



This documentation is an English translation of a statement written originally in Japanese. The Japanese original should be considered as the primary version.

Consolidated Financial Results for Three Months Ended June 30, 2021 (Japanese Accounting Standard)

August 10, 2021

Name of Listed Company: Starzen Co., Ltd.

Listing: Tokyo Stock Exchange

Securities code: 8043

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Supplementary materials for the financial results: None

Investor conference for the financial results: None

(Amounts of less than million yen are omitted.)

1. Consolidated Operating Performance for Three Months Ended June 30, 2021 (April 1 to June 30, 2021)

(1) Consolidated Operating Results

(Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2021	88,293	6.5	2,123	116.8	2,775	71.3	1,981	51.0
Three months ended June 30, 2020	82,935	-3.7	979	6.3	1,620	9.1	1,312	28.7

(Note) Comprehensive income: Three months ended June 30, 2021: 1,778 million yen (+1.2%)

Three months ended June 30, 2020: 1,757 million yen (+132.5%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	101.82	-
Three months ended June 30, 2020	67.28	-

(Notes)

- The Company split its stock two for one effective April 1, 2021. Earnings per share were calculated as if the stock split had occurred on April 1, 2020.
- The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 revised March 31, 2020) effective from the beginning of the first quarter of the fiscal year ending March 31, 2022. Said standard has been applied to financial statement data contained herein for the three months ended June 30, 2021.

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth*/total assets
	Million yen	Million yen	%
As of June 30, 2021	138,888	59,521	42.9
As of March 31, 2021	131,726	59,125	44.9

(Reference) Net worth*: As of June 30, 2021: 59,519 million yen

As of March 31, 2021: 59,122 million yen

(Note) The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 revised March 31, 2020) effective from the beginning of the first quarter of the fiscal year ending March 31, 2022. Said standard has been applied to financial statement data contained herein for the three months ended June 30, 2021.

2. Dividend Payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
As of March 31, 2021	Yen -	Yen -	Yen -	Yen 130.00	Yen 130.00
As of March 31, 2022	-				
As of March 31, 2022 (Forecast)		-	-	65.00	65.00

(Notes)

- Forecast is unchanged from most recent DPS forecast previously disclosed.
- The Company split its stock two for one effective April 1, 2021. The annual dividends per share for the years ended March 31, 2021, are dividends per pre-split share; the (forecasted) annual dividend per share for the year ending March 31, 2022, is a dividend per post-split share.

3. Consolidated Financial Forecast (From April 1, 2021 to March 31, 2022)

(Figures in percentages are forecasted year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	360,000	3.1	5,000	-25.2	6,500	-24.5	4,500	-35.0	231.39

(Notes)

- Forecast is unchanged from most recent financial forecast previously disclosed.
- The Company split its stock two for one effective April 1, 2021. Forecasted earnings per share factor in the stock split.

Notes:

- (1) Significant changes of subsidiaries in Three months ended June 30, 2021 (changes in specific subsidiaries accompanied by a change in the scope of consolidation): None
 Newly consolidated: — companies (company name(s)); Deconsolidated: — companies (company name(s))
- (2) Application of accounting treatments specific to preparation of quarterly consolidated financial statements: Not applicable
- (3) Changes in accounting policies, changes of accounting estimates and restatement
 (i) Changes in accounting policies due to amendments to accounting standards: Yes
 (ii) Other changes in accounting policies: None
 (iii) Changes in accounting estimates: None
 (iv) Restatements: None

(4) Numbers of issued shares (common stock)

(i) Issued shares (including treasury shares) at period-end:	Three months ended June 30, 2021	19,522,552 shares	Fiscal year ended March 31, 2021	19,522,552 shares
(ii) Treasury shares at period-end:	Three months ended June 30, 2021	79,660 shares	Fiscal year ended March 31, 2021	19,414 shares
(iii) Average issued shares during period:	Three months ended June 30, 2021	19,462,988 shares	Three months ended June 30, 2020	19,503,421 shares

(Note) The Company split its stock two for one effective April 1, 2021. Issued shares (including treasury shares) at period-end, treasury shares at period-end and average issued shares during period were calculated as if the stock split had occurred on April 1, 2020.

(Notes) This financial summaries is not subject to a quarterly review by certified public accountants or audit firms.

Explanation about the proper use of financial forecasts and other special notes

(Notes concerning forward-looking statements, etc.)

