

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP]



May 8, 2023

Company name: Prima Meat Packers, Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Securities Code number: 2281
 URL: <https://www.primaham.co.jp/>
 Representative: Naoto Chiba, President and CEO
 Contact: Takahiro Uchiyama, Senior Managing Executive Officer
 Phone: +81-3-6386-1800
 Scheduled date of the Annual General Meeting of Shareholders: June 28, 2023
 Scheduled date of commencing dividend payments: June 29, 2023
 Scheduled date of filing annual securities report: June 28, 2023
 Availability of supplementary briefing material on financial results: Yes
 Schedule of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2023	430,740	2.4	9,725	(30.7)	10,510	(29.4)	4,505	(53.6)
March 31, 2022	420,717	—	14,037	(34.6)	14,883	(33.6)	9,718	(31.4)

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥3,898 million [(67.8)%]
 Fiscal year ended March 31, 2022: ¥12,088 million [(31.5)%]

	Earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
Fiscal year ended					
March 31, 2023	89.66	—	4.0	4.7	2.3
March 31, 2022	193.41	—	9.0	6.8	3.3

(Reference) Share of profit of entities accounted for using equity method:

Fiscal year ended March 31, 2023: ¥37 million

Fiscal year ended March 31, 2022: ¥79 million

Prima Meat Packers, Ltd. and its subsidiaries (“the Group”) has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020), etc. from the beginning of the previous fiscal year. As a result, changes in net sales from the fiscal year ended March 31, 2022 are not presented.

The Group has made changes to presentation method from the first quarter ended June 30, 2022. Therefore, the figures for net sales and operating profit in the consolidated operating results present the amounts in and percentage changes from the previous fiscal year after the consolidated financial statements have been reclassified, reflecting the changes in presentation method.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	229,887	123,194	49.2	2,252.09
As of March 31, 2022	221,721	122,567	50.5	2,226.09

(Reference) Equity: As of March 31, 2023: ¥113,169 million

As of March 31, 2022: ¥111,860 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2023	11,719	(15,089)	1,206	14,098
March 31, 2022	16,739	(23,713)	(6,616)	16,230

2. Dividends

	Annual dividends					Total dividends (Total)	Payout ratio (Consolidated)	Dividends on equity (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2022	–	20.00	–	45.00	65.00	3,272	33.6	3.0
March 31, 2023	–	20.00	–	45.00	65.00	3,271	72.5	2.9
Fiscal year ending March 31, 2024 (Forecast)	–	20.00	–	45.00	65.00		–	

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter-end (Cumulative)	231,900	9.5	5,600	2.3	5,800	(0.5)	3,500	(5.1)	69.65
Full year	470,300	9.2	11,500	18.3	12,000	14.2	7,600	68.7	151.24

Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

New: –

Excluded: –

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2023: 50,524,399 shares

March 31, 2022: 50,524,399 shares

2) Total number of treasury shares at the end of the period:

March 31, 2023: 273,366 shares

March 31, 2022: 274,624 shares

3) Average number of shares during the period

Fiscal year ended March 31, 2023: 50,250,861 shares

Fiscal year ended March 31, 2022: 50,249,471 shares

(Note) The number of treasury shares that has been excluded when calculating total number of treasury shares at the end of the period and average number of shares during the period includes the Company's shares owned by the Board Benefit Trust ("BBT").

(Reference) Overview of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2023	307,389	2.6	7,132	(4.4)	8,215	(6.7)	4,780	(26.0)
March 31, 2022	299,454	–	7,463	(36.2)	8,802	(32.4)	6,456	(26.8)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
March 31, 2023	95.13	–
March 31, 2022	128.50	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	151,425	75,814	50.1	1,508.71
As of March 31, 2022	144,700	74,406	51.4	1,480.72

(Reference) Equity: As of March 31, 2023: ¥75,814 million

As of March 31, 2022: ¥74,406 million

*These financial results are outside the scope of audit procedures by a certified public accountant or an audit firm.

* Explanation of the proper use of the financial results forecast and other notes

- The earnings forecasts and other forward-looking statements herein are based on information available to the Company at the time of preparation and certain assumptions deemed to be reasonable, and actual results may vary significantly due to various factors. For the assumptions and notes for earnings forecasts, please refer to “1. Overview of Operating Results, etc., (1) Overview of Operating Results for the Fiscal Year” on page 2 of the attachment.
- The Company plans to hold a financial results briefing session for institutional investors and analysts on May 18, 2023. Soon after the event, we plan to post financial results briefing materials to be distributed at the briefing on our website.

