Reduction	150	Overseas Operation	(1,100)
Synergy Effect	220	Animal Production	(350)
Accounting Period Adj	400	Synergy Effect	30
Others	94	Others	167
Total	2,414	合計	(3)

### (2) Sales by Market

	Million Yen		
	Actual 2016	Actual 2015	Change
Japan	341,920	340,438	1,483
North America	17,165	23,978	(6,812)
Asia	15,480	15,023	457
Oceania	11,519	13,397	(1,878)
Europe	10,246	13,406	(3,160)
Others	2,547	3,450	(903)
Total	398,878	409,691	(10,813)
Overseas Sales (%)	14.3	16.9	(2.6)

### 3) Financia Data

#### Sales

Supplementary Explanation to Financial Result:		Million Yen, %		
	Actual 2016	Actual 2015	Change	
Ham/Sausage	85,381	84,619	762	0.9
Processed Foods	58,765	56,159	2,606	4.6
Meat	249,914	263,571	(13,657)	(5.2)
Others	4,817	5,341	(524)	(9.8)
<b>Total</b>	<b>398,878</b>	<b>409,690</b>	<b>(10,812)</b>	<b>(2.6)</b>

#### S, G & A Expenses

	Actual 2016	Actual 2015	Change	
Labor Expenses	18,131	18,128	3	0.0
Shipping / Handling	14,068	13,385	683	5.1
Advertisement	3,428	3,354	74	2.2
Sales Fees	2,851	3,017	(166)	(5.5)
Packing	1,545	1,544	1	0.1
Depreciation	795	771	25	3.2
Other Expenses	11,523	10,769	755	7.0
<b>Total</b>	<b>52,341</b>	<b>50,967</b>	<b>1,374</b>	<b>2.7</b>

#### Non-Operational G/L

	Actual 2016	Actual 2015	Change	
Equity Method	1,428	(60)	1,488	
Financing	(300)	(595)	295	
Others	317	597	(280)	
<b>Total</b>	<b>1,445</b>	<b>(57)</b>	<b>1,501</b>	

#### Extra-ordinary Gain/Loss

	Actual 2016	Actual 2015	Change	
Sales of Securities	1,906	1,575	330	
Others	53	246	(193)	
<b>Total</b>	<b>1,959</b>	<b>1,822</b>	<b>137</b>	

#### 4) Revisions to the Forecast of Business Results and Dividends

##### Revisions to the Forecast

##### Supplementary Explanation to Financial Results

Million Yen

	Current Forecast (Nov 1)			Previous Forecast		Previous Year	
	FH	SH	Year	12-May	Change	Year	Change
Sales	400,000	400,000	800,000	830,000	(30,000)	817,450	(17,450)
Operating Income	10,500	9,500	20,000	18,000	2,000	17,385	2,615
Ordinary Income	11,900	10,100	22,000	19,500	2,500	18,279	3,721
Extra-ordinary Gain/Loss	2,000	(1,000)	1,000	(200)	1,200	1,485	(485)
Income Before Taxes	13,900	9,100	23,000	19,300	3,700	19,764	3,236
Total Income Taxes	4,200	3,300	7,500	6,900	600	6,775	725
Non-controlling interests	200	300	500	400	100	421	79
Net Income	9,500	5,500	15,000	12,000	3,000	12,576	2,424

##### Revisions to Dividends

Yearly Dividends	End of Year Yen	EPS F'cast Yen	Payout Ratio %
Previous Forecast	12.00	40.36	29.70
Current Forecast	15.00	50.45	29.70

##### Operating Segment Information

		Million Yen, %	
		F'cast 2016	Change
Processed Foods Division	Sales	284,800	8,474
	OP Margin	11,750	4,032
	% of Sales	4.1	0.8
Meat Division	Sales	515,000	(24,787)
	OP Margin	9,850	(94)
	% of Sales	1.9	(0.3)
Others/Adjustments	Sales	200	(1,136)
	OP Margin	(1,600)	(1,323)
Consolidated	Sales	800,000	(17,450)
	OP Margin	20,000	2,615
	% of Sales	2.5	0.0

Meat sales of 113,034 million (675 million operating profit) transferred from Processed Meats Division to Meat Division for Actual 2015

##### Operating Income Variance (forecast)

Million Yen