Forward-looking statements or projections made in these materials, including financial forecasts, are based on information currently available to the Company and certain assumptions judged to be reasonable by management. Actual results may differ materially from these forecasts due to various factors. For more information on assumptions underlying the Company's financial forecast and use of said forecast, see "(3) Consolidated financial forecast" under "1. Qualitative Information" on page 3 below.

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1. Qualitative Information

(1) Operating performance

In the three months ended June 30, 2021, the Japanese economy remained beset by adversity, including restrictions on economic activity imposed amid a third state of emergency declared in response to the spread of COVID-19. Although the economy is expected to recover by virtue of the ongoing vaccine rollout and other anti-pandemic measures, the outlook remains murky, clouded in part by a fourth state of emergency declared in July.

In the meat industry, last fiscal year's slump in restaurant demand continued in the first quarter while demand for food for at-home consumption held firm as pandemic lifestyles persisted. Its business environment continued to face a high degree of uncertainty, including volatile merchandise sourcing and sales environments.

Against such a backdrop, the Group pursued initiatives to achieve further growth under the theme of building earning power strong enough to withstand any market environment. Such initiatives included forming an operating alliance with Fuji Global Kitchen Inc. (FGK), the agreement for which was finalized in July 2021. The alliance aims to accelerate joint development of delicious, high-value-added products that leverage both companies' technologies, capabilities and expertise. The Group and FGK will endeavor to supply not only retailers but also many restaurants, including takeout purveyors, with products that have grown in demand amid the pandemic, most notably meal kits. Meanwhile, the Zeus DX Project, a Group-wide business process reengineering program, is progressing well toward realization of low-cost operations. Additionally, the Group upgraded its hygiene management and deployed personnel more flexibly in response to customers' needs and wishes, all while placing priority on worker safety.

As a result of such efforts, consolidated net sales increased 6.5% year on year to 88,293 million yen while consolidated operating income, ordinary income and profit attributable to owners of the parent respectively grew 116.8%, 71.3% and 51.0% to 2,123 million yen, 2,775 million yen and 1,981 million yen in the three months ended June 30, 2021.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 revised March 31, 2020) effective from the beginning of the first quarter of the fiscal year ending March 31, 2022. For details, see "(3) Notes to consolidated financial statements (Changes in accounting policies)" under "2. Consolidated Financial Statements and Notes" below.

Operating performance by segment was as follows:

Meat-related Business

The meat-related business's net sales grew 6.7% year on year to 87,647 million yen.

Operating performance by division was as follows:

(Meat)

The domestic business grew its sales volume, net sales and gross profit year on year. Drivers of its growth included strong sales of mainly imported meats to supermarkets, high domestic market prices, particularly for imported beef, and a rebound in sales to restaurants to above their year-earlier level, albeit short of their pre-pandemic level.

Operating performance by category was as follows:

Domestic meat sales volume was flat year on year, with robust pork demand offsetting weakness in demand, mainly from restaurants, for organ meats and prime *wagyu* cuts in response to the emergency declaration. Net sales grew year on year, boosted by rising average selling prices (ASPs) attributable to higher beef market prices than in the year-earlier quarter. Gross profit was down year on year. Although gross profit on pork sales increased in the wake of improvement in the sourcing environment throughout much of the quarter, its growth was outweighed by a reduction in gross profit on beef sales, which suffered a snapback decline from an elevated year-earlier level.

Imported meat sales volume and net sales both grew year on year, driven by the recovery in sales to restaurants and buoyant sales to supermarkets. Additionally, gross profit jumped sharply year on year by virtue of high domestic market prices for imported meat, mainly beef, and realignment of the meat import mix with demand.

Despite a slowdown in exports to Taiwan from June onward in response to a resurgence in local COVID-19 cases, the export

business's export volume and net sales both increased year on year, buoyed by robust exports to other markets, particularly the US.

All told, the Meat Division's net sales grew 6.2% year on year to 69,953 million yen. Its gross profit also rose year on year.

(Processed Meat)

Processed meat sales volume, net sales and gross profit all grew year on year, with net sales in particular up 11.0% to 14,569 million yen. Their growth was attributable to brisk sales of roast beef products and efforts to stabilize plants' capacity utilization by expanding sales of hamburg steak products.