Table of Contents

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Fiscal Year	2
(2) Overview of Financial Position for the Fiscal Year	3
(3) Overview of Cash Flows for the Fiscal Year	4
(4) Future Outlook	5
(5) Basic Policy for Distribution of Profit and Dividends for FY2022 and FY2023	5
2. Basic Policy on Selection of Accounting Standards	5
3. Consolidated Financial Statements and Primary Notes	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Comprehensive Income	8
(3) Consolidated Statements of Changes in Equity	10
(4) Consolidated Statements of Cash Flows	12
(5) Notes to the Consolidated Financial Statements	14
(Notes on going concern assumption).....	14
(Changes in presentation method)	14
(Additional information).....	14
(Segment information)	15
(Per share information)	21
(Significant subsequent events)	21

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year

Items in this document which relate to the future are judgments made by Prima Meat Packers, Ltd. and its subsidiaries (the “Group”) as of the end of the fiscal year.

As described in “3. Consolidated Financial Statements and Primary Notes, (5) Notes to the Consolidated Financial Statements (Changes in presentation method),” the Group has made changes to presentation method from the first quarter ended June 30, 2022. Accordingly, the comparison of operating results is made by using the amounts after the Consolidated Financial Statements for the previous fiscal year have been reclassified, reflecting the changes in presentation method.

During the fiscal year, the Japanese economy witnessed loosening or lifting of COVID-19 related constraints on daily life and restraints on social activities. The movement of people has resumed as a result of the recovery of domestic transportation such as traveling and returning home, and the gradual lifting of restrictions on entry of foreign nationals, and economic activities have been resuming to normal. Even in the industry sectors that were significantly impacted by restrictions, such as the restaurant industry, tourism industry, and department stores, business performance is starting to recover to a pre-COVID-19 level in some companies. Private household consumption also surpassed that of the previous year, driven by an increase in spending for entertainment, tourism, dining out, etc.

Meanwhile, due to the continuing impact of the depreciation of the yen against the background of the interest differential between the U.S. and Japan and trade deficits, though corrected to some extent after October, and the situation in Ukraine, among other factors, raw material prices and energy costs soared, resulting in a significant rise in manufacturing costs. This has led to the marking up being implemented in a wide variety of industries. However, while domestic prices have been rising as indicated by the consumer price index and corporate goods price index, many businesses raised product prices multiple times as they have been unable to cover the rise in manufacturing costs, resulting in an unprecedented rush of price increases for food. Some consumers with growing lifestyle protection awareness respond to it by refraining from purchasing their products, making the consumption trend unpredictable going forward. The Bank of Japan reviewed its operation of yield curve control at the year-end, and volatility of interest rates and foreign exchange rates has become higher, as evidenced by financial instability in the United States and Europe since the end of the fiscal year. Amid such situations, it is becoming increasingly difficult to predict the future economic outlook.

In our sector, we also continue to face a severe business environment; while it is not easy to raise sales prices as planned, manufacturing costs are rising more than anticipated, due to the impact of rising market prices for livestock meat, the continued rise in the prices of feedstuff, deteriorating conditions for procurement from abroad as a result of the weaker yen, etc.

Under these circumstances, based on the Group’s “Mission” of “Contributing to food culture and society through great taste and excitement,” we implemented various measures as we set the basic policy, in achieving our Medium-term Business Plan, to “Implement ESG strategy and make business foundation more sustainable,” “Further expand the domains of the two existing business segments and further strengthen their sales and profit bases,” and “Invest in growth projects and expand globally.”

As a result, net sales amounted to ¥430,740 million (up 2.4% year on year), operating profit was ¥9,725 million (down 30.7% year on year), ordinary profit was ¥10,510 million (down 29.4% year on year), and profit attributable to owners of parent was ¥4,505 million (down 53.6% year on year) primarily due to the recording of impairment losses on property, plant and equipment and goodwill.

Results by segment are as follows:

<Processed Foods Business>

Following the price revisions in February 2022, we implemented second price revisions in September 2022 for hams and sausages and other processed foods, raising the delivery prices for customers. Even in a challenging environment where the sales amount in the retail product market overall decreased year on year, we constantly increased our share in the retail product market. However, due to the more-than-anticipated rapid rise in manufacturing costs, we suffered a severe result in terms of profit.

1) Ham and sausage section

Sales of the Koukun® Sausage series, one of our core brands, continued to perform well, not only in the standard two-piece bundle size range, but also in the larger size range packed in a zipper bag. As part of sales promotion

measures, the Takarazuka Revue invitation campaign in commemoration of the 20th anniversary of the Koukun series was well-received. We have continued to implement campaigns such as the Tokyo Disney Resort® invitation campaign and social media marketing campaigns. With a wide range of support from customers of all generations, its market share continued to expand during the fiscal year. We made efforts to expand sales of other retail products and the net sales and sales volume both surpassed those in the previous fiscal year. Commercial-use products also enjoyed solid sales owing to market recovery and by taking measures including price revisions.

