

Itoham Yonekyu Holdings Inc.

## **Supplementary Explanation to Financial Results**

First Quarter Year Ending March 2018

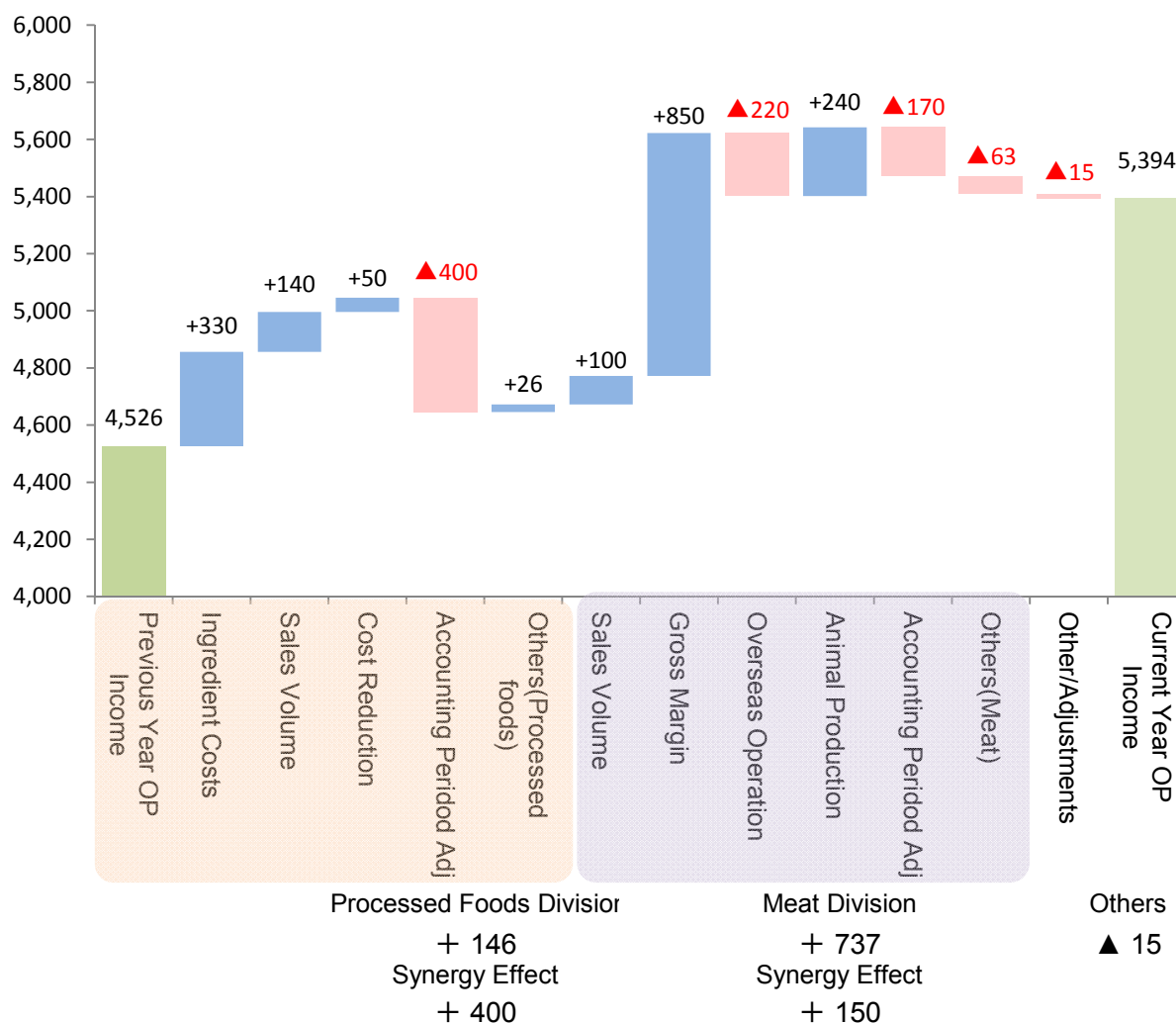
# 1) Summary of Financial Results

(Million Yen, %)