(Ham and Sausage)

The ham and sausage business's commercial product sales remained under pressure from the pandemic. Although consumer product sales held up relatively well, overall sales volume and net sales fell short of their respective year-earlier levels, with the latter shrinking 1.6% to 2,650 million yen. Gross profit increased year on year through efforts to stabilize manufacturing costs by improving plant operations.

(Other Products)

Net sales of other products declined 1.2% year on year to 474 million yen.

Other Businesses

Other businesses' net sales were down 14.5% year on year to 645 million yen.

(2) Financial position

Assets, Liabilities and Net Assets

(Assets)

Consolidated current assets totaled 90,903 million yen at June 30, a 7,335 million yen increase from the previous fiscal year-end. Their growth was mainly attributable to increases in advance payments to suppliers, merchandise and finished goods inventories and receivables.

Consolidated non-current assets totaled 47,951 million yen, a 199 million yen reduction from the previous fiscal year-end. Their decline was mainly due to a decrease in investment securities.

Consolidated total assets consequently increased 7,161 million yen from the previous fiscal year-end to 138,888 million yen at June 30, 2021.

(Liabilities)

Consolidated current liabilities totaled 46,833 million yen at June 30, a 3,932 million yen increase from the previous fiscal year-end. Their increase resulted mainly from growth in trade accounts payable and accrued expenses, partially offset by a decrease in provision for bonuses.

Consolidated non-current liabilities totaled 32,533 million yen, a 2,833 million yen increase from the previous fiscal year-end. Their growth stemmed primarily from an increase in bonds payable, partially offset by a reduction in long-term loans payable.

Consolidated total liabilities consequently increased 6,766 million yen from the previous fiscal year-end to 79,366 million yen at June 30, 2021.

(Net assets)

Consolidated net assets totaled 59,521 million yen, a 395 million yen increase from the previous fiscal year-end.

(3) Consolidated financial forecast

The consolidated earnings forecast for the fiscal year ending March 31, 2022, contained in the Company's Consolidated Financial Results for the Fiscal Year Ended March 31, 2021, released on May 11, 2021, remains unchanged.

2. Consolidated Financial Statements and Notes

(1) Consolidated balance sheet

(Million yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	14,750	14,305
Notes and accounts receivable-trade	34,372	34,496
Merchandise and finished goods	24,188	30,247
Work in process	418	434
Raw materials and supplies	1,937	2,172
Advance payments - trade	6,720	7,310
Other	1,192	1,946
Allowance for doubtful accounts	(11)	(10)
Total current assets	83,568	90,903
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,348	13,320
Land	10,678	10,678
Other, net	5,693	5,578
Total property, plant and equipment	29,719	29,577
Intangible assets		
Goodwill	6	3
Other	909	968
Total intangible assets	915	971
Investments and other assets		
Investment securities	15,046	14,771
Other	2,469	2,631
Total investments and other assets	17,515	17,402
Total non-current assets	48,151	47,951
Deferred assets	6	33
Total assets	131,726	138,888

(Million yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Accounts payable-trade	15,185	17,486
Short-term loans payable	6,253	5,881
Current portion of long-term bonds payable	9,475	9,033
Income taxes payable	912	1,080
Provision for bonus	1,680	837
Other	9,392	12,513
Total current liabilities	42,900	46,833
Non-current liabilities		
Bonds payable	2,100	7,100
Long-term loans payable	23,191	21,169
Net defined benefit liability	2,043	2,070
Provision for loss on guarantees	21	19
Other	2,343	2,174
Total non-current liabilities	29,699	32,533
Total liabilities	72,600	79,366
Net assets		
Shareholders' equity		
Capital stock	11,658	11,658
Capital surplus	12,511	12,511
Retained earnings	33,364	34,099
Treasury stock	(42)	(178)
Total shareholders' equity	57,491	58,090
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,692	1,542
Deferred gains or losses on hedges	211	135
Foreign currency translation adjustment	(252)	(201)
Remeasurements of defined benefit plans	(20)	(46)
Total accumulated other comprehensive income	1,630	1,429
Non-controlling interests	3	1
Total net assets	59,125	59,521
Total liabilities and net assets	131,726	138,888