2) Processed foods section

In the processed foods section, retail products such as the Stock Dish products that can be stored at room temperature and the Salad Chicken Stick that is convenient to eat enjoyed popularity among consumers, and we steadily expanded their sales. Sales of commercial-use products also expanded following the recovery in the market and price revisions; however they were not large enough to cover the significant rise in purchasing costs of raw materials among others, causing profit to fall below that in the previous fiscal year.

Our vendor business for convenience stores also experienced a fall of profit year on year primarily owing to soaring energy costs, including electricity and fuel costs, as well as higher labor costs, despite continued efforts to develop new products that cater to customer requests and launch new products that cover the rise in the costs of raw materials.

As a result of the above, net sales were ¥300,654 million (up 5.3% year on year) and segment profit was ¥10,245 million (down 27.2% year on year) in the Processed Foods Business.

<Fresh Meat Business>

The purchasing environment for the Fresh Meat Business has continued to be extremely harsh owing to factors such as high market prices of livestock meat overseas, grain prices remaining at a high level, and rise in purchasing costs from abroad due to the weaker yen. The rise in store prices at customers' shops are not large enough to cover the rise in raw meat prices, and according to a household economies survey, the amount of beef and other fresh meat products purchased by consumers declined from the previous year. The net sales and profitability of fresh meat sales deteriorated significantly, as it is difficult to maintain sales volume and secure profit due to the inadequacy in passing on the procurement costs to customers, coupled with the declining demand in the fresh meat market. Though the price of domestic pork has remained high, it has not been keeping up with the rise in the prices of feedstuff. Thus the hog farming business is also in a challenging situation in terms of profitability. However, we are steadily making upfront investments by expanding an advanced production business for domestic pork and enhancing the farm productivity systematically with an eye to future policies on improving sustainability measures.

As a result of the above, net sales were ¥129,556 million (down 3.8% year on year) and segment loss was ¥183 million (compared to segment profit of ¥1,292 million for the previous fiscal year) in the Fresh Meat Business.

<Other Business>

Net sales from Other Business (development, manufacture and sale of scientific instruments) were ¥529 million (up 10.3% year on year) and segment profit was ¥232 million (up 2.1% year on year).

(2) Overview of Financial Position for the Fiscal Year

<Assets>

The total assets at the end of the fiscal year were ¥229,887 million, an increase of ¥8,165 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥6,024 million in buildings and structures, ¥3,445 million in software in progress, ¥2,197 million in merchandise and finished goods, and ¥2,367 million in notes and accounts receivable - trade, and a decrease of ¥5,986 million in deposits paid.

<Liabilities>

Liabilities increased by ¥7,538 million compared to the end of the previous fiscal year to ¥106,692 million. This was mainly due to increases of ¥5,079 million in long-term borrowings (including current portion of long-term borrowings) and ¥1,414 million in income taxes payable.

<Net assets>

Net assets increased by ¥627 million compared to the end of the previous fiscal year to ¥123,194 million. This was mainly due to increases of ¥1,239 million in retained earnings and ¥747 million in foreign currency translation adjustment, and a decrease of ¥894 million in remeasurements of defined benefit plans.

(3) Overview of Cash Flows for the Fiscal Year

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the fiscal year were ¥14,098 million, a decrease of ¥2,132 million compared to the end of the previous fiscal year (a decrease of ¥13,542 million for the previous fiscal year).

<Cash flows from operating activities>

Cash flows from operating activities recorded a net cash inflow of ¥11,719 million (a net cash inflow of ¥16,739 million for the previous fiscal year). The main factors were profit before income taxes of ¥5,900 million, depreciation and amortization of ¥10,958 million, impairment losses of ¥4,643 million, an increase of ¥3,493 million in inventories, an increase of ¥2,303 million in trade receivables, and income taxes paid of ¥1,687 million.

<Cash flows from investing activities>

Cash flows from investing activities recorded a net cash outflow of ¥15,089 million (a net cash outflow of ¥23,713 million for the previous fiscal year). This was primarily due to an outflow of ¥18,186 million for purchase of property, plant and equipment in order to upgrade production facilities, improve productivity, and stabilize quality and an inflow of ¥5,000 million for proceeds from withdrawal of deposits paid.

<Cash flows from financing activities>

Cash flows from financing activities recorded a net cash inflow of ¥1,206 million (a net cash outflow of ¥6,616 million for the previous fiscal year). This was primarily due to an inflow of ¥9,000 million for proceeds from long-term borrowings, repayments of long-term borrowings of ¥3,920 million, and an outflow of ¥3,268 million for dividends paid.

