

Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Japanese Accounting Standards)

February 8, 2022

Name of Listed Company: Itoham Yonekyu Holdings Inc. Listing: Tokyo Stock Exchange
 Stock Code: 2296 URL: <https://www.itoham-yonekyu-holdings.com>
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 Scheduled date of start of dividend payment: –
 Supplementary materials for the quarterly financial results: Yes
 Investor conference for the quarterly financial results: No

(Amounts of less than one million yen are omitted)

1. Results of the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

(1) Consolidated Results of Operations (cumulative)

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

	Net sales		Operating profit		Ordinary profit		Profit (loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
The nine months ended								
December 31, 2021	655,708	-	23,135	-	26,796	-	18,582	-
December 31, 2020	646,827	-2.1	22,172	32.9	24,161	30.1	18,304	58.0

(Note) Comprehensive income: The nine months ended December 31, 2021: 18,627 million yen (-%)
 The nine months ended December 31, 2020: 19,596 million yen (82.5%)

	Profit (loss) per share	Diluted net income per share
	Yen	Yen
The nine months ended		
December 31, 2021	63.46	63.43
December 31, 2020	62.12	62.08

(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, the figures for the first nine months of the fiscal year ending March 31, 2022 are after the application of the said accounting standard, etc., and the percentage change from the same period of the previous year is not stated.

(2) Consolidated Financial Position

	Total assets	Total net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of December 31, 2021	416,921	259,388	62.1
As of March 31, 2021	394,086	247,648	62.7

(Reference) Shareholders' Equity: As of December 31, 2021: 258,704 million yen As of March 31, 2021: 246,931 million yen

(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, the figures for the first nine months of the fiscal year ending March 31, 2022 are after the application of the said accounting standard.

2. Dividend Payments

	Dividend per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	–	0.00	–	21.00	21.00
Year ending March 31, 2022	–	0.00	–		
Year ending March 31, 2022 (Forecast)				22.00	22.00

(Note) Revision of dividend forecast published most recently: No

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

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

	Net sales		Operating profit		Ordinary income		Profit (loss) attributable to owners of parent		Profit (loss) per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	820,000	–	24,000	–	26,000	–	16,500	–	56.35

(Note) Revision to forecast published most recently: No

(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, the figures in the consolidated earnings forecast are after the application of the said accounting standard, etc., and the percentage change from the previous fiscal year is not stated.

* Notes

- (1) Significant changes of 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
- (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 |
- (Note) For details, please see “(3) Notes on quarterly consolidated financial statements, (Change in accounting policies)” under “2. Consolidated Financial Statements and Key Notes” on page 8.
- (4) Numbers of issued shares (common stock)
- | | |
|--|--------------------|
| (i) Numbers of issued shares at end of period (including treasury shares): | |
| Nine months ended December 31, 2021: | 297,355,059 shares |
| Year ended March 31, 2021: | 297,355,059 shares |
| (ii) Numbers of treasury shares at end of period: | |
| Nine months ended December 31, 2021: | 5,458,378 shares |
| Year ended March 31, 2021: | 4,616,157 shares |
| (iii) Average number of shares issued during period (quarterly cumulative period): | |
| Nine months ended December 31, 2021: | 292,806,116 shares |
| Nine months ended December 31, 2020: | 294,672,445 shares |

* This quarterly financial summary 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.)

The operating results forecasts and other forward-looking statements contained in this report are based on information currently available to the Company, as well as certain assumptions that the Company has judged to be reasonable. As such, they do not constitute an assurance that the Company promises to achieve these projected results. Therefore, readers are advised to note that the actual results may vary materially from the forecasts due to a variety of 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 materials and explanatory materials for quarterly financial results)

Supplementary materials and explanatory materials for quarterly financial results will be posted on our website after the announcement of quarterly financial results.

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1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2021

The Company has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29), March 31, 2020, hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. from the beginning of the first quarter of the current fiscal year. As a result, the accounting treatment of revenue differs from that of the first nine months of previous fiscal year. Consequently, the explanation is provided without stating the amount of increase or decrease and the year-on-year comparison (%) in the following (1) Details of operating results. Please refer to the supplementary materials for the quarterly financial results for the amount of increase/decrease adjusted to the same accounting standards and comparison with the same period of the previous year.

(1) Details of operating results

For the first nine months of the current fiscal year, the severe situation caused by COVID-19 was gradually easing, but currently a new variant strain spreading rapidly, and the future of the Japanese economy is uncertain.

In our industry, consumer needs and values are rapidly changing and diversifying due to changes in purchasing behavior caused by COVID-19, and the accelerated digitization of society, as well as the growing interest in sustainability. In terms of the business environment, in addition to soaring raw material and fuel prices, distribution and labor costs continue to remain high, forcing food manufacturers to revise product prices.

