

# Consolidated Financial Results (Japanese Accounting Standards) for the Six Months Ended September 30, 2021 (Q2 FY 2021)

Company name:	Itoham Yonekyu Holdings Inc.
Stock exchange listing:	Tokyo Stock Exchange
Stock code:	2296
URL:	<a href="https://www.itoham-yonekyu-holdings.com/">https://www.itoham-yonekyu-holdings.com/</a>
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Scheduled date for filing of securities report:	November 12, 2021
Scheduled date of commencement of dividend payment:	-
Supplementary documents for financial results:	Yes
Quarterly results briefing:	Yes(for analysts and institutional investors)

(Amounts of less than one million yen are truncated)

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 1, 2021–September 30, 2021)

### (1) Consolidated Results of Operations (Accumulated Total)

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Six months ended								
September 30, 2021	417,762	—	14,480	—	16,540	—	11,810	—
September 30, 2020	414,623	-4.1	12,625	34.7	13,544	31.5	10,946	58.0

(Note) Comprehensive income: Six months ended September 30, 2021 12,271 million Yen (—%)  
Six months ended September 30, 2020 10,895 million Yen (92.7%)

	Net income per share	Fully diluted net income
	Yen	Yen
Six months ended		
September 30, 2021	40.33	40.31
September 30, 2020	37.15	37.13

(Note) The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29), etc. has been applied since the beginning of the six months of the consolidated fiscal year under review. As a result, the accounting treatment of revenue differs from that of the six months of the previous fiscal year. Therefore, Consolidated Financial Results is provided without stating the amount of the year-on-year comparison (%).

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million Yen	Million Yen	%
As of September 30, 2021	405,147	253,682	62.4
As of March 31, 2021	394,086	247,648	62.7

(Reference) Shareholders' equity: As of September 30, 2021 252,990 million Yen  
As of March 31, 2020 246,931 million Yen

(Note) The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29), etc. has been applied since the beginning of the six months of the consolidated fiscal year under review. As a result, the accounting treatment of revenue differs from that of the six months of the previous fiscal year.

## 2. Dividends

	First	Second	Third	Fiscal	Total
	Yen	Yen	Yen	Yen	Yen
For the fiscal year ended					
March 31, 2021	—	0.00	—	21.00	21.00
March 31, 2022	—	0.00			
For the fiscal year ending					
March 31, 2022 (Forecast)			—	22.00	22.00

(Note) Changes to most recent dividend forecast: None

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022

(April 1, 2021 to March 31, 2022)

(% figures show year-on-year change)

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Full year	820,000	—	24,000	—	26,000	—	16,500	—	56.35

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

(Note) The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29), etc. has been applied since the beginning of the six months of the consolidated fiscal year under review. As a result, the accounting treatment of revenue differs from that of the six months of the previous fiscal year. Therefore, the Forecast of Consolidated Financial Results is provided without stating the amount of the year-on-year comparison (%).

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## 1. Qualitative Information on Consolidated Operating Results for the Six Months Ended September 30, 2021

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020; hereinafter the “Revenue Recognition Accounting Standard”), etc. has been applied since the beginning of the first three months of the consolidated fiscal year under review. As a result, the accounting treatment of revenue differs from that of the first six months of the previous fiscal year. Therefore, the explanation is provided without stating the amount of change or the year-on-year comparison (%) in the following (1) Description of operating results. For the amount of change corrected to the same accounting standards and the comparison with the same quarter of the previous year, please refer to the supplementary materials for quarterly operating results.

### (1) Description of operating results

During the first six months under review, the Japanese economy continued to face a challenging situation due to the impact of COVID-19. However, the economy is expected to recover from this point on given the relaxation of restrictions on socioeconomic activities with the strict implementation of infection control measures and progress in vaccination.

In the industry where Itoham Yonekyu Holdings Inc. (the “Company”) and its subsidiaries (collectively the “Group”) operate, consumer needs and values are rapidly changing and diversifying with changes in their purchasing behavior and the acceleration of digitalization in society, reflecting the impact of COVID-19 as well as growing interest in ESG and SDGs. To fulfill its supply responsibilities as a group of food manufacturers, the Group provided workplace vaccination, in addition to continuing strict infection control measures. The Group prepared systems that permit employees to work safely and comfortably in diverse ways. At the same time, the Group approached its business by working to solidify a foundation that allows it to adjust itself to changes in the operating environment and display its strengths.