(Reference) Trends in cash flow indicators

	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023
Equity ratio	42.2	45.6	48.3	50.5	49.2
Equity ratio on market value basis	50.6	62.1	81.7	49.9	48.1
Ratio of interest-bearing debt to cash flow	1.2	1.1	0.8	1.2	2.2
Interest coverage ratio	125.9	151.0	216.9	139.2	74.3

Equity ratio: Equity/Total assets

Equity ratio on market value basis: Market capitalization/Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/Cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities/Interest expense

- (Notes)
1. All indicators are calculated based on consolidated figures.
 2. Market capitalization is calculated based on the number of issued shares excluding treasury shares.
 3. We use “Net cash provided by operating activities” from the consolidated statements of cash flows for “Cash flow from operating activities.”
 4. We have included all interest-bearing debts in the consolidated balance sheets for “Interest-bearing debt.” Additionally, we use “Interest expenses paid” from the consolidated statements of cash flows for “Interest expense.”

(4) Future Outlook

As prolonged COVID-19-related constraints on daily life activities and restraints on social activities have mostly been lifted, it is expected that economic activities will return to near-normal levels, thereby leading to a recovery in consumption activities. Meanwhile, raw material prices and energy costs have been soaring, and this has brought multiple mark-ups being implemented in various industries, as in the previous year. Wage levels, though showing an upward trend through basic wage hikes and other factors, are not satisfactory as based on the harsh daily life that consumers live. We continue to face a severe market environment that does not directly allow for raising sales prices and increasing consumption.

In our industry, in addition to the above-mentioned factors that push up manufacturing costs, there are many factors that severely affect the livestock-meat market, such as high local market prices of livestock meat overseas, continuation of weaker yen levels, and avian influenza spreading in Japan, mainly infecting egg-laying hens. The situation needs to be watched closely.

Against this backdrop, to realize the Group's "Mission" of "Contributing to food culture and society through great taste and excitement," management will emphasize ESG principles, to increase sales and improve profit quality by strengthening marketing, development and product-commercialization capabilities. We are forming a clear idea of what kind of risks and opportunities can be expected in the medium-to-long term, and identifying major material issues where action needs to be taken. The "Sustainability Committee" was established by promoting efforts to resolve these issues and improve corporate value, and targets and KPIs were decided on. By making further specific efforts, the Group will ensure its continuous growth and contribute to building a sustainable society.

With a basic policy of "Becoming a Company that customers will always love and support," we are taking concrete measures to ensure fulfilment of management plan goals by "Implementing ESG strategy and making business foundation more sustainable" and "Further expanding the domains of the two existing business segments and further strengthening their sales and profit bases." At the same time, we are working for long-term Group development through "Investing in growth projects and expanding globally."

Prima Meat Packers, Ltd. ("the Company") forecasts net sales of ¥470,300 million, operating profit of ¥11,500 million, ordinary profit of ¥12,000 million, and profit attributable to owners of parent of ¥7,600 million for the fiscal year ending March 31, 2024.

(5) Basic Policy for Distribution of Profit and Dividends for FY2022 and FY2023

The Company views distribution of profit to shareholders as a priority by management, and has a basic policy of paying out a stable dividend while ensuring maintenance of a healthy financial structure and full availability of internal reserves for necessary future investments.

In light of this basic policy, and after a comprehensive review of performance in the fiscal year ended March 31, 2023 and future investment plans, etc., the Company has decided to pay out an ordinary dividend of ¥65.00 per share (¥20.00 as an already-paid interim dividend, plus a ¥45.00 year-end dividend).

For the fiscal year ending March 31, 2024, the Company plans to pay a mid-term dividend of ¥20.00 per share and a year-end dividend of ¥45.00 per share.

2. Basic Policy on Selection of Accounting Standards

It is currently the policy of the Company to compile consolidated financial statements based on Japanese accounting standards, given that most stakeholders of the Group are shareholders, creditors and business partners in Japan, and in light of the resulting ease of comparison of consolidated financial statements period for period and with other companies in Japan.

In the future, we plan to consider adopting International Financial Reporting Standards, based on trends in proportions of overseas shareholders and in application of such accounting standards by competitors in Japan.

3. Consolidated Financial Statements and Primary Notes(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	12,556	10,861
Notes and accounts receivable - trade	44,104	46,471
Merchandise and finished goods	16,796	18,994
Work in process	3,698	4,498
Raw materials and supplies	2,919	3,479
Deposits paid	13,028	7,041
Other	2,727	3,966
Allowance for doubtful accounts	(2)	(2)
Total current assets	95,828	95,311
Non-current assets		
Property, plant and equipment		
Buildings and structures	100,565	110,734
Accumulated depreciation	(52,610)	(56,755)
Buildings and structures, net	47,954	53,979
Machinery, equipment and vehicles	66,709	70,119
Accumulated depreciation	(46,949)	(50,460)
Machinery, equipment and vehicles, net	19,760	19,659
Leased assets	4,395	3,549
Accumulated depreciation	(2,662)	(2,151)
Leased assets, net	1,733	1,397
Land	19,694	19,923
Construction in progress	6,930	5,926
Other	5,362	5,960
Accumulated depreciation	(4,231)	(4,537)
Other, net	1,130	1,423
Total property, plant and equipment	97,204	102,309
Intangible assets		
Software	684	637
Software in progress	1,084	4,530
Goodwill	2,467	1,506
Other	617	634
Total intangible assets	4,854	7,308
Investments and other assets		
Investment securities	5,693	6,154
Long-term loans receivable	18	76
Long-term prepaid expenses	1,881	1,422
Retirement benefit asset	13,078	12,891
Deferred tax assets	1,847	3,251
Other	1,330	1,219
Allowance for doubtful accounts	(14)	(57)
Total investments and other assets	23,834	24,957
Total non-current assets	125,892	134,576
Total assets	221,721	229,887