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

Three months ended June 30, 2021

(Million yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	82,935	88,293
Cost of sales	75,097	79,178
Gross profit	7,838	9,114
Selling, general and administrative expenses	6,858	6,991
Operating income	979	2,123
Non-operating income		
Interest income	0	0
Dividend income	64	59
Equity in earnings of associate	249	223
Real estate rent	103	107
Insurance and dividend income	187	166
Other	207	224
Total non-operating income	814	780
Non-operating expenses		
Interest expenses	74	55
Expenses for real estate rent	32	33
Other	66	39
Total non-operating expenses	172	128
Ordinary income	1,620	2,775
Extraordinary income		
Gain on sales of non-current assets	-	0
Gain on sales of investment securities	-	41
Total extraordinary income	-	41
Extraordinary losses		
Loss on sales of non-current assets	1	-
Loss on retirement of non-current assets	1	0
Impairment loss	14	0
Total extraordinary losses	16	1
Profit before income taxes	1,603	2,815
Current	401	1,085
Deferred	(112)	(249)
Total income taxes	289	835
Profit	1,314	1,980
Profit (loss) attributable to non-controlling interests	2	(1)
Profit attributable to owners of parent	1,312	1,981

Consolidated statement of comprehensive income

Three months ended June 30, 2021

(Million yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	1,314	1,980
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	500	(148)
Deferred gains or losses on hedges	(60)	(75)
Foreign currency translation adjustment	(23)	45
Remeasurements of defined benefit plans	5	3
Share of other comprehensive income of associates accounted for using the equity method	21	(26)
Total other comprehensive income (loss)	443	(201)
Comprehensive income	1,757	1,778
Comprehensive income (loss) attributable to:		
Owners of parent	1,755	1,780
Non-controlling interests	2	(1)

(3) Notes to consolidated financial statements

(Notes on going concern assumption)

N/A

(Notes on significant changes in shareholders' equity, if any)

N/A

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 revised March 31, 2020) effective from the beginning of the first quarter of the fiscal year ending March 31, 2022. Under said standard, the Company recognizes revenue upon the transfer of control of promised goods or services to the customer in the amount of consideration the Company expects to receive in exchange for said goods or services.

For transactions in which goods are supplied in exchange for consideration, the Company previously derecognized said goods upon recognition of revenue for them. Under the newly applied Accounting Standard for Revenue Recognition, however, the Company no longer derecognizes goods supplied to a customer if the Company has an obligation to repurchase the goods from the customer. Additionally, for transactions in which the Company acts as an agent in providing goods or services to the customer, the Company now recognizes revenue in the amount of consideration receivable from the customer net of the amount payable to the Company's supplier, whereas the Company previously recognized as revenue the total amount of consideration receivable from the customer.

In applying the Accounting Standard for Revenue Recognition, the Company is complying with the transitional treatment prescribed in the proviso clause of Paragraph 84 of said standard. The Company has recognized the cumulative effect of retrospectively applying new accounting policies by adjusting retained earnings' balance as of the beginning of the first quarter of the fiscal year ending March 31, 2022 and applied the new accounting policies from said beginning balance.

For the three months ended June 30, 2021, application of the Accounting Standard for Revenue Recognition resulted in a 1,277 million yen reduction in net sales and reductions of 34 million yen apiece in operating income, ordinary income and profit before income taxes. It also resulted in a 20 million yen increase in retained earnings' beginning balance at April 1, 2021.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company applied the Accounting Standard for Fair Value Measurement, etc. (ASBJ Statement No. 30 issued July 4, 2019; hereinafter "Accounting Standard for Fair Value Measurement") effective from the beginning of the first quarter of the fiscal year ending March 31, 2022. The Company elected to prospectively apply new accounting policies prescribed in the Accounting Standard for Fair Value Measurement in accord with the transitional treatment prescribed in paragraph 19 of said standard and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 revised July 4, 2019). As a result of the Accounting Standard for Fair Value Measurement's application, available-for-sale securities previously valued at their average market price over the one month preceding the consolidated reporting date are now valued based on their market value as of the reporting date, effective from the first quarter of the fiscal year ending March 31, 2021.

(Segment information)

Three-month periods ended June 30, 2020, and 2021

Segment information is omitted because the Company has only one reportable segment: its Meat-related Business, whose operations run the gamut from livestock production/fattening to meat processing, manufacturing and sales, mainly in Japan. The Meat-related Business accounts for a vast majority of the Company's business activities.

(Additional information)

(Accounting estimates of COVID-19 pandemic's impacts)

Assumptions regarding the COVID-19 pandemic's impacts contained in the Company's Securities Report for the previous fiscal year under "Accounting estimates of COVID-19 pandemic's impacts" under "(Additional information)" remain materially unchanged.