In this environment, the Group has developed the Medium-Term Management Plan 2023 for the period of three years starting from fiscal 2021. The Group’s philosophy is to contribute to the realization of a sound and affluent society through business. The Company also has a vision of becoming a leading food company that continuously evolves with its employees by embracing a spirit of fairness and a commitment to progress. The Group will steadily pursue initiatives in its four priority fields of strengthening its management base, bolstering its earnings base, pursuing initiatives for new businesses and markets and taking steps for sustainability, aiming to achieve further growth and progress by defying stereotypes and reaffirming its strengths. Focusing on return on invested capital (ROIC) as a quantitative indicator, the Group aims to improve it to 6.8% during the applicable period. The Group has also decided to implement shareholder return policies in consideration of financial soundness and capital efficiency 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%.

As a result of appropriate and speedy responses to changes in consumer behavior based on the policies outlined above, the Group recorded net sales of 417,762 million yen and operating income of 14,480 million yen for the first six months under review. Ordinary income stood at 16,540 million yen, and profit attributable to owners of parent was 11,810 million yen.

The operating results by reportable segment are as outlined below.

#### <Processed food business>

With regard to hams and sausages, net sales declined mainly due to the effects of a review of unprofitable products to improve profitability, offsetting efforts to expand sales of key products for household consumption, such as The Grand Alt Bayern, *Asano* Fresh Series, Pork Bits and Gotenba Kogen Arabiki Pork, using TV commercials and consumer campaigns, as well as a sales recovery for products for business consumption centered on roast beef.

In cooked and processed food, net sales grew with strong results for Pizza products, including the staples La Pizza and Pizza Garden, and a sales increase for products for business consumption following a recovery in demand at convenience stores, in addition to sales expansion for products matching consumer preferences for convenience and healthy foods, such as Salad Chicken and *Umazutsumi* Volume Rich Hamburger.

As a result, the processed food business segment achieved net sales of 148,257 million yen in the first six months under review. Operating income for the segment amounted to 6,510 million yen, reflecting factors such as efforts to raise production efficiency and cut costs, in addition to the net sales stated above.

## &lt;Meat business&gt;

In the domestic meat business, net sales expanded, chiefly reflecting growth in sales of imported chicken products for business consumption amid a recovery in sales of products for the food service industry and home meal replacements sold at convenience stores, while demand for eating at home slowed. Profit for the domestic meat business decreased, mainly because of rises in the purchasing prices of imported meat and home-grown beef as well as an increase in the cost of marine transport.

In the overseas meat business, delays in shipments due to global congestion in marine container transport affected ANZCO Foods Ltd. However, both net sales and profits for the overseas meat business increased with purchasing and sales efforts prioritizing profitability, in addition to rises in production volumes.

As a result, the meat business recorded net sales of 267,409 million yen and operating income of 8,601 million yen.

**(2) Description of financial position****(Assets, liabilities and net assets)**

Total assets at the end of the first six months under review increased 11,060 million yen from the end of the previous fiscal year, to 405,147 million yen. This result mainly reflected an increase in inventories and a decrease in cash and deposits.

Liabilities totaled 151,464 million yen, an increase of 5,026 million yen from the end of the previous fiscal year. This result was mainly due to an increase in notes and accounts payable - trade.

Net assets increased 6,034 million yen from the end of the previous fiscal year, to 253,682 million yen. This result was primarily attributable to an increase in retained earnings.

Due to the application of the Accounting Standard for Revenue Recognition, etc., the beginning balance of retained earnings decreased 155 million yen.

**(Cash flows)**

Cash and cash equivalents (“cash”) at the end of the first six months under review decreased 21,599 million yen from the end of the previous fiscal year, to 29,051 million yen (compared with a decrease of 2,712 million yen posted in the same period of the previous fiscal year).

**Cash flows from operating activities**

Net cash used in operating activities was 9,705 million yen (compared with net cash of 14,217 million yen such activities provided in the same period of the previous fiscal year). An increase in inventories and income taxes paid were main factors for the cash decrease, offsetting profit before income taxes posted and an increase in notes and accounts payable - trade.