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,644	49,287
Short-term borrowings	278	323
Current portion of long-term borrowings	3,555	3,774
Lease liabilities	621	459
Income taxes payable	745	2,160
Provision for bonuses	1,626	1,637
Accrued expenses	7,888	7,709
Other	7,300	9,513
Total current liabilities	71,659	74,867
Non-current liabilities		
Long-term borrowings	14,923	19,783
Lease liabilities	1,247	1,068
Deferred tax liabilities	3,630	3,466
Deferred tax liabilities for land revaluation	2,101	2,099
Provision for share awards for directors (and other officers)	83	92
Retirement benefit liability	4,825	4,714
Asset retirement obligations	401	406
Other	280	193
Total non-current liabilities	27,494	31,825
Total liabilities	99,154	106,692
Net assets		
Shareholders' equity		
Share capital	7,908	7,908
Capital surplus	10,185	10,198
Retained earnings	85,084	86,324
Treasury shares	(409)	(405)
Total shareholders' equity	102,769	104,025
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,095	2,302
Deferred gains or losses on hedges	(5)	(4)
Revaluation reserve for land	4,552	4,546
Foreign currency translation adjustment	468	1,215
Remeasurements of defined benefit plans	1,979	1,084
Total accumulated other comprehensive income	9,090	9,143
Non-controlling interests	10,706	10,024
Total net assets	122,567	123,194
Total liabilities and net assets	221,721	229,887

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	420,717	430,740
Cost of sales	367,971	382,986
Gross profit	52,745	47,753
Selling, general and administrative expenses	38,708	38,028
Operating profit	14,037	9,725
Non-operating income		
Interest income	35	37
Dividend income	98	76
Compensation income	133	95
Share of profit of entities accounted for using equity method	79	37
Rental income from land and buildings	92	124
Insurance claim income	46	127
Foreign exchange gains	52	159
Subsidy income	257	258
Other	393	314
Total non-operating income	1,189	1,232
Non-operating expenses		
Interest expenses	120	148
Provision of allowance for doubtful accounts	–	44
Loss on abandonment of inventories	122	125
Financing expenses	38	38
Other	62	89
Total non-operating expenses	342	447
Ordinary profit	14,883	10,510
Extraordinary income		
Gain on sale of non-current assets	44	4
Gain on sale of investment securities	250	–
Subsidy income	217	–
Compensation income	53	216
Other	0	0
Total extraordinary income	566	221
Extraordinary losses		
Loss on sale of non-current assets	52	3
Loss on retirement of non-current assets	272	178
Impairment losses	–	4,643
Loss on valuation of investment securities	5	–
Other	12	5
Total extraordinary losses	343	4,831
Profit before income taxes	15,106	5,900
Income taxes - current	3,247	3,362
Income taxes - deferred	987	(1,305)
Total income taxes	4,234	2,056
Profit	10,871	3,843
Profit (loss) attributable to non-controlling interests	1,152	(662)
Profit attributable to owners of parent	9,718	4,505

Consolidated Statements of Comprehensive Income

	(Million yen)	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	10,871	3,843
Other comprehensive income		
Valuation difference on available-for-sale securities	(192)	205
Deferred gains or losses on hedges	0	0
Revaluation reserve for land	622	(6)
Foreign currency translation adjustment	320	742
Remeasurements of defined benefit plans, net of tax	450	(894)
Share of other comprehensive income of entities accounted for using equity method	15	8
Total other comprehensive income	1,216	54
Comprehensive income	12,088	3,898
Comprehensive income attributable to		
Owners of parent	10,919	4,558
Non-controlling interests	1,169	(659)

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,908	8,601	81,056	(412)	97,153
Changes during period					
Dividends of surplus			(4,278)		(4,278)
Profit attributable to owners of parent			9,718		9,718
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares				6	6
Change in ownership interest of parent due to transactions with non-controlling interests		1,584			1,584
Reversal of revaluation reserve for land			(1,411)		(1,411)
Other			(0)		(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	1,584	4,028	3	5,616
Balance at end of period	7,908	10,185	85,084	(409)	102,769

