

Itoham Yonekyu Holdings Inc.

Supplementary Explanation to Financial Results

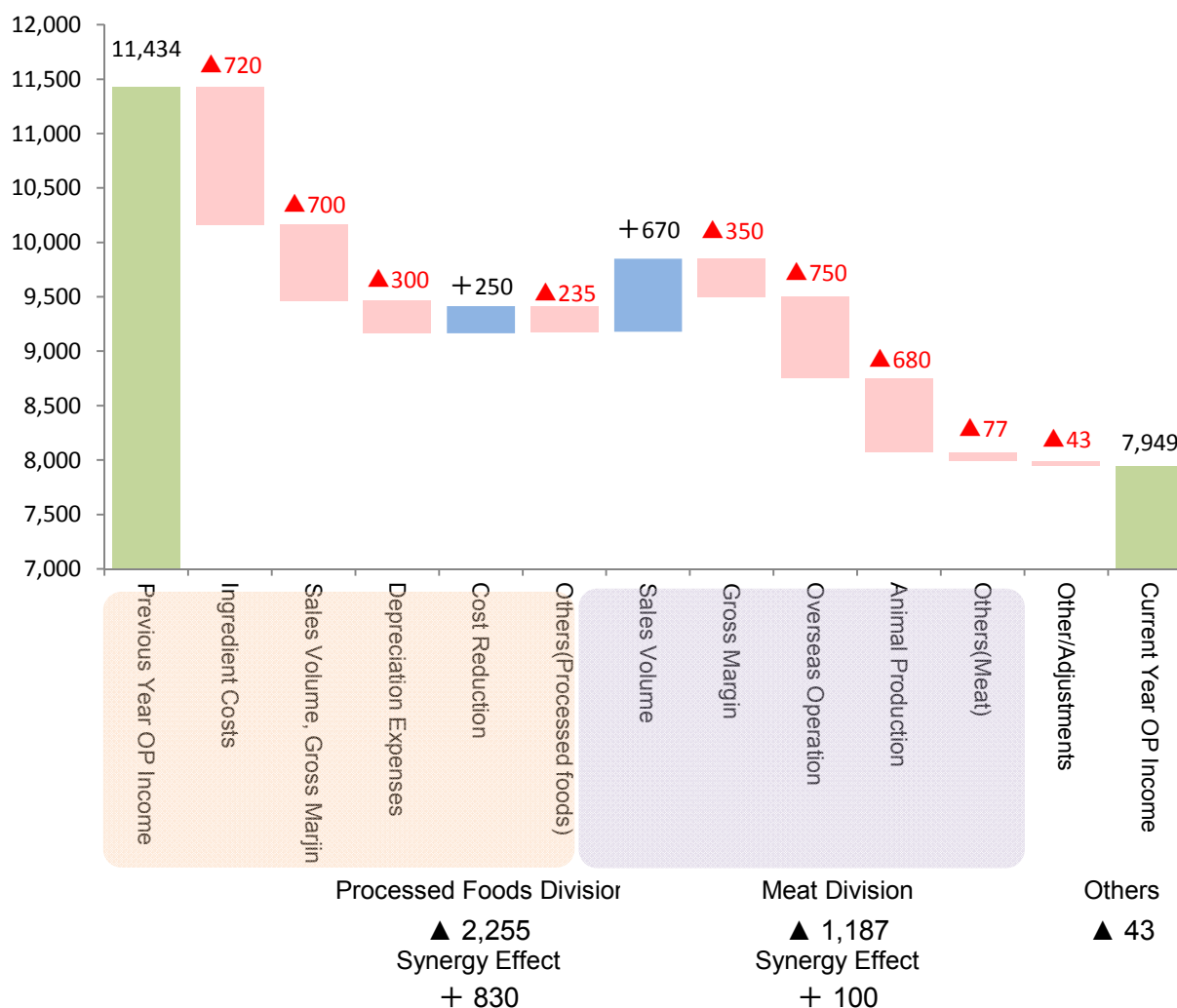
Second Quarter Year Ending March 2019

1) Summary of Financial Results

	Actual 2018	% of Sales	Actual 2017	% of Sales	Change	
Sales	426,425		416,637		9,787	2.3
Gross Profit	63,000	14.8	65,108	15.6	▲ 2,108	▲ 3.2
S, G & A Expenses	55,050	12.9	53,674	12.9	1,376	2.6
Operating Income	7,949	1.9	11,434	2.7	▲ 3,485	▲ 30.5
Non-operating Income	1,023		777		245	31.7
Non-operating Expenses	△ 574		△ 567		▲ 7	
Equity Method Gain/Loss	207		907		▲ 699	▲ 77.2
Net Non-operating Gain/Loss	656		1,117		▲ 461	▲ 41.3
Ordinary Income	8,605	2.0	12,552	3.0	▲ 3,946	▲ 31.4
Extra-ordinary Gain	1,023		366		657	179.5
Extra-ordinary Loss	△ 427		△ 162		▲ 265	
Net Extra-ordinary Gain/Loss	595		204		391	191.7
Income Before Taxes	9,201		12,756		▲ 3,554	▲ 27.9
Net Income	6,058	1.4	8,418	2.0	▲ 2,359	▲ 28.0