**Cash flows from investing activities**

Net cash used in investing activities was 5,433 million yen (compared with net cash of 6,220 million yen used in such activities in the same period of the previous fiscal year). The purchase of property, plant and equipment for facility renewal and other purposes was a main factor for the cash decrease.

**Cash flows from financing activities**

Net cash used in financing activities was 6,778 million yen (compared with net cash of 10,454 million yen used in such activities in the same period of the previous fiscal year). Cash dividends paid were the main factor for the cash decrease.

**(3) Description of future outlook, including consolidated operating results forecasts**

The Company made no change to consolidated results forecasts for the fiscal year ending March 31, 2022 it had announced on September 24, 2021.

(1) Consolidated Balance Sheets

(Million Yen)

	As of March 31, 2021	As of September 30, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	50,952	29,352
Notes and account receivable - trade	86,591	89,506
Merchandise and finished goods	63,313	80,123
Work in process	1,745	1,862
Raw materials and supplies	17,174	24,283
Other	6,617	11,848
Allowance for doubtful accounts	(10)	(10)
<b>Total current assets</b>	<b>226,384</b>	<b>236,967</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	36,433	36,655
Machinery, equipment and vehicles, net	28,919	29,469
Tools, furniture & fixtures, net	1,468	1,492
Land	25,745	25,921
Leased assets, net	2,758	2,610
Others, net	2,269	1,416
<b>Total property, plant and equipment</b>	<b>97,595</b>	<b>97,566</b>
<b>Intangible assets</b>		
Goodwill	19,573	18,868
Other	2,150	3,020
<b>Total intangible assets</b>	<b>21,724</b>	<b>21,888</b>
<b>Investments and other assets</b>		
Investment securities	29,331	29,255
Net defined benefit assets	12,162	12,798
Other	6,993	6,771
Allowance for doubtful receivables	(105)	(100)
<b>Total investments and other assets</b>	<b>48,382</b>	<b>48,724</b>
<b>Total non-current assets</b>	<b>167,702</b>	<b>168,179</b>
<b>Total Assets</b>	<b>394,086</b>	<b>405,147</b>

(Million Yen)

	As of March 31, 2021	As of September 30, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	56,615	65,581
Electronically recorded obligations	1,660	1,789
Short-term loans payable	25,704	26,688
Current portion of Long-term loans payable	155	152
Income taxes payable	4,149	2,486
Provision for bonuses	6,397	4,171
Provision for directors' bonuses	147	71
Provision for loss on disaster	467	329
Other	27,743	26,258
<b>Total current liabilities</b>	<b>123,041</b>	<b>127,529</b>
<b>Non-current liabilities</b>		
Long-term loans payable	10,717	10,642
Net defined benefit liability	1,725	1,738
Asset retirement obligation	1,475	1,491
Other	9,477	10,063
<b>Total non-current liabilities</b>	<b>23,396</b>	<b>23,935</b>
<b>Total liabilities</b>	<b>146,438</b>	<b>151,464</b>
<b>Net assets</b>		
<b>Shareholder's equity</b>		
Capital stock	30,003	30,003
Capital surplus	96,624	96,615
Retained earnings	116,989	122,496
Treasury shares	(3,624)	(3,500)
<b>Total shareholder's equity</b>	<b>239,992</b>	<b>245,614</b>
<b>Other accumulated comprehensive income</b>		
Valuation difference on available-for-sale securities	7,298	6,991
Deferred gains or losses on hedges	(329)	(402)
Foreign currency translation adjustment	(3,073)	(2,035)
Remeasurements of defined benefit plan	3,042	2,823
<b>Total accumulated other comprehensive income</b>	<b>6,939</b>	<b>7,376</b>
<b>Subscription rights to shares</b>	<b>131</b>	<b>118</b>
<b>Non-controlling interests</b>	<b>585</b>	<b>573</b>
<b>Total net assets</b>	<b>247,648</b>	<b>253,682</b>
<b>Total liabilities and net assets</b>	<b>394,086</b>	<b>405,147</b>

(2) Consolidated statements of income and comprehensive income  
(Consolidated statements of income)  
(April 1, 2021 – September 30, 2021)

Itoham Yonekyu Holdings Inc. (2296)