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,295	(4)	2,518	141	1,529	6,479	11,128	114,761
Changes during period								
Dividends of surplus								(4,278)
Profit attributable to owners of parent								9,718
Purchase of treasury shares								(2)
Disposal of treasury shares								6
Change in ownership interest of parent due to transactions with non-controlling interests								1,584
Reversal of revaluation reserve for land								(1,411)
Other								(0)
Net changes in items other than shareholders' equity	(199)	(0)	2,034	326	450	2,611	(422)	2,189
Total changes during period	(199)	(0)	2,034	326	450	2,611	(422)	7,805
Balance at end of period	2,095	(5)	4,552	468	1,979	9,090	10,706	122,567

For the fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,908	10,185	85,084	(409)	102,769
Changes during period					
Dividends of surplus			(3,272)		(3,272)
Profit attributable to owners of parent			4,505		4,505
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares				5	5
Change in ownership interest of parent due to transactions with non-controlling interests		12			12
Reversal of revaluation reserve for land			6		6
Other			(0)		(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	12	1,239	3	1,256
Balance at end of period	7,908	10,198	86,324	(405)	104,025

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,095	(5)	4,552	468	1,979	9,090	10,706	122,567
Changes during period								
Dividends of surplus								(3,272)
Profit attributable to owners of parent								4,505
Purchase of treasury shares								(2)
Disposal of treasury shares								5
Change in ownership interest of parent due to transactions with non-controlling interests								12
Reversal of revaluation reserve for land								6
Other								(0)
Net changes in items other than shareholders' equity	206	0	(6)	747	(894)	52	(681)	(628)
Total changes during period	206	0	(6)	747	(894)	52	(681)	627
Balance at end of period	2,302	(4)	4,546	1,215	1,084	9,143	10,024	123,194

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	15,106	5,900
Depreciation and amortization	10,451	10,958
Impairment losses	–	4,643
Amortization of goodwill	188	337
Loss (gain) on valuation of investment securities	5	–
Increase (decrease) in allowance for doubtful accounts	(3)	43
Increase (decrease) in provision for bonuses	66	8
Increase (decrease) in provision for share awards directors (and other officers)	15	8
Increase (decrease) in retirement benefit liability	121	(149)
Decrease (increase) in retirement benefit asset	(957)	(1,080)
Interest and dividend income	(134)	(113)
Interest expenses	120	148
Loss (gain) on sale of investment securities	(250)	–
Share of loss (profit) of entities accounted for using equity method	(79)	(37)
Loss (gain) on sale of property, plant and equipment	7	(1)
Loss on retirement of property, plant and equipment	272	178
Subsidy income	(217)	–
Decrease (increase) in trade receivables	(427)	(2,303)
Decrease (increase) in other current assets	(534)	(407)
Decrease (increase) in inventories	(2,645)	(3,493)
Increase (decrease) in trade payables	1,553	(403)
Increase (decrease) in other current liabilities	(112)	266
Increase (decrease) in accrued consumption taxes	254	(967)
Other, net	81	(96)
Subtotal	22,884	13,439
Interest and dividends received	136	124
Interest paid	(120)	(157)
Income taxes paid	(6,377)	(1,687)
Subsidies received	217	–
Net cash provided by (used in) operating activities	16,739	11,719

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from investing activities		
Decrease (increase) in deposits paid	(5,000)	5,000
Purchase of property, plant and equipment	(14,662)	(18,186)
Proceeds from sale of property, plant and equipment	978	24
Purchase of intangible assets	(948)	(2,385)
Purchase of investment securities	(15)	(120)
Proceeds from sale of investment securities	576	–
Loan advances	(0)	(59)
Proceeds from collection of loans receivable	0	0
Payments of leasehold deposits	(74)	(27)
Proceeds from refund of leasehold deposits	20	99
Decrease (increase) in time deposits	(1,015)	821
Purchase of long-term prepaid expenses	(162)	(174)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,880)	–
Other, net	(529)	(81)
Net cash provided by (used in) investing activities	(23,713)	(15,089)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(496)	27
Repayments of lease liabilities	(552)	(622)
Proceeds from long-term borrowings	2,566	9,000
Repayments of long-term borrowings	(3,854)	(3,920)
Dividends paid	(4,270)	(3,268)
Dividends paid to non-controlling interests	(7)	(7)
Purchase of treasury shares	(2)	(2)
Net cash provided by (used in) financing activities	(6,616)	1,206
Effect of exchange rate change on cash and cash equivalents	48	31
Net increase (decrease) in cash and cash equivalents	(13,542)	(2,132)
Cash and cash equivalents at beginning of period	29,773	16,230
Cash and cash equivalents at end of period	16,230	14,098

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

None

(Changes in presentation method)

For consolidated statements of income

Proceeds and expenses concerning the compound feed price stabilization system were previously posted under “Non-operating income” and “Non-operating expenses” respectively. However, from the first quarter ended June 30, 2022, they were posted under “Net sales” and “Selling, general and administrative expenses,” respectively.