Operating income factor

(Million Yen)



2) Segment Information

(1) Operating Segment Information

(Million Yen, %)

		Actual 2018	Actual 2017	Change
Processed Foods Division	Sales	142,562	140,129	2,432
	OP Margin	3,645	5,900	▲ 2,255
	% of Sales	2.6	4.2	▲ 1.6
Meat Division	Sales	281,779	274,422	7,356
	OP Margin	4,715	5,902	▲ 1,187
	% of Sales	1.7	2.2	▲ 0.5
Others/Adjustments	Sales	2,083	2,085	▲ 1
	OP Margin	△ 411	△ 368	▲ 43
Consolidated	Sales	426,425	416,637	9,787
	OP Margin	7,949	11,434	▲ 3,485
	% of Sales	1.9	2.7	▲ 0.8

Operating Income Factors

Processed Foods Division	(Million Yen)	Meat Division	(Million Yen)
	Change		Change
Ingredient Costs	▲ 1,270	Sales Volume	670
Sales Volume, Gross Margin	▲ 700	Gross Margin	▲ 350
Depreciation Expenses	▲ 300	Overseas Operation	▲ 750
Cost Reduction	250	Animal Production	▲ 680
Others	▲ 235	Others	▲ 77
Total	▲ 2,255	Total	▲ 1,187
Synergy Effect	830	Synergy Effect	100

(2) Sales by Market

(Million Yen)

	Actual 2018	Actual 2017	Change
Japan	364,734	360,135	4,599
Asia	19,325	15,881	3,444
North America	17,632	15,735	1,897
Oceania	14,578	13,798	780
Europe	8,902	9,092	▲ 190
Others	1,250	1,994	▲ 745
Total	426,425	416,637	9,787
Overseas Sales (%)	14.5	13.6	0.9

3) Financial Data

Sales

(Million Yen, %)

	Actual 2018	Actual 2017	Change	
Ham/Sausage	85,727	87,130	▲ 1,403	▲ 1.6
Processed Foods	66,124	61,832	4,292	6.9
Meat	263,602	258,923	4,679	1.8
Others	10,971	8,753	2,218	25.3
Total	426,425	416,638	9,787	2.3

Impact of fluctuations in foreign exchange rates related to ANZCO
▲ 8
▲ 257
▲ 1,312
▲ 1,587

SG & A Expenses

(Million Yen, %)

	Actual 2018	Actual 2017	Change	
Labor Expenses	17,684	18,533	▲ 849	▲ 4.6
Shipping / Handling	15,511	14,566	945	6.5
Advertisement	3,615	3,838	▲ 223	▲ 5.8
Sales Fees	2,658	2,706	▲ 49	▲ 1.8
Packing	1,626	1,468	158	10.8
Depreciation	807	790	17	2.2
Other Expenses	13,150	11,773	1,377	11.7
Total	55,050	53,675	1,376	2.6

Non-Operational G/L

(Million Yen, %)

	Actual 2018	Actual 2017	Change	
Equity Method	207	907	▲ 699	▲ 77.2
Financing	△ 319	△ 286	▲ 33	
Others	768	497	271	54.5
Total	656	1,118	▲ 462	▲ 41.3

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

	Actual 2018	Actual 2017	Change
MIY	33	16	17
IPC	75	711	▲ 636

Extra-ordinary Gain/Loss

(Million Yen, %)

	Actual 2018	Actual 2017	Change	
Sales of Securities	518	294	224	76.2
Others	77	△ 90	168	
Total	595	203	391	193.1

4) Forecast of Business Results and Dividends

Business Results Forecast

(Million Yen)

