

Consolidated Financial Results

for the Six Months Ended September 30, 2023 (Q2 FY2023)

(Japanese Accounting Standards)

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 Chief Executive Officer
Contact:	Masaru Kato, General Manager, Public & Investor Relations Office Tel. +81-3-5723-6889
Scheduled date for filing of securities report:	November 14, 2023
Scheduled date of commencement of dividend payment:	—
Supplementary documents for financial results:	Yes
Quarterly results briefing:	Yes For institutional investors and analysts

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023–September 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Six months ended								
September 30, 2023	470,141	4.9	10,580	(30.1)	12,298	(23.9)	7,589	(30.4)
September 30, 2022	448,004	7.2	15,138	4.5	16,161	(2.3)	10,905	(7.7)

(Note) Comprehensive income: Six months ended September 30, 2023 13,473 million Yen (13.4) %
Six months ended September 30, 2022 15,557 million Yen 26.8 %

	Profit per share	Diluted profit per share
	Yen	Yen
Six months ended		
September 30, 2023	133.25	133.20
September 30, 2022	187.61	187.53

(Note) As the effective date on October 1 2023, we have completed a share consolidation (combining 5 shares of common stock into 1 share).

In regard to above Profit per share and Diluted profit per share, it shows on the assumption of the share consolidation be carried out at the beginning of previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million Yen	Million Yen	%
As of September 30, 2023	479,173	275,422	57.3
As of March 31, 2023	436,763	269,261	61.5

(Reference) Shareholders' equity: As of September 30, 2023 274,755 million Yen
As of March 31, 2023 268,608 million Yen

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
For the fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2023	—	0.00	—	24.00	24.00
March 31, 2024	—	0.00			
For the fiscal year ending					
March 31, 2024 (Forecast)			—	125.00	—

(Note) Changes to most recent dividend forecast : None

(Note) As the effective date on October 1 2023, we have completed a share consolidation (combining 5 shares of common stock into 1 share).

In regard to above Dividend per share figure for the fiscal year ending March 31, 2024 (Forecast), it shows after a share consolidation be carried out.

The forecast for the Total annual dividend is shown as "— en dash " because simple sum is not appropriate.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% figures show year-on-year change)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Full year	930,000	0.8	23,000	0.0	25,000	(4.0)	15,000	(11.6)	263.37

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

(Note) As the effective date on October 1 2023, we have completed a share consolidation (combining 5 shares of common stock into 1 share).

In regard to above Profit per share , it shows after a share consolidation be carried out.

(Translated)

* 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 consolidation financial statements: None
- (3) 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

- (4) Numbers of shares outstanding (common stock)
- (i) Numbers of issued shares at end of period:
 - As of September 30, 2023 : 57,471,011 shares
 - As of March 30, 2023 : 57,471,011 shares
 - (ii) Numbers of treasury shares at end of period:
 - As of September 30, 2023 : 505,333 shares
 - As of March 30, 2023 : 526,552 shares
 - (iii) Average number of shares outstanding during period:
 - As of September 30, 2023 : 56,953,961 shares
 - As of September 30, 2022 : 58,126,307 shares

(Note) As the effective date on October 1 2023, we have completed a share consolidation (combining 5 shares of common stock into 1 share).

In regard to above (i) to (iii), it shows on the assumption of the share consolidation be carried out at the beginning of the previous fiscal year.

* 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) Outlook” under “1. Overview of Operating Results and Financial Position” on page “3”.

(Access to Supplementary Explanations)

Explanatory materials for quarterly financial results will be published on TD-net for viewing in Japan and on our website. We plan to hold a briefing for institutional investors and analysts via web conference on Wednesday November 8, 2023.

Contents

1. Overview of Operating Results and Financial Position	2
(1) Overview of operating results	2
(2) Overview of financial positions	3
(3) Outlook	3
2. Consolidated Financial Statements and Key Notes	4
(1) Consolidated balance sheets	4
(2) Consolidated statements of income and comprehensive income	6
(3) Consolidated statements of cssh flows	8
(4) Notes on the consolidated financial statements	9
(Notes on going concern assumptions)	9
(Notes in the case of significant changes in shareholders' equity)	9
(Segment information)	9

1. Overview of Operating Results and Financial Position

(1) Overview of operating results

○ Domestic economic situation

The Japanese economic activities show slow recovery trend due to improvements of employment income environment and recovery of personal consumption.

On the other hand, rising resource prices and trends of financials/ foreign exchange markets affect domestic economy and prices as a background of global uncertainties.