The reason for the changes is as follows. In the previous fiscal year, the Group received compensation money in an amount far greater than that of previous fiscal years on account of soaring feedstuff prices. In addition, the Group is in a business environment where the rise in feedstuff prices is not temporary owing to factors such as further increases in raw material prices due to the impact of the war in Ukraine and the weakening of the yen stemming from the belt-tightening policy by the U.S. government. Looking ahead, it is expected that the Group will face an uncertain operating environment in which the volatility of raw materials procurement will become high in the course of making efforts to realize a carbon neutral society and reviewing the current supply chain by decoupling. To present the actual situation of the Group's business more appropriately, the consolidated statements of income for the previous fiscal year have been reclassified.

As a result, ¥1,125 million posted in “Compensation income” under “Non-operating income” and ¥54 million posted in “Other” under “Non-operating expenses” in the consolidated statements of income for the previous fiscal year have been reclassified into “Net sales” and “Selling, general and administrative expenses,” respectively.

“Insurance claim income” which was included in “Other” under “Non-operating income” for the previous fiscal year has been separately presented from the fiscal year because their amount exceeded ten-hundredth of the total amount of non-operating income. To reflect this change in presentation, the consolidated statements of income for the previous fiscal year have been reclassified.

As a result, “Other” of ¥439 million that was posted under “Non-operating income” in the consolidated statements of income for the previous fiscal year are reclassified into “Insurance claim income” of ¥46 million and “Other” of ¥393 million.

(Additional information)

Performance-linked stock remuneration plan for Directors and Executive Officers

The Company has introduced the Board Benefit Trust (BBT, hereinafter referred to as the “Plan”), a performance-linked stock remuneration plan for Directors (excluding part-time Directors) to further motivate the Directors to contribute to the medium- to long-term improvement in the business performance and corporate value, based on the resolution at the 71st Annual General Meeting of Shareholders held on June 28, 2018. At a meeting of the Board of Directors held May 13, 2019, a resolution was passed to change the title “Directors” as stated above to “Directors and some of the Executive Officers who are not concurrently serving as Directors.”

1) Outline of the Plan

The Plan is a performance-linked stock remuneration plan under which the Company's shares are acquired through a trust using money contributed by the Company as the source of funds (hereinafter the trust that is established based on the Plan is referred to as the “Trust”), and Directors excluding part-time Directors and some of the Executive Officers who are not concurrently serving as Directors (hereinafter referred to as the “Directors, etc.”) are provided with the Company's shares and cash equivalent to the market value of the Company's shares (hereinafter referred to as the “Company's Shares, etc.”) through the Trust in accordance with the Regulations for Delivery of Shares to Officers established by the Company. The Directors, etc. shall receive the Company's Shares, etc. upon their retirement, in principle.

2) Company shares remaining in the Trust

Shares of the Company remaining in the Trust are recorded at their book value in the Trust as treasury shares in net assets (excluding incidental expenses). At the end of the year, consolidated basis, the book value of such treasury shares was ¥231 million, and the total of shares was 86 thousand shares.

(Segment information)

Overview of reportable segments

1) Determination of reportable segments

- (i) Reportable segments of the Company are business categories subject to performance evaluation and management resource allocation decisions on a monthly and yearly basis.
- (ii) The Company has centered its management planning on the Processed Foods Business organization, which handles hams, sausages and processed foods, and on the Fresh Meat Business organization, which handles fresh meat products. Group enterprises also carry out business activities under the direction of the supervising Business organization. Therefore, the Processed Foods Business and Fresh Meat Business are both included in reportable segments.

2) Type of products belonging to each reportable segment

The Processed Foods Business handles processed foods, etc. made and marketed by organizations and the Company's subsidiaries which produce and market hams, sausages and processed foods, while the Fresh Meat Business handles fresh meat products to be reared, prepared and marketed by organizations and Group companies which buy and market fresh meat products.

Method for calculating of net sales, profit or loss, assets, liabilities, and other amounts by reporting segment

The accounting treatment for reportable segments is carried out through principles and procedures that are almost the same as the methods adopted for preparation of the consolidated financial statements. Figures for profit in reportable segments are on an operating profit basis. Intersegment sales and transfers are based on prevailing market prices.

