

Consolidated Financial Results

for the Three Months Ended June 30, 2022 (Q1 FY 2022)

(Japanese Accounting Standards)

Company name: Itoham Yonekyu Holdings Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 2296
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 Scheduled date for filing of securities report: August 10, 2022
 Scheduled date of commencement of dividend payment: -
 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, 2022 (April 1, 2022–June 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit (loss) attributable to owners	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Three months ended June 30, 2022	212,325	4.8	7,114	-5.8	7,698	-8.6	5,129	-13.2
June 30, 2021	202,607	—	7,554	—	8,425	—	5,908	—

(Note) Comprehensive income: Three months ended June 30, 2023 8,265 million Yen (26.0%)
 Three months ended June 30, 2022 6,560 million Yen (—%)

	Profit (loss) per share		Diluted net profit per share	
	Yen	Yen	Yen	Yen
Three months ended June 30, 2022	17.60		17.59	
June 30, 2021	20.18		20.17	

(Note) As the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. has been applied from the beginning of the first quarter of the fiscal year ending March 31, 2022, therefore the percentage change from the same period of the previous year is not stated.

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million Yen	Million Yen	Million Yen	Million Yen	%	%
As of June 30, 2021	433,421		262,941		60.5	
As of March 31, 2021	413,123		262,740		63.4	

(Reference) Shareholders' equity: As of March 31, 2023 262,300 million Yen
 As of March 31, 2022 262,023 million Yen

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal quarter-end	Total
For the fiscal year ended March 31, 2022	—	0.00	—	23.00	23.00
March 31, 2023	—				
For the fiscal year ending March 31, 2023 (Forecast)		0.00	—	24.00	24.00

(Note) Changes to most recent dividend forecast: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit (loss) attributable to owners		Profit (loss) per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Second quarter-end (Cumulative)	430,000	2.9	13,500	-6.8	15,000	-9.3	10,000	-15.3	34.48
Full year	865,000	1.2	21,000	-14.7	24,000	-16.1	15,000	-21.5	51.72

(Note) Changes to most recent financial results forecast: Yes

* Notes

- (1) Changes in significant subsidiaries during the term (changes in specific subsidiaries accompanied by a change in the scope of consolidation): None
- (2) Application of special accounting treatment in the preparation of the quarterly consolidated financial statements: 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: | |
| Three Months Ended June 30, 2022: | 292,335,059 shares |
| Year ended March 31, 2022: | 297,335,059 shares |
| (ii) Numbers of treasury shares at end of period: | |
| Three Months Ended June 30, 2022: | 2,315,162 shares |
| Year ended March 31, 2022: | 5,458,762 shares |
| (iii) Average number of shares outstanding during period (quarterly cumulative period): | |
| Three Months Ended June 30, 2022: | 291,513,184 shares |
| Three Months Ended June 30, 2021: | 292,738,808 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) Information on the consolidated earnings forecasts and other future forecasts” under “1. Qualitative Information on Financial Results ” on page “3”.

(Access to Supplementary Explanations)

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

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1. Qualitative Information on Consolidated Operating Results for the Three Months Ended June 30, 2022

(1) Description of operating results

During the first three months of the fiscal year under review, the Japanese economy showed some signs of recovery due to the normalization of social and economic activities, but soaring resource prices and the sharp depreciation of the yen against the backdrop of unstable international conditions, exerted upward pressure on prices. The outlook remains uncertain, as consumers are becoming increasingly wary of price hikes, especially for daily necessities.

The food industry is also facing a challenging business environment, due to the effects of the rapid depreciation of the yen, while costs continue to rise due to soaring raw materials and energy prices. In addition, the Company is required to respond to rapidly changing and diversifying consumer needs and values, such as change in consumer behavior and accelerating digitalization and growing interest in sustainability.