○ Our industry situation (Meat Processing industry)

The business environment remained harsh due to rising raw material prices and logistics costs on top of persistently high utility and packaging along with weakening yen. Besides, the Group should respond to consumer needs and values that are rapidly changing and diversifying, such as shift in consumer behavior, accelerated digitalization, and growing interest in sustainability.

○ Our operating results and overview

◇ Consolidated operating results

(% figures show year-on-year change)

Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
470,141	4.9	10,580	(30.1)	12,298	(23.9)	7,589	(30.4)

We implement the following measures based on the four priority policies and financial strategies of the Medium-Term Management Plan 2023.

Priority policies	Main measures
Strengthen management base	Strategic-based reorganization , Promotion of digital strategy
Strengthen earnings base	Reorganization of production and logistics bases, Enhancement of WAGYU exports
Initiatives for new businesses and markets	Strengthen Frozen foods, Expanding range of Non-meat products, Strengthening Healthcare business
Initiatives for sustainability	Identification of Materiality, Setting of KPIs, and Promotion of initiatives achievement

In terms of financial strategy, we aim to enhance return on invested capital (ROIC) and increase dividends steadily around the payout ratio 40% to maximize shareholder value, by carrying out shareholder return policies while ensuring financial soundness and capital efficiency. Then we have set 2 billion yen limit for the acquisition of treasury stock for this fiscal year.

◇ Operating results by reportable segment (% figures show year-on-year change)

	Net Sales		Ordinary profit	
	Million Yen	%	Million Yen	%
Processed Food Division	190,517	4.7	3,510	(16.3)
Meat Division	279,617	5.1	9,549	(24.4)

<Processed Food Division>

- Regarding Hams and Sausages, net sales increased driven by TV commercials and consumer campaigns to expand sales of the main products for consumer products such as “The Grand Alt Bayern”, “Asano Fresh Series”, and “Gotenba Kogen Arabiki Pork”, on top of stable sales of business-use products.
- Regarding Cooked foods, net sales increased driven by expanded product range to accommodate more diversified consumer needs such as pizza products of “La Pizza” and “Pizza Garden”, “Onikuyasan-no-Sozai Series”, and soy-meat products of “Marude Oniku! Series”, on top of increased sales of business-use products.
- Net sales of the Processed food division increased, but ordinary profit decreased, because the price revisions were unable to cover the increase in costs due to rising raw material prices and logistics costs.

<Meat Division>

- In domestic business, net sales amount increased driven by increasing sales volume due to recovering foodservice demand. The profits increased as a result of value chain management connected with imported beef and imported chicken mainly, despite the impact of remaining high compound feed prices and rising logistics costs including storage fees.
- In overseas business, under the situation of the global beef demand dropped comparison with previous year, therefore ANZCO Foods decreased the sales prices and sales volume of beef products.
- Net sales of Meat Division increased, but ordinary profit declined due to the impact of the decrease in overseas business profit.

(2) Overview of financial positions

(Assets, liabilities and net assets)

- Total assets was 479,173 million yen, an increase of 42,410 million yen from the end of the previous consolidated fiscal year.
Increase factors: Increase in Inventories, and Accounts receivable-trade
- Liabilities was 203,750 million yen, an increase of 36,249 million yen from the end of the previous consolidated fiscal year.
Increase factors: Increase in Accounts payable - trade, and Short-term borrowings
- Net assets was 275,422 million yen, an increase of 6,161 million yen from the end of the previous consolidated fiscal year.
Increase factors: Increase in Foreign currency translation adjustment

(Cash flows)

The balance of cash and cash equivalents at end of period was 24,882 million yen, an increase of 2,522 million yen from the end of the previous consolidated fiscal year (A decrease of 27,330 million yen in the same quarter of the previous year).

◇Cash flows from operating activities

Cash flows from operating activities decreased by 4,936 million yen (A decrease of 17,187 million yen in the same quarter of the previous year).

Decrease factors: Increase in Inventories and Trade receivables

Increase factors: Increase in Trade payables

◇Cash flows from investing activities

Cash flows from investing activities decreased by 8,847 million yen (A decrease of 14,717 million yen in the same quarter of the previous year).

Decrease factors: Acquisition of tangible fixed assets

◇Cash flows from financing activities

Cash flows from financing activities increased by 15,902 million yen (An increase of 3,866 million yen in the same quarter of the previous year).

Increase factors: Increase in Short-term borrowings

Decrease factors: Dividends paid

(3) Outlook

There are no changes to the consolidated results forecasts for the full year of the fiscal year ending March 31, 2024 that were announced on May 9, 2023.

Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheets

(Million Yen)

	As of March 31, 2023	As of September 30, 2023
ASSETS		
Current assets		
Cash and deposits	22,736	25,189
Notes and accounts receivable-trade	95,323	113,150
Merchandise and finished goods	97,801	108,616
Work in process	2,020	2,067
Raw materials and supplies	22,920	31,826
Other	15,681	12,781
Allowance for doubtful accounts	(20)	(21)
Total current assets	256,463	293,609
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,935	37,247
Machinery, equipment and vehicles, net	29,091	28,803
Tools, furniture & fixtures, net	1,454	1,436
Land	26,368	26,731
Leased assets, net	2,797	2,830
Others, net	4,825	6,023
Total property, plant and equipment	101,472	103,071
Intangible assets		
Goodwill	18,286	17,562
Other	8,555	9,244
Total intangible assets	26,842	26,807
Investments and other assets		
Investment securities	30,302	32,065
Retirement benefit asset	15,307	17,144
Other	6,462	6,644
Allowance for doubtful accounts	(88)	(169)
Investments and other assets	51,984	55,684
Total non-current assets	180,299	185,564
Total Assets	436,763	479,183

(Million Yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	66,978	79,115
Electronically recorded obligations - operating	1,991	1,915
Short-term borrowings	32,062	56,798
Current portion of Long-term borrowings	10,126	10,118
Income taxes payable	5,024	2,584
Provision for bonuses	6,163	4,431
Provision for bonuses for directors (and other officers)	161	81
Provision for loss on disaster	329	-
Other	30,103	33,231
Total current liabilities	152,941	188,276
Non-current liabilities		
Long-term borrowings	446	390
Retirement benefit liability	1,653	1,665
Asset retirement obligations	1,469	1,462
Other	10,991	11,955
Total non-current liabilities	14,560	15,473
Total liabilities	167,501	203,750
Net assets		
Shareholders' equity		
Capital stock	30,003	30,003
Capital surplus	89,427	89,430
Retained earnings	140,066	140,822
Treasury shares	(1,841)	(1,767)
Total shareholders' equity	257,655	258,488
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,708	7,366
Deferred gains or losses on hedges	(828)	(291)
Foreign currency translation adjustment	2,237	5,618
Remeasurements of defined benefit plans	2,835	3,574
Total accumulated other comprehensive income	10,952	16,267
Share acquisition rights	77	77
Non-controlling interests	576	589
Total net assets	269,261	275,422
Total liabilities and net assets	436,763	479,173

(2) Consolidated statements of income and comprehensive income
Consolidated statements of income

(Million Yen)

	Six Months Ended September 30, 2022 (Apr 1, 2022 - Spt 30, 2022)	Six Months Ended September 30, 2023 (Apr 1, 2023 - Spt 30, 2023)
Net sales	448,004	470,141
Cost of sales	380,396	405,179
Gross profit	67,607	64,961
Selling, general and administrative expenses	52,469	54,381
Operating profit	15,138	10,580
Non-operating Income		
Interest income	36	125
Dividend income	136	151
Rental income	231	225
Subsidy income	547	1,678
Other	562	551
Total non-operating income	1,514	2,732
Non-operating expenses		
Interest expenses	306	792
Rental expenses on real estate	73	69
Share of loss in investments accounted for using the equity method	19	128
Other	92	24
Total non-operating expenses	491	1,014
Ordinary profit	16,161	12,298
Extraordinary income		
Gain on sale of non-current assets	4	1
Gain on sale of investment securities	0	1
Gain on reversal of provision incurred from business combination	-	550
Total extraordinary income	4	552
Extraordinary losses		
Loss on retirement of non-current assets	127	99
Loss on disaster	-	248
Loss on closing plants	-	823
Others	-	6
Total extraordinary losses	127	1,178
Profit before income taxes	16,038	11,673
Income taxes-current	4,625	3,636
Income taxes-deferred	478	425
Total income taxes	5,104	4,061
Profit	10,934	7,611
Profit attributable to non-controlling interests	28	22
Profit attributable to owners of parent	10,905	7,589

Consolidated statements of comprehensive income

(Million Yen)

	Six Months Ended September 30, 2022 (Apr 1, 2022 - Spt 30, 2022)	Six Months Ended September 30, 2023 (Apr 1, 2023 - Spt 30, 2023)
Profit	10,934	7,611
Other comprehensive income		
Valuation difference on available-for- sale securities	58	764
Deferred gains or losses on hedges	(65)	536
Foreign currency translation adjustment	3,004	2,213
Remeasurements of defined benefit plans	(183)	678
Share of other comprehensive income of entities accounted for using equity method	1,809	1,147
Total other comprehensive income	4,623	5,340
Comprehensive income	15,557	12,957
(Breakdown)		
Comprehensive income attributable to owners of parent	15,483	12,904
Comprehensive income attributable to non-controlling interests	73	47