	First Half		Second Half		Year	
	2018 F'cast	Change	2018 F'cast	Change	2018 F'cast	Change
Sales	426,425	9,787	423,575	8,347	850,000	18,135
Operating Income	7,949	▲ 3,485	12,051	1,923	20,000	▲ 1,562
Non-operating G/L	656	▲ 461	344	▲ 1,400	1,000	▲ 1,861
Ordinary Income	8,605	▲ 3,946	12,395	524	21,000	▲ 3,423
Extra-ordinary G/L	595	391	△ 595	▲ 835	0	▲ 444
Income Before Taxes	9,201	▲ 3,554	11,799	▲ 312	21,000	▲ 3,867
Net Income	6,058	▲ 2,359	7,942	576	14,000	▲ 1,784

Dividends Forecasts

	End of Year Yen	EPS F'cast Yen	Payout Ratio %
2017 Actual	17.00	53.22	31.9
2018 Forecast	17.00	47.35	35.9

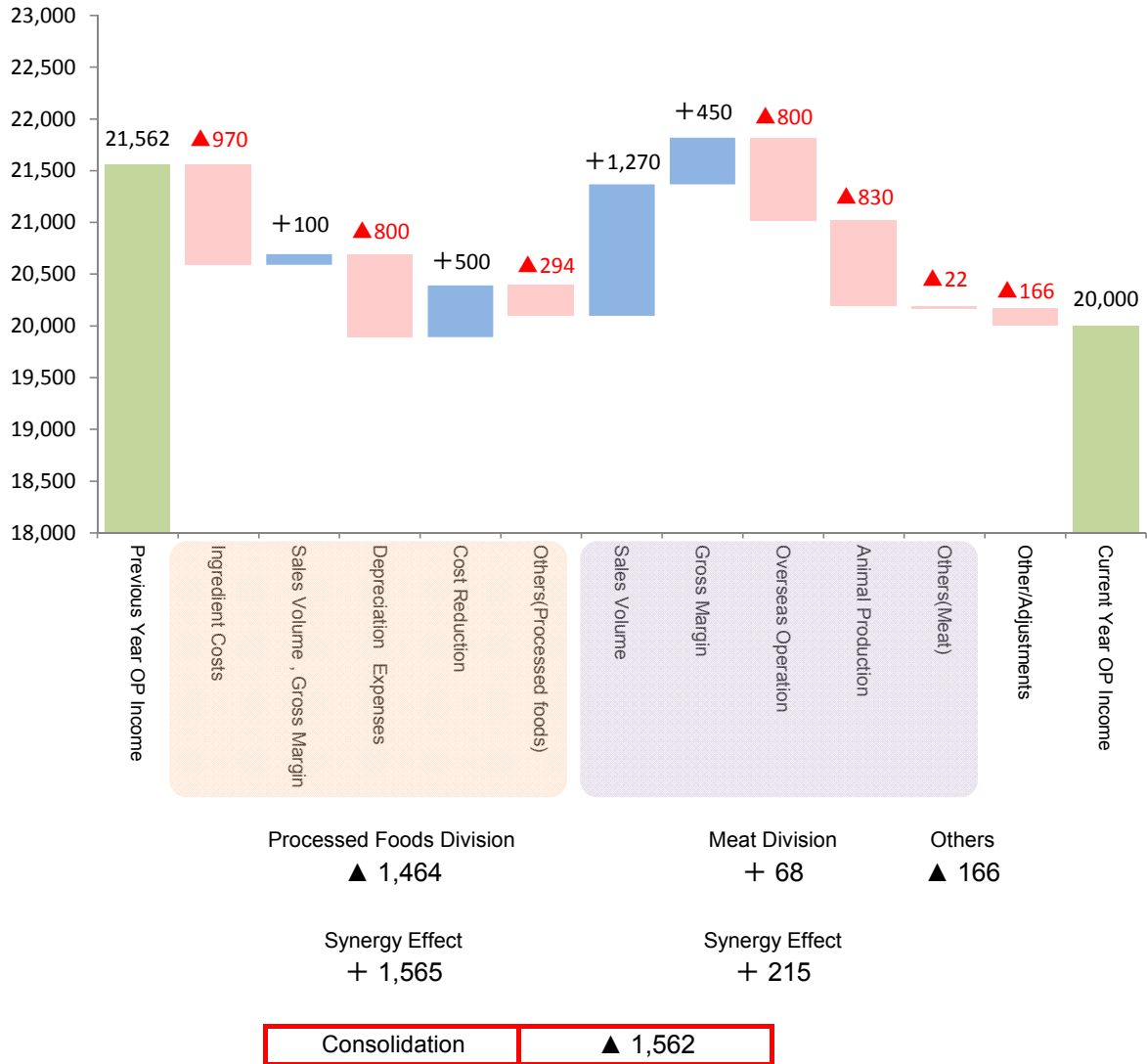
Operating Segment Information Forecast

(Million Yen, %)