Under these circumstances, the Group continues to implement product and sales strategies that accurately and promptly respond to changes in the world. To fulfill the Group's supply responsibilities as a food manufacturer, the Company continues to take thorough measures against infectious diseases to create an environment where each and every employee can practice safe, secure, and diverse work styles and conduct business activities. In addition, the Medium-Term Management Plan 2023 has four priority policies: "Strengthening the Management Base," "Strengthening the Earnings Base," "Initiatives for New Businesses and Markets" and "Initiatives for Sustainability." Specifically, the Company takes measures in accordance with its priority action policies, including reorganization into strategic business segment units to maximize the effects of the integration, promotion of operational efficiency through digital strategies, strengthening of the healthcare business through the acquisition of the animal-derived blood products business, and reinforcement of the structure through the establishment of the Sustainability Promotion Office.

Focusing on return on invested capital (ROIC) as a quantitative indicator in the Medium-Term Management Plan 2023, the Group targets to improve it to 6.8% during the subject period. The Group has also decided to implement shareholder return policies in consideration of financial soundness and capital efficiency to maximize shareholder value 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%, and has set a limit of 5 billion yen for share repurchases and cancelled 5 million shares during the first quarter under review.

As a result of above efforts to respond to changes in the business environment, consolidated net sales for the first quarter increased 9,718 million yen to 212,325 million yen (up 4.8% YoY), operating profit decreased 440 million yen to 7,114 million yen (down 5.8% YoY), ordinary profit decreased 726 million yen to 7,698 million yen (down 8.6% YoY), and net profit attributable to owners of the parent decreased 778 million yen to 5,129 million yen (down 13.2% YoY).

The following is a summary of business results by reportable segment.

<Processed food division>

With regards to hams and sausages, net sales increased due to efforts to expand sales of mainstay products for home use such as The GRAND Alt Bayern, Asano Fresh Series, Pork Bits, Ibushi Kobo Series, Gotenba Kogen Arabiki Pork and Genkei Bacon Block Series by launching TV commercials and conducting consumer campaigns, in addition to sales growth of commercial-use products such as roast beef.

In cooked and processed foods, net sales decreased due to lower sales volume despite effort to strengthen sales of products that meet diversifying consumer needs, such as the Butcher's Prepared Foods Series and Quick Dinner Series, which are prepared in a convenient manner, and the Like Meat! series using soybean meat, and other products, in addition to pizzas such as La Pizza and Pizza Garden, chicken, hamburgers, and meatballs.

As a result, net sales in the processed food division for the first quarter increased 2,455 million yen year-on-year to 87,792 million yen (up 2.9% YoY), due in part to the effect of product price revisions. Ordinary profit decreased 1,140 million yen year-on-year to 2,828 million yen (down 28.7% YoY) due to further cost increases, including higher raw materials and energy prices.

<Meat division>

As for domestic meat business, while the market price of imported meat surged due to the unstable international situation and sales volume of imported chicken and other products to mass merchandisers decreased, net sales increased due to higher unit sales prices and steady sales of domestic beef, mainly due to recovery in the restaurant industry. Profit

declined due to higher procurement prices resulting from high market prices and a rapidly depreciating yen, as well as the effects of continued congestion in marine container transport.

As for the overseas businesses, both net sales and profits increased due to ANZCO Foods Ltd.'s efforts to focus on profitability for procurement and sales, as well as higher sales prices reflecting steady overseas demand for meat products. As a result, net sales in the meat division increased 7,211 million yen year-on-year to 123,416 million yen (up 6.2% YoY), and ordinary profit increased 533 million yen year-on-year to 5,255 million yen (up 11.3% YoY) in the first quarter under review.

(2) Description of financial position

(Assets, liabilities and net assets)

Total assets at the end of the first quarter of the current fiscal year was 433,421 million yen, an increase of 20,298 million yen from the end of the previous fiscal year. This mainly reflects an increase in inventories.

Liabilities totaled 170,480 million yen, an increase of 20,097 million yen from the end of the previous fiscal year. This was mainly attributable to an increase in notes and accounts payable-trade.

Net assets were 262,941 million yen, increased by 201 million yen from the end of the previous fiscal year. This was mainly due to an increase in foreign currency translation adjustments and a decrease in retained earnings resulting from dividend payments.

(3) Information on the consolidated earnings forecasts and other future forecasts

In regard with the accumulated 2nd Quarter forecast, we have revised up our previous financial result announced on May 9th 2022, because over meat business exceeded the previous forecast and kept its position.