	Actual 2017	% of Sales	Actual 2016	% of Sales	Change	
Sales	201,879		196,532		5,347	2.7
Gross Profit	31,579	15.6	30,127	15.3	1,452	4.8
S, G & A Expenses	26,184	13.0	25,601	13.0	583	2.3
Operating Income	5,394	2.7	4,526	2.3	868	19.2
Non-operating Income	441		509		▲ 68	▲ 13.4
Non-operating Expenses	△ 296		△ 542		246	
Equity Method Gain/Loss	290		623		▲ 333	▲ 53.5
Net Non-operating Gain/Loss	436		590		▲ 154	▲ 26.1
Ordinary Income	5,830	2.9	5,116	2.6	714	14.0
Extra-ordinary Gain	45		1,857		▲ 1,812	▲ 97.6
Extra-ordinary Loss	△ 79		△ 63		▲ 16	
Net Extra-ordinary Gain/Loss	△ 34		1,793		▲ 1,827	
Income Before Taxes	5,796		6,910		▲ 1,114	▲ 16.1
Net Income	3,936	1.9	4,810	2.4	▲ 874	▲ 18.2

## Operating income factor

(Million Yen)



## 2) Segment Information

### (1) Operating Segment Information

(Million Yen, %)

		Actual 2017	Actual 2016	Change
Processed Foods Division	Sales	67,172	64,783	2,389
	OP Margin	2,964	2,818	146
	% of Sales	4.4	4.3	0.1
Meat Division	Sales	133,677	130,699	2,978
	OP Margin	2,727	1,990	737
	% of Sales	2.0	1.5	0.5
Others/Adjustments	Sales	1,029	1,049	▲ 20
	OP Margin	△ 298	△ 283	▲ 15
Consolidated	Sales	201,879	196,532	5,347
	OP Margin	5,394	4,526	868
	% of Sales	2.7	2.3	0.4

### Operating Income Factors

Processed Foods Division	(Million Yen)
	Change
Ingredient Costs	330
Sales Volume	140
Cost Reduction	50
Accounting Period Adj	▲ 400
Others	26
Total	146
Synergy Effect	400

Meat Division	(Million Yen)
	Change
Sales Volume	100
Gross Margin	850
Overseas Operation	▲ 220
Animal Production	240
Accounting Period Adj	▲ 170
Others	▲ 63
Total	737
Synergy Effect	150

### (2) Sales by Market

(Million Yen)

	Actual 2017	Actual 2016	Change
Japan	174,384	167,396	6,988
Asia	8,002	6,878	1,124
North America	6,589	9,256	▲ 2,667
Oceania	6,881	5,907	974
Europe	4,820	5,731	▲ 911
Others	1,202	1,364	▲ 162
Total	201,878	196,532	5,346
Overseas Sales (%)	13.6	14.8	▲ 1.2

### 3) Financial Data

#### Sales

(Million Yen, %)						
	Actual 2017	Actual 2016	Change		Impact of fluctuations in foreign exchange rates related to ANZCO	
Ham/Sausage	41,822	40,677	1,145	2.8		10
Processed Foods	29,680	28,283	1,397	4.9		141
Meat	126,444	123,829	2,615	2.1		1,718
Others	3,933	3,743	190	5.1		
Total	201,879	196,532	5,347	2.7		1,869

#### SG & A Expenses

(Million Yen, %)				
	Actual 2017	Actual 2016	Change	
Labor Expenses	9,254	9,021	233	2.6
Shipping / Handling	7,116	6,858	258	3.8
Advertisement	1,919	1,747	172	9.8
Sales Fees	1,033	1,085	▲ 52	▲ 4.8
Packing	613	656	▲ 43	▲ 6.6
Depreciation	398	376	22	5.9
Other Expenses	5,851	5,857	▲ 6	▲ 0.1
Total	26,184	25,601	583	2.3

#### Non-Operational G/L

(Million Yen, %)				
	Actual 2017	Actual 2016	Change	
Equity Method	290	623	▲ 333	▲ 53.5
Financing	△ 75	△ 56	▲ 19	
Others	221	23	198	860.9
Total	436	590	▲ 154	▲ 26.1

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

	Actual 2017	Actual 2016	Change
MIY	△ 91	278	▲ 369
IPC	293	163	130

#### Extra-ordinary Gain/Loss

(Million Yen, %)				
	Actual 2017	Actual 2016	Change	
Sales of Securities	0	1,774	▲ 1,774	
Others	△ 34	19	▲ 53	
Total	△ 34	1,793	▲ 1,827	