(Million Yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
<b>Net sales</b>	414,623	417,762
<b>Cost of goods sold</b>	346,332	350,583
<b>Gross profit</b>	68,290	67,178
<b>Selling, general and administrative expenses</b>	55,664	52,698
<b>Operating income</b>	12,625	14,480
<b>Non-operating income</b>		
Interest income	31	17
Dividend income	137	148
Rent income	209	210
Subsidy income	116	540
Equity in income of affiliates	449	888
Other	373	551
<b>Total non-operating income</b>	1,317	2,357
<b>Non-operating expenses</b>		
Interest expenses	229	168
Rent on real estate	63	63
Other	106	64
<b>Total non-operating expenses</b>	398	296
<b>Ordinary income</b>	13,544	16,540
<b>Extraordinary income</b>		
Gain on sale of non-current assets	12	4
Gain on sale of investment securities	5	55
Insurance income	2,597	134
Gain on donation of non-current assets	-	232
Other	-	24
<b>Total extra-ordinary income</b>	2,615	451
<b>Extraordinary loss</b>		
Loss on retirement of non-current assets	139	91
Others	10	11
<b>Total extra-ordinary expenses</b>	149	103
<b>Net income before taxes</b>	16,010	16,888
Income taxes-current	3,845	3,867
Income taxes-deferred	1,147	1,188
<b>Total income taxes</b>	4,992	5,055
<b>Net income</b>	11,017	11,833
<b>Net income attributable to non-controlling interests</b>	70	23
<b>Net income attributable to owners of parent</b>	10,946	11,810

(Consolidated statements of comprehensive income)  
(April 1,2021 – September 30, 2021)

(Million Yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
<b>Net income</b>	11,017	11,833
<b>Other comprehensive income</b>		
Valuation difference on available-for- sale securities	865	(314)
Deferred gains or losses on hedges	(283)	(73)
Foreign currency translation adjustment	(613)	1,001
Remeasurements of defined benefit plan	94	(229)
Share of other comprehensive income of entities accounted for using equity method	(185)	55
<b>Total other comprehensive income</b>	(121)	438
<b>Comprehensive income</b>	10,895	12,271
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,840	12,247
Comprehensive income attributable to non-controlling interests	55	24



(April 1,2021 – September 30, 2021)

(Million Yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
<b>Cash flows from operating activities</b>		
Net income before taxes	16,010	16,888
Depreciation	5,291	5,428
Increase (decrease) in provision for bonuses	(1,571)	(2,226)
Amortization of goodwill	756	717
Interest and dividend income	(169)	(166)
Interest expenses	229	168
Insurance income	(2,698)	(322)
Subsidy income	(116)	(540)
Gain on donation of non-current assets	-	(232)
Equity in earnings of affiliates	(449)	(888)
Loss (gain) on sale of investment securities	0	(55)
Decrease (increase) in notes and accounts receivable - trade	2,971	(2,393)
Decrease (increase) in inventories	(430)	(23,388)
Increase (decrease) in notes and accounts payable - trade	(3,056)	8,825
Increase (decrease) in notes and accounts payable	(1,111)	(520)
Increase (decrease) in net defined benefit liability	(43)	(13)
Decrease (increase) in net defined benefit asset	(392)	(944)
Other	(725)	(2,518)
<b>Subtotal</b>	<b>14,492</b>	<b>(2,181)</b>
Interest and dividend income received	408	818
Proceeds from insurance income	2,711	265
Proceeds from subsidy income	192	324
Interest expenses paid	(229)	(168)
Payments for loss on disaster	(73)	(60)
Income taxes paid	(3,285)	(8,703)
<b>Net cash provided by (used in) operating activities</b>	<b>14,217</b>	<b>(9,705)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(4,742)	(4,530)
Purchase of intangible assets	(542)	(922)
Purchases of Investments in Securities	(32)	(33)
Proceeds from Sale of Investments in Securities	53	65
Payments of loans receivable	(119)	(118)
Proceeds from loans receivable	96	101
Other	(934)	4
<b>Net cash provided by (used in) investing activities</b>	<b>(6,220)</b>	<b>(5,433)</b>
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans payable	(4,613)	(77)
Repayment of long-term loans payable	(91)	(78)
Cash dividends paid	(5,005)	(6,140)
Other	(744)	(482)
<b>Net cash provided by (used in) financing activities</b>	<b>(10,454)</b>	<b>(6,778)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(255)</b>	<b>317</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,712)</b>	<b>(21,599)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>41,771</b>	<b>50,651</b>
<b>Cash and cash equivalents at end of period</b>	<b>39,058</b>	<b>29,051</b>

## (4) 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

(Changes in accounting policies)

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

The Company has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the first three months and recognize revenue from goods or services which the Company promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to a customer.