Then, we keep the original full year financial forecast, because it would be take uncertain impact of further high raw material cost and utility cost also.

Revisions to the forecast for the six months ending September 30, 2022 (April 1, 2022-September 30, 2022)

	Sales (Million Yen)	Operating profit (Million Yen)	Ordinary profit (Million Yen)	Profit (loss) attributable to owners of parent (Million Yen)	Profit (loss) per share (Yen)
Previous forecasts (A)	422,000	11,500	13,000	8,500	29.31
Curent forecasts (B)	430,000	13,500	15,000	10,000	34.48
Change (B-A)	8,000	2,000	2,000	1,500	
Change (%)	1.9	17.4	15.4	17.6	
Previous Year (September 30, 2021)	417,762	14,480	16,540	11,810	40.33

Forecast for the year ending March 31, 2023 (April 1, 2022-March 31, 2023)
(No change from figures announced on May 9, 2022)

	Sales (Million Yen)	Operating profit (Million Yen)	Ordinary profit (Million Yen)	Profit (loss) attributable to owners of parent (Million Yen)	Profit (loss) per share (Yen)
Forecast	865,000	21,000	24,000	15,000	51.72
Previous Year (March 31, 2022)	854,374	24,611	28,596	19,118	65.34

Note : The above forecasts are based on currently available information and certain assumptions judged to be reasonable, and actual performance may differ from forecast figures due to various factors in the future.

2. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheets

(Million Yen)

	As of March 31, 2021	As of June 30, 2022
ASSETS		
Current assets		
Cash and deposits	47,991	35,312
Notes and accounts receivable-trade	89,008	90,837
Merchandise and finished goods	74,814	91,217
Work in process	1,713	1,878
Raw materials and supplies	19,037	23,991
Other	10,848	18,264
Allowance for doubtful accounts	(7)	(7)
Total current assets	243,405	261,495
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,252	36,882
Machinery, equipment and vehicles, net	28,274	28,119
Tools, furniture & fixtures, net	1,530	1,522
Land	26,017	26,451
Leased assets, net	2,487	2,893
Others, net	2,437	3,534
Total property, plant and equipment	97,000	99,404
Intangible assets		
Goodwill	18,158	17,811
Other	3,955	4,646
Total intangible assets	22,114	22,457
Investments and other assets		
Investment securities	29,598	28,909
Retirement benefit asset	14,722	15,046
Other	6,374	6,201
Allowance for doubtful accounts	(93)	(92)
Investments and other assets	50,602	50,064
Total non-current assets	169,717	171,926
Total Assets	413,123	433,421

(Million Yen)

	As of March 31, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	62,351	70,615
Electronically recorded obligations - operating	1,747	1,589
Short-term borrowings	24,407	26,960
Current portion of Long-term borrowings	144	138
Income taxes payable	2,891	1,444
Provision for bonuses	6,617	1,835
Provision for bonuses for directors (and other officers)	151	38
Provision for loss on disaster	329	329
Other	27,894	42,086
Total current liabilities	126,533	145,037
Non-current liabilities		
Long-term borrowings	10,572	10,540
Retirement benefit liability	1,706	1,701
Asset retirement obligations	1,490	1,492
Other	10,080	11,708
Total non-current liabilities	23,849	25,442
Total liabilities	150,383	170,480
Net assets		
Shareholders' equity		
Capital stock	30,003	30,003
Capital surplus	96,615	92,933
Retained earnings	129,805	128,221
Treasury shares	(4,150)	(1,705)
Total shareholder's equity	252,273	249,453
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,727	5,973
Deferred gains or losses on hedges	151	709
Foreign currency translation adjustment	(684)	2,689
Remeasurements of defined benefit plans	3,556	3,474
Total accumulated other comprehensive income	9,750	12,846
Share acquisition rights	118	110
Non-controlling interests	598	530
Total net assets	262,740	262,941
Total liabilities and net assets	413,123	433,421

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million Yen)