#### 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	422,000	23,122	418,000	24,314	840,000	47,436
Operating Income	11,000	488	11,500	557	22,500	1,045
Non-operating G/L	1,000	▲ 445	1,500	▲ 483	2,500	▲ 928
Ordinary Income	12,000	43	13,000	73	25,000	116
Extra-ordinary G/L	0	▲ 1,959	0	817	0	▲ 1,142
Income Before Taxes	12,000	▲ 1,916	13,000	889	25,000	▲ 1,027
Net Income	7,500	▲ 2,026	9,000	488	16,500	▲ 1,538

##### Dividends Forecasts

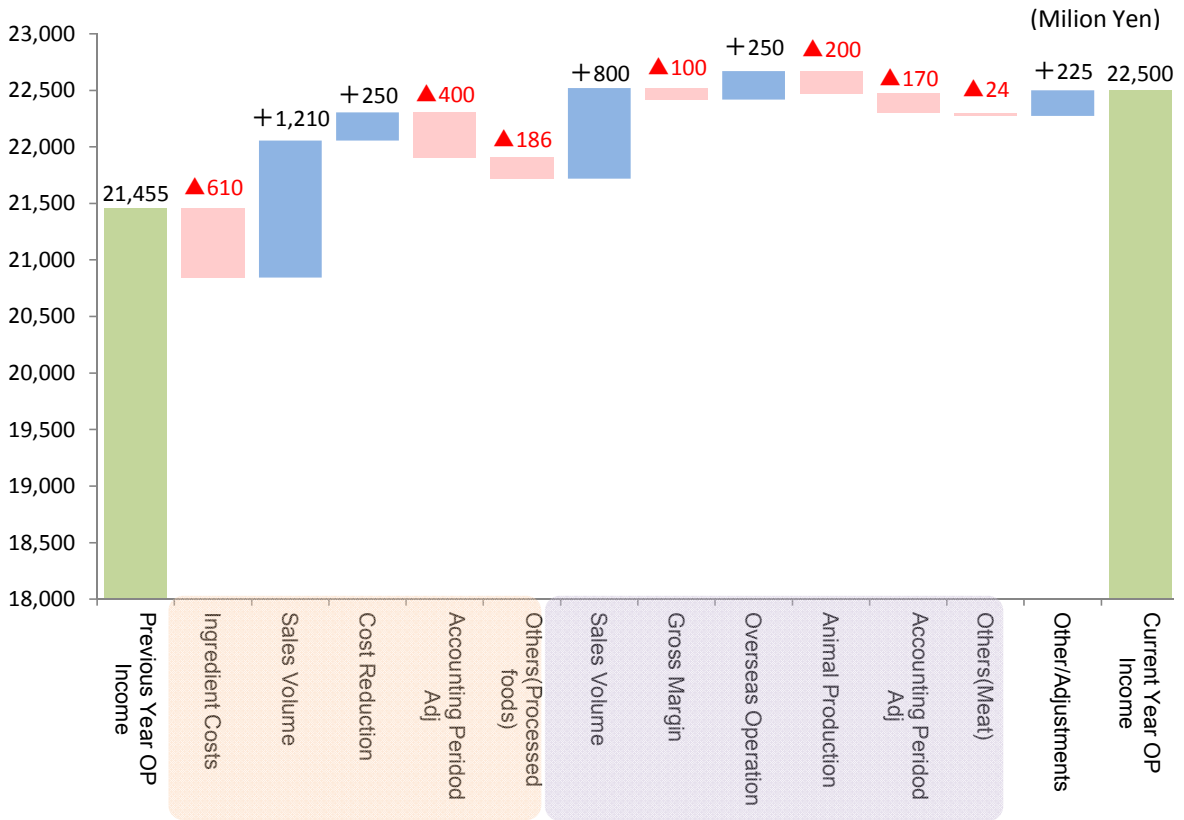
	End of Year Yen	EPS F'cast Yen	Payout Ratio %
2016 Actual	17.00	60.67	28.0
2017 Forecast	17.00	55.49	30.6