The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in the case of retroactively applying the new accounting policy to before the beginning of the first three months are adjusted in retained earnings at the beginning of the first three months, and the new accounting policy is applied from this initial balance.

Major changes as a result of the application of Revenue Recognition Accounting Standard are as follows.

- For buy-sell transactions, in the past the Company recognized consideration received from outsourced companies as revenue. However, it has now adopted the method of not recognizing this revenue.
- In the past, the Company posted sales commissions and sales promotion support money, etc. that were the consideration paid to customers as selling, general and administrative expenses. However, it has now adopted the method of deducting them from net sales.
- For some sales rebates, in the past the Company recognized revenue at a provisional price at the time of sales and revised the price according to the status of achievement of sales. However, it has now adopted a method of estimating the amount of the variable portion of the consideration for a transaction and including in the transaction price only the portion that is highly unlikely to cause a significant reduction in the recognized revenue.

As a result, during the first six months of the consolidated fiscal year under review, net sales, cost of goods sold, and selling, general and administrative expenses decreased by 15,671 million yen, 10,908 million yen and 4,297 million yen, respectively, while operating income, ordinary income and profit before income taxes each decreased by 465 million yen. The balance of retained earnings at the beginning of the first six months under review also decreased by 155 million yen.

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

The Company started applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the first three months. Accordingly, the Company will apply new accounting policies prescribed in the Fair Value Measurement Accounting Standard and the like in the future in accordance with the provisional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the Fair Value Measurement Accounting Standard and others mentioned above has no impact on quarterly consolidated financial statements.

(Segment information)

I. The first six months of the previous fiscal year (from April 1, 2020 to September 30, 2020)

1. Information on net sales and profit or loss for each reportable segment

(Million yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount in quarterly consolidated statement of income (Note 3)
	Processed food business	Meat business	Total				
Net sales							
Sales to outside customers	150,631	261,998	412,630	1,992	414,623	-	414,623
Inter-segment sales and transfers	1,626	12,883	14,510	14,226	28,737	(28,737)	-
Total	152,258	274,882	427,141	16,218	443,360	(28,737)	414,623
Segment income (loss)	5,823	7,646	13,469	(5)	13,464	(838)	12,625

Notes: 1. "Others" represents a business segment comprising the logistics business and personnel and payroll-related operation services, etc. that are not included in reportable segments.

2. The main component of the adjustment of segment income (loss) is the amortization of goodwill of 694 million yen.

3. Segment income (loss) is adjusted to be consistent with the operating income reported in the consolidated statements of income.

II. The first six months of the current fiscal year (from April 1, 2021 to September 30, 2021)

1. Information on net sales and profit or loss for each reportable segment

(Million yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount in quarterly consolidated statement of income (Note 3)
	Processed food business	Meat business	Total				
Net sales							
Sales to outside customers	148,257	267,409	415,667	2,095	417,762	-	417,762
Inter-segment sales and transfers	625	12,968	13,593	14,503	28,097	(28,097)	-
Total	148,882	280,378	429,261	16,598	445,859	(28,097)	417,762
Segment income	6,510	8,601	15,111	160	15,272	(792)	14,480

Notes: 1. "Others" represents a business segment comprising the logistics business and personnel and payroll-related operation services, etc. that are not included in reportable segments.

2. The main component of the adjustment of segment income is the amortization of goodwill of 694 million yen.

3. Segment income is adjusted to be consistent with the operating income reported in the consolidated statements of income.

2. Matters concerning changes in reportable segments, etc.

As described in the "Change in accounting policies," the Company has applied the Revenue Recognition Accounting Standard, etc. from the beginning of the three months and changed the accounting method for revenue recognition. Reflecting this change, it has modified the calculation method for business segment income in the same manner.

As a result of this change, net sales and segment income in the processed food business decreased 3,905 million yen and 449 million yen, respectively, and net sales and segment income in the meat business declined 11,766 million yen and 15 million yen, respectively, compared to the previous method.