	Three Months Ended June 30, 2021 (Apr 1, 2021 - Jun 30, 2021)	Three Months Ended June 30, 2022 (Apr 1, 2022 - Jun 30, 2022)
Net sales	202,607	212,325
Cost of sales	169,114	179,615
Gross profit	33,493	32,710
Selling, general and administrative expenses	25,939	25,596
Operating profit	7,554	7,114
Non-operating Income		
Interest income	9	13
Dividend income	145	132
Rental income	104	116
Share of profit of entities accounted for using equity method	447	—
Subsidy income	197	276
Other	235	293
Total non-operating income	1,140	832
Non-operating expenses		
Interest expenses	78	107
Rental expenses on real estate	30	38
Share of loss in investments accounted for using the equity method	—	54
Other	160	48
Total non-operating expenses	269	248
Ordinary profit	8,425	7,698
Extraordinary income		
Gain on sale of non-current assets	3	3
Gain on sale of investment securities	55	0
Other	24	—
Total extraordinary income	83	3
Extraordinary losses		
Loss on retirement of non-current assets	40	58
Others	0	—
Total extraordinary losses	40	58
Profit before income taxes	8,467	7,643
Income taxes-current	679	1,224
Income taxes-deferred	1,868	1,278
Total income taxes	2,548	2,503
Profit	5,919	5,140
Profit attributable to non-controlling interests	10	11
Profit attributable to owners of parent	5,908	5,129

Consolidated statements of comprehensive income

(Million Yen)

	Three Months Ended June 30, 2021 (Apr 1, 2021 - Jun 30, 2021)	Three Months Ended June 30, 2022 (Apr 1, 2022 - Jun 30, 2022)
Profit	5,919	5,140
Other comprehensive income		
Valuation difference on available-for-sale securities	(197)	(772)
Deferred gains or losses on hedges	(108)	557
Foreign currency translation adjustment	1,092	2,281
Remeasurements of defined benefit plans	(114)	(91)
Share of other comprehensive income of entities accounted for using equity method	(30)	1,149
Total other comprehensive income	641	3,124
Comprehensive income	6,560	8,265
(Breakdown)		
Comprehensive income attributable to owners of parent	6,537	8,226
Comprehensive income attributable to non-controlling interests	23	39

(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.

(Segment information)

I, The first three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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							
Sales to outside customers	85,336	116,204	201,541	1,066	202,607	-	202,607
Intersegment net sales or transfers	6,179	19,384	25,564	7,161	32,725	-32,725	-
Total	91,516	135,589	227,105	8,227	235,333	-32,725	202,607
Segment profit (loss)	3,968	4,722	8,690	-31	8,659	-234	8,425

(Note)

1. "Others" represents a business segment that is not included in the reportable segments such as logistics business and human resource and payroll related services.
2. The adjustment to segment profit (loss) mainly includes amortization of goodwill of -347 million yen.
3. Segment profit (loss) is adjusted to ordinary profit in the consolidated statements of income.

II, The first three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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							
Sales to outside customers	87,792	123,416	211,208	1,117	212,325	-	212,325
Intersegment net sales or transfers	6,828	19,696	26,525	6,989	33,514	-33,514	-
Total	94,621	143,112	237,733	8,106	245,840	-33,514	212,325
Segment profit (loss)	2,828	5,255	8,083	-160	7,923	-224	7,698

(Note)

1. "Others" represents a business segment that is not included in the reportable segments such as logistics business and human resource and payroll related services.
2. The adjustment to segment profit (loss) mainly includes amortization of goodwill of -347 million yen.
3. Segment profit (loss) is adjusted to ordinary profit in the consolidated statements of income.

2. Matters concerning changes in reportable segments, etc.

Effective from the first quarter of the current fiscal year, following the Group's organizational restructuring, the Company has changed its reporting segments from product and service-based to organization-based reporting segments. In addition, since the Company's Board of Directors and other management decision-making bodies have decided to use ordinary profit as a management indicator for determining the allocation of management resources and evaluating

business performance, segment profit (loss) is now adjusted to ordinary profit, whereas it was previously adjusted to operating profit in the quarterly consolidated statements of income.

Segment information for the first quarter of the previous fiscal year is presented based on the segment profit adjusted for the new classification method and adjusted to ordinary profit.