##### 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	146,500	9,070	154,500	10,526	301,000	19,596
	OP Margin	6,150	85	5,650	179	11,800	264
	% of Sales	4.2	▲ 0.2	3.7	▲ 0.1	3.9	▲ 0.2
Meat Division	Sales	273,000	11,623	261,000	11,310	534,000	22,933
	OP Margin	5,300	227	6,100	329	11,400	556
	% of Sales	1.9	0.0	2.3	0.0	2.1	0.0
Others/Adjustments	Sales	2,500	2,430	2,500	2,477	5,000	4,907
	OP Margin	△ 450	176	△ 250	49	△ 700	225
Consolidated	Sales	422,000	23,122	418,000	24,314	840,000	47,436
	OP Margin	11,000	488	11,500	557	22,500	1,045
	% of Sales	2.6	0.0	2.8	0.0	2.7	0.0

**Operating Income Variance (forecast)**



Processed Foods Division  
+ 264

Meat Division  
+ 556

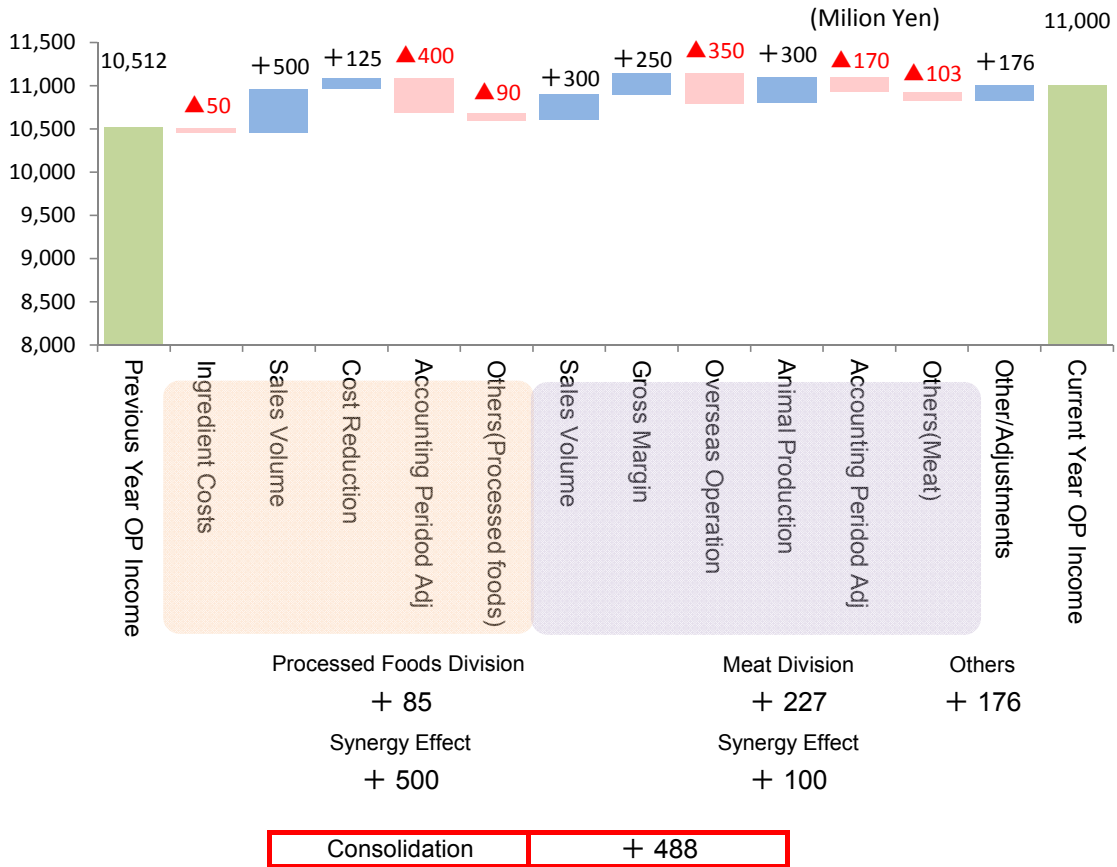
Others  
+ 225

Synergy Effect  
+ 1,000

Synergy Effect  
+ 350

Consolidation	+ 1,045
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### Operating Income Variance (First Half)



### Operating Income Variance (Second Half)