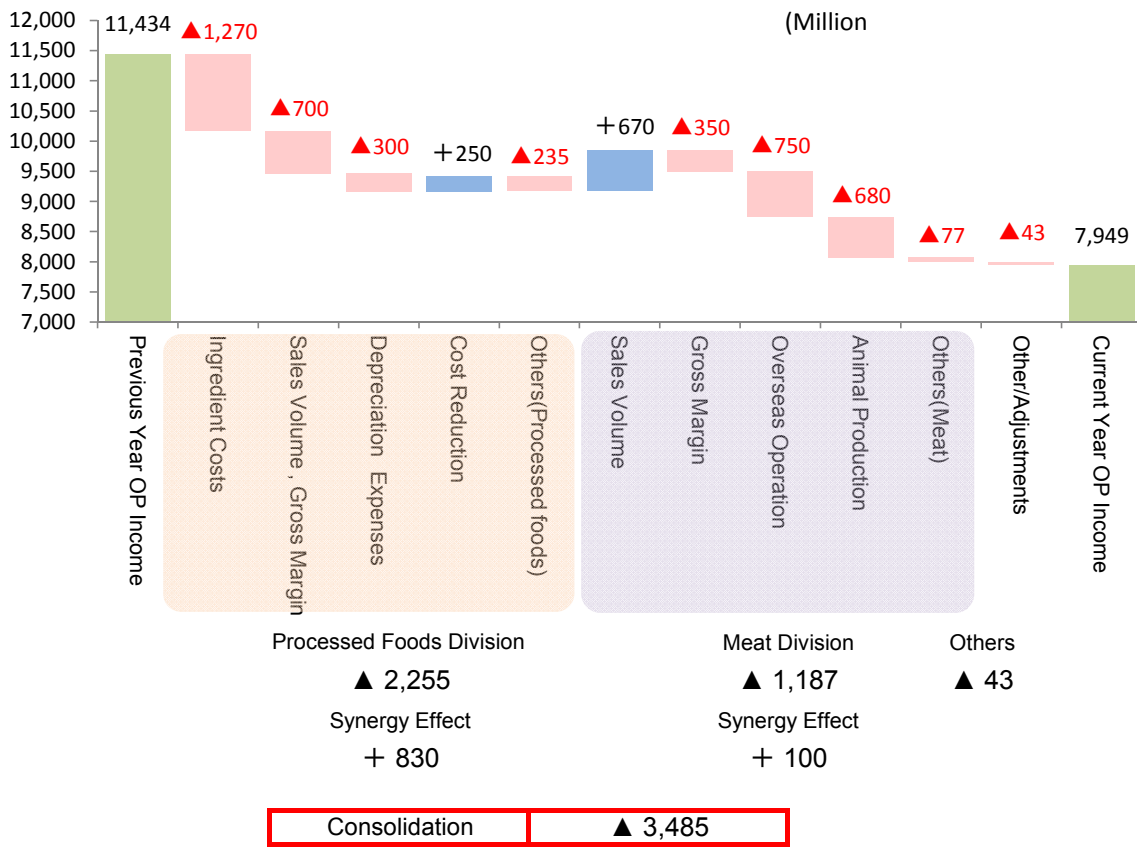
		First Half		Second Half		Year	
		2018 F'cast	Change	2018 F'cast	Change	2018 F'cast	Change
Processed Foods Division	Sales	142,562	2,432	152,938	5,565	295,500	7,998
	OP Margin	3,645	▲ 2,255	5,655	791	9,300	▲ 1,464
	% of Sales	2.6	▲ 1.7	3.7	0.4	3.1	▲ 0.6
Meat Division	Sales	281,779	7,356	268,221	2,536	550,000	9,893
	OP Margin	4,715	▲ 1,187	6,785	1,255	11,500	68
	% of Sales	1.7	▲ 0.5	2.5	0.4	2.1	▲ 0.0
Others/Adjustments	Sales	2,083	▲ 1	2,417	247	4,500	245
	OP Margin	△ 411	▲ 43	△ 389	▲ 123	△ 800	▲ 166
Consolidated	Sales	426,425	9,787	423,575	8,347	850,000	18,135
	OP Margin	7,949	▲ 3,485	12,051	1,923	20,000	▲ 1,562
	% of Sales	1.9	▲ 0.9	2.8	0.4	2.4	▲ 0.2

Operating Income Variance (forecast)

(Million Yen)



Operating Income Variance (First Half)



Operating Income Variance (Second Half)