Under these circumstances, the Group is implementing product and sales strategies that accurately and promptly respond to changes in the world, and in order to fulfill its supply responsibilities as a food manufacturer, we are conducting our business activities by continuing to take thorough countermeasures against infectious diseases and creating an environment where each and every employee can practice safe, secure, and diverse work styles. In the “Medium-term Management Plan 2023,” which covers the three-year period starting in FY2022, the Group has set four priority policies: “Strengthening management base,” “Strengthening earnings base,” “Initiatives for new business and markets,” and “Initiatives for sustainability.” These are based on the Group’s philosophy “We will contribute to achieving a sound and affluent society through business” and the vision of “A leading food company that emphasizes the spirit of fairness, rises to the challenge of transformation and achieves sustainable growth with its employees.” Specifically, the Group is implementing measures in accordance with the priority policies, including reorganization into business strategy segments to maximize the effects of the integration, promotion of operational efficiency through digital strategies using RPA, expense entry systems, etc., and changing to eco-friendly packaging for products in drawstring bag form, such as “The GRAND Alto Bayern.”

As a quantitative target in the “Medium-term Management Plan 2023,” the Group will focus on the return on invested capital (ROIC), aiming to increase it to 6.8% during the target period. In addition, the Group will take measures to return profits to shareholders by taking into account financial soundness and capital efficiency. In order to maximize shareholder value, the dividend payout ratio will be in the range of 30-50%, with the target of increasing dividends stably to 40%.

As a result of the efforts to respond to changes in the business environment as described above, the Group’s performance for the first three quarters of the current fiscal year was net sales of 655,708 million yen, operating profit of 23,135 million yen, ordinary profit of 26,796 million yen, and profit attributable to owners of parent of 18,582 million yen.

A summary of the business results by reportable segment is as follows.

(Processed Foods Division)

As for ham and sausage, sales were almost the same as the previous year as efforts to expand sales of mainstay products for home use, such as “The GRAND Alto Bayern,” “Asano Fresh Series,” “Pork Bits,” “Gotemba Kogen Arabiki Pork,” and “Genkei Bacon Block Series”, through the launch of TV commercials and consumer campaigns, and growth in sales of roast beef for professional use were offset by the impact of reviewing unprofitable products to improve profitability, etc.

As for processed foods, sales of pizzas, the mainstay of which are “La Pizza” and “Pizza Garden,” were strong, and sales of merchandise that meet convenience and health-consciousness of consumers, such as “Salad Chicken” and “Umazutsumi Volume Rich Hamburg,” also grew. In addition, sales of merchandise for commercial use increased in line with the recovery in demand at convenience stores. As a result, net sales increased

As for gifts, sales of gifts of cooked food products grew, as the Company launched TV commercials with a new concept and worked to expand sales, especially of the “Densho” series. However, due to the impact of the shrinking market as a whole, overall gift sales volume and net sales were both down from the previous year.

As a result, net sales in the Processed Food Division for the first nine months of the current fiscal year were 234,787 million yen, and operating profit was 10,890 million yen, affected by the sharp rise in raw material and fuel prices.

(Meat Division)

In the domestic business, sales increased due to factors such as growth in sales of imported chicken merchandise for commercial use, amid a recovery trend in sales to restaurants and to food services at convenience stores, while the rise in demand for home cooking has slowed down. Operating profit declined, mainly due to higher purchase prices for imported meat and domestic beef, and the effects of continued congestion in ocean container transport.

In the overseas business, both net sales and operating profit increased due to the efforts of ANZCO Foods Limited to focus on profitable sales, as well as strong demand for meat overseas.

As a result of the above, net sales in the Meat Division for the first nine months of the current fiscal year were 417,705 million yen, and operating profit was 13,022 million yen.

(2) Details of financial position

(Status of assets, liabilities and net assets)

Total assets at the end of the third quarter of the current fiscal year increased by 22,834 million yen compared to the end of the previous fiscal year to 416,921 million yen. This was mainly due to an increase in notes and accounts receivable - trade and inventories, and a decrease in cash and deposits.

Total liabilities increased by 11,094 million yen from the end of the previous fiscal year to 157,532 million yen. This was mainly due to an increase in notes and accounts payable - trade.

Net assets increased by 11,740 million yen compared to the end of the previous fiscal year to 259,388 million yen. This was mainly due to an increase in retained earnings.

The beginning balance of retained earnings decreased by 155 million yen due to the application of the Revenue Recognition Accounting Standard, etc.

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

There is no change to the consolidated earnings forecast for the fiscal year ending March 31, 2022, which was announced on September 24, 2021.

2. Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheets

(Million Yen)

	As of March 31, 2021	As of December 31, 2021
ASSETS		
Current assets		
Cash and deposits	50,952	20,208
Notes and accounts receivable - trade	86,591	126,222
Merchandise and finished goods	63,313	71,421
Work in process	1,745	1,268
Raw materials and supplies	17,174	20,136
Other	6,617	10,944
Allowance for doubtful accounts	(10)	(16)
Total current assets	226,384	250,183
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,433	36,192
Machinery, equipment and vehicles, net	28,919	28,315
Tools, furniture and fixtures, net	1,468	1,451
Land	25,745	25,933
Leased assets, net	2,758	2,515
Other, net	2,269	1,802
Total property, plant and equipment	97,595	96,210
Intangible assets		
Goodwill	19,573	18,512
Other	2,150	3,518
Total intangible assets	21,724	22,030
Investments and other assets		
Investment securities	29,331	29,011
Retirement benefit asset	12,162	12,981
Other	6,993	6,603
Allowance for doubtful accounts	(105)	(99)
Investments and other assets	48,382	48,495
Total non-current assets	167,702	166,737
Total Assets	394,086	416,921

(Million Yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	56,615	70,945
Electronically recorded obligations - operating	1,660	1,936
Short-term borrowings	25,704	20,421
Current portion of long-term borrowings	155	150
Income taxes payable	4,149	1,747
Provision for bonuses	6,397	3,470
Provision for bonuses for directors (and other officers)	147	112
Provision for loss on disaster	467	329
Other	27,743	34,277
Total current liabilities	123,041	133,390
Non-current liabilities		
Long-term borrowings	10,717	10,606
Retirement benefit liability	1,725	1,733
Asset retirement obligations	1,475	1,488
Other	9,477	10,312
Total non-current liabilities	23,396	24,141
Total liabilities	146,438	157,532
Net assets		
Shareholder's equity		
Capital stock	30,003	30,003
Capital surplus	96,624	96,615
Retained earnings	116,989	129,268
Treasury shares	(3,624)	(4,150)
Total shareholder's equity	239,992	251,737
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,298	6,474
Deferred gains or losses on hedges	(329)	(356)
Foreign currency translation adjustment	(3,073)	(1,868)
Remeasurements of defined benefit plans	3,042	2,716
Total accumulated other comprehensive income	6,939	6,967
Share acquisition rights	131	118
Non-controlling interests	585	565
Total net assets	247,648	259,388
Total liabilities and net assets	394,086	416,921

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

	(Million Yen)	
	Nine months ended December 31, 2020 (April 1, 2020 - Dec 31, 2020)	Nine months ended December 31, 2021 (April 1, 2021 - Dec 31, 2021)
Net sales	646,827	655,708
Cost of sales	536,396	550,913
Gross profit	110,431	104,795
Selling, general and administrative expenses	88,259	81,660
Operating profit	22,172	23,135
Non-operating Income		
Interest income	42	27
Dividend income	321	437
Rental income	311	320
Insurance claim income	159	244
Share of profit of entities accounted for using equity method	712	1,101
Subsidy income	606	1,335
Other	468	627
Total non-operating income	2,622	4,093
Non-operating expenses		
Interest expenses	292	237
Rental expenses on real estate	110	100
Other	230	93
Total non-operating expenses	633	432
Ordinary profit	24,161	26,796
Extraordinary income		
Gain on sales of non-current assets	55	5
Gain on sales of investment securities	6	55
Insurance claim income	3,003	134
Gain on donation of non-current assets	-	906
Other	-	24
Total extraordinary income	3,065	1,126
Extraordinary losses		
Loss on retirement of non-current assets	249	170
Loss on valuation of investment securities	469	-
Loss on tax purpose reduction entry of non-current assets	-	904
Other	12	20
Total extraordinary losses	731	1,095
Profit before income taxes	26,495	26,827
Income taxes – current	7,182	6,315
Income taxes - deferred	923	1,898
Total income taxes	8,106	8,213
Profit	18,388	18,613
Profit attributable to non-controlling interests	84	30
Profit attributable to owners of parent	18,304	18,582

Consolidated statements of comprehensive income

	(Million Yen)	
	Nine months ended December 31, 2020 (April 1, 2020 - Dec 31, 2020)	Nine months ended December 31, 2021 (April 1, 2021 - Dec 31, 2021)
Profit	18,388	18,613
Other comprehensive income		
Valuation difference on available-for-sale securities	2,202	(844)
Deferred gains or losses on hedges	(261)	(27)
Foreign currency translation adjustment	(570)	883
Remeasurements of defined benefit plans	143	(344)
Share of other comprehensive income of entities accounted for using equity method	(306)	346
Total other comprehensive income	1,207	13
Comprehensive income	19,596	18,627
(Breakdown)		
Comprehensive income attributable to owners of the parent	19,545	18,610
Comprehensive income attributable to non- controlling interests	50	16