(3) Consolidated statements of cash flows

	(Million Yen)	
	Six Months Ended September 30, 2022 (Apr 1, 2022 - Spt 30, 2022)	Six Months Ended September 30, 2023 (Apr 1, 2023 - Spt 30, 2023)
Cash flows from operating activities		
Profit before income taxes	16,038	11,673
Depreciation	5,742	5,904
Increase (decrease) in provision for bonuses	(2,295)	(1,732)
Amortization of goodwill	724	797
Interest and dividend income	(172)	(277)
Interest expenses	306	792
Insurance claim income	(110)	(222)
Subsidy income	(547)	(1,678)
Loss on disaster	-	248
Gain on reversal of provision incurred from business combination	-	(550)
Loss on closing plants	-	823
Share of loss (profit) of entities accounted for using equity meth	19	128
Loss (gain) on sale of investment securities	(0)	3
Decrease (increase) in trade receivables	(8,053)	(17,128)
Decrease (increase) in inventories	(31,249)	(18,201)
Increase (decrease) in trade payables	9,645	11,568
Increase (decrease) in accounts payable - other	138	5,216
Increase (decrease) in retirement benefit liability	(38)	4
Decrease (increase) in retirement benefit asset	(848)	(824)
Other	(1,535)	1,137
Subtotal	(12,234)	(2,317)
Interest and dividends received	1,024	844
Proceeds from insurance income	110	221
Subsidies received	487	828
Interest paid	(306)	(792)
Payments associated with disaster loss	-	(577)
Income taxes paid	(6,268)	(3,143)
Net cash provided by (used in) operating activities	(17,187)	(4,936)
Cash flows from investing activities		
Acquisition of tangible assets	(6,011)	(7,704)
Acquisition of intangible assets	(1,226)	(1,020)
Acquisition of investment securities	(33)	(32)
Proceeds from sale and redemption of investment securities	23	49
Loan advances	(117)	(118)
Proceeds from collection of loans receivable	142	97
Payments for acquisition of businesses	(6,969)	(70)
Other	(525)	(46)
Net cash provided by (used in) investing activities	(14,717)	(8,847)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	13,398	23,323
Repayments of long-term borrowings	(75)	(64)
Purchase of treasury shares	(2,156)	(0)
Dividends paid	(6,704)	(6,823)
Other	(595)	(532)
Net cash provided by (used in) financing activities	3,866	15,902
Effect of exchange rate change on cash and cash equivalents	708	403
Net increase (decrease) in cash and cash equivalents	(27,330)	2,522
Cash and cash equivalents at beginning of period	47,690	22,359
Cash and cash equivalents at end of period	20,359	24,882

(4) Notes on the 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, Six Months Ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

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							
Net sales to customers	181,950	266,047	447,997	6	448,004	-	448,004
Intersegment net sales or transfers	13,672	39,981	53,654	409	54,064	(54,064)	-
Total	195,622	306,029	501,652	416	502,069	(54,064)	448,004
Segment profit (loss)	4,194	12,638	16,833	28	16,861	(700)	16,161

(Note)

- "Others" segment which is not included in the reportable segments such as human resource and payroll related services.
- The main content of adjustment of segment profit (loss) is the amortization of goodwill of (694) million yen.
- Segment profit (loss) is adjusted to ordinary profit in the quarterly consolidated statements of income.

II, Six Months Ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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							
Net sales to customers	190,517	279,617	470,134	6	470,141	-	470,141
Intersegment net sales or transfers	18,906	34,932	53,839	443	54,282	(54,282)	-
Total	209,423	314,550	523,973	450	524,423	(54,282)	470,141
Segment profit (loss)	3,510	9,549	13,060	(173)	12,886	(587)	12,298

(Note)

- "Others" segment which is not included in the reportable segments such as human resource and payroll related services.
- The main content of adjustment of segment profit (loss) is the amortization of goodwill of (694) million yen.
- Segment profit (loss) is adjusted to ordinary profit in the quarterly consolidated statements of income.

2. Note for changes in reportable segments, etc.

From this first quarter, the segment of logistics business have changed from "Other" to "Processed Food Division" and "Meat Division" according to Group's organizational changes.

Previous year segment information show by after changing of logistics business.