(3) Notes on quarterly consolidated financial statements

(Note on going concern assumption)

N/A

(Note in the event of a significant change in the amount of shareholders' equity)

N/A

(Change in accounting policies)

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

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Revenue Recognition Accounting Standard") and other related standards have been applied from the beginning of the first quarter of the current fiscal year, and the revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

With regards to the application of the Revenue Recognition Accounting Standard, etc., the Company follows the transitional treatment prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, and the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter is added to or deducted from retained earnings at the beginning of the first quarter, and the new accounting policy is applied from the relevant beginning balance.

The main changes resulting from the application of the Revenue Recognition Accounting Standard, etc. are as follows:

- For buy-sell transactions, the Company previously recognized the consideration received from the recipient as revenue, but has changed to a method that does not recognize such revenue.
- Sales commissions and sales promotion sponsorships, etc. as compensation paid to customers, which were previously recorded as selling, general and administrative expenses, are now deducted from net sales.
- With respect to some sales rebates, the Company previously recognized revenue at a provisional price at the time of sale and reviewed the amount depending on the achievement of sales. However, the Company has changed to a method where the variable portion of the transaction consideration is estimated and only the portion that is highly likely not to cause a significant reduction in the recognized revenue is included in the transaction price.

As a result, the net sales, cost of sales and selling, general and administrative expenses for the first nine months of the current fiscal year decreased by 26,252 million yen, 17,591 million yen and 7,894 million yen respectively, while operating profit, ordinary profit and profit before taxes decreased by 766 million yen, respectively. In addition, the beginning balance of the retained earnings decreased by 155 million yen.

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

The Company applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Fair Value Measurement Accounting Standard") , etc. from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed 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 Company will apply the new accounting policy prescribed by the Fair Value Measurement Accounting Standard, etc. prospectively. This change has no impact on the consolidated financial statements.

(Segment Information)

I. For the nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

1. Information on net sales, profit or loss by reportable segment

(Million Yen)

	Reportable segment			Other (Note) ¹	Total	Adjustments (Note) ²	Amount recorded on consolidated quarterly statements of income (Note) ³
	Processed Foods Division	Meat Division	Total				
Net sales							
Net sales to customers	239,361	404,391	643,752	3,075	646,827	-	646,827
Intersegment net sales or transfers	1,896	19,798	21,695	22,248	43,944	(43,944)	-
Total	241,258	424,189	665,448	25,324	690,772	(43,944)	646,827
Segment profit	11,463	11,858	23,322	92	23,414	(1,241)	22,172

(Note) 1. "Other" refers to business segments that are not included in the reportable segments, such as the logistics business and personnel payroll services.

2. The main component of the segment profit adjustment is amortization of goodwill of -1,041 million yen.

3. Segment profit is adjusted based on the operating profit in the consolidated statement of income.

II. For the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

1. Information on net sales, profit or loss by reportable segment

(Million Yen)

	Reportable segment			Other (Note) ¹	Total	Adjustments (Note) ²	Amount recorded on consolidated quarterly statements of income (Note) ³
	Processed Foods Division	Meat Division	Total				
Net sales							
Net sales to customers	234,787	417,705	652,492	3,215	655,708	-	655,708
Intersegment net sales or transfers	895	19,842	20,737	22,568	43,305	(43,305)	-
Total	235,682	437,547	673,230	25,783	699,014	(43,305)	655,708
Segment profit	10,890	13,022	23,912	334	24,246	(1,111)	23,135

(Note) 1. "Other" refers to business segments that are not included in the reportable segments, such as the logistics business and personnel payroll services.

2. The main component of the segment profit adjustment is amortization of goodwill of -1,041 million yen.

3. Segment profit is adjusted based on the operating profit in the consolidated statement of income.

2. Matters related to changes in reportable segments, etc.

As stated in the "Changes in accounting policies," the Company has applied Revenue Recognition Accounting Standard, etc. from the beginning of the first quarter of the current fiscal year and changed the accounting method for revenue recognition, so the method of calculating profit for the business segment has been changed as well.

As a result, compared with the previous method, the net sales and segment profit of the Processed Foods Division for the first nine months of the current fiscal year decreased by 7,196 million yen and 762 million yen respectively. The net sale and segment profit of the Meat Division for the same period decreased by 19,055 million yen and 3 million yen, respectively.