Information relating to net sales, profit or loss, assets, liabilities, and other amounts by reportable segment

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated financial statements (Note 3)
	Processed Foods Business	Fresh Meat Business	Total				
Net sales							
Sales to external customers	285,571	134,664	420,236	480	420,717	–	420,717
Internal sales or transfers	14	22,060	22,074	58	22,132	(22,132)	–
Total	285,586	156,725	442,311	538	442,850	(22,132)	420,717
Segment profit	14,069	1,292	15,361	228	15,589	(1,551)	14,037
Segment assets (Note 4)	156,773	40,049	196,823	6,011	202,834	18,887	221,721
Other items							
Depreciation and amortization (Note 5)	8,994	1,014	10,008	443	10,451	–	10,451
Amortization of goodwill	68	120	188	–	188	–	188
Investment in entities accounted for using equity method	863	45	908	–	908	–	908
Increase in property, plant and equipment and intangible assets (Notes 6, 7)	14,290	4,872	19,163	484	19,647	453	20,100

- (Notes) 1. “Other” comprises business segments not included in reportable segments, such as development, manufacture, and sale of scientific instruments.
2. Adjustment for segment loss of ¥1,551 million includes corporate expenses of ¥1,531 million that are not allocated to reportable segments. Corporate expenses primarily consist of general and administrative expenses that are not attributable to any reportable segments.
3. Segment profit is reconciled with operating profit in the consolidated statements of income.
4. Adjustment for segment assets of ¥18,887 million is corporate assets that are not allocated to reportable segments. Corporate assets primarily consist of cash and deposits.
5. Depreciation and amortization includes amortization of long-term prepaid expenses.
6. Adjustment for increase in property, plant and equipment and intangible assets of ¥453 million is corporate assets that are not allocated to reportable segments
7. Increase in property, plant and equipment and intangible assets includes increase in long-term prepaid expenses.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated financial statements (Note 3)
	Processed Foods Business	Fresh Meat Business	Total				
Net sales							
Sales to external customers	300,654	129,556	430,210	529	430,740	–	430,740
Internal sales or transfers	11	26,611	26,622	54	26,677	(26,677)	–
Total	300,665	156,167	456,833	584	457,417	(26,677)	430,740
Segment profit (loss)	10,245	(183)	10,061	232	10,294	(569)	9,725
Segment assets (Note 4)	164,024	44,472	208,497	6,196	214,694	15,192	229,887
Other items							
Depreciation and amortization (Note 5)	9,189	1,375	10,564	393	10,958	–	10,958
Amortization of goodwill	134	202	337	–	337	–	337
Investment in entities accounted for using equity method	919	28	947	–	947	–	947
Increase in property, plant and equipment and intangible assets (Notes 6, 7)	14,564	5,764	20,329	450	20,780	3,271	24,051

- (Notes) 1. “Other” comprises business segments not included in reportable segments, such as development, manufacture, and sale of scientific instruments.
2. Adjustment for segment loss of ¥569 million includes corporate expenses of ¥571 million that are not allocated to reportable segments. Corporate expenses primarily consist of general and administrative expenses that are not attributable to any reportable segments.
3. Segment profit (loss) is reconciled with operating profit in the consolidated statements of income.
4. Adjustment for segment assets of ¥15,192 million is corporate assets that are not allocated to reportable segments. Corporate assets primarily consist of cash and deposits.
5. Depreciation and amortization includes amortization of long-term prepaid expenses.
6. Adjustment for increase in property, plant and equipment and intangible assets of ¥3,271 million is corporate assets that are not allocated to reportable segments.
7. Increase in property, plant and equipment and intangible assets includes increase in long-term prepaid expenses.

Matters concerning changes in reportable segments

As stated in “(Changes in presentation method),” proceeds and expenses concerning the compound feed price stabilization system that had been previously posted under “Non-operating income” and “Non-operating expenses,” respectively, are posted under “Net sales” and “Selling, general and administrative expenses,” respectively, from the first quarter ended June 30, 2022.

The segment information for the previous fiscal year also presents the figures after reclassification. As a result of this change, net sales and segment profit of the Fresh Meat Business increased by ¥1,125 million and ¥1,070 million, respectively, compared to the amounts before reclassification.

Related information

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1) Information by products and services

(Million yen)

	Fresh meat	Ham and sausage	Processed foods	Other	Total
Sales to external customers	149,832	97,904	169,576	3,403	420,717

2) Information by geographical segment

(i) Net sales

This information is omitted because net sales from external customers in Japan accounted for more than 90% of net sales recorded in the consolidated statements of income.

(ii) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment recorded in the consolidated balance sheets.

3) Information by major customer

(Million yen)

Name of customer	Net sales	Name of related segment
SEVEN-ELEVEN JAPAN CO., LTD.	117,950	Processed Foods Business

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

1) Information by products and services

(Million yen)

	Fresh meat	Ham and sausage	Processed foods	Other	Total
Sales to external customers	148,078	103,867	174,727	4,067	430,740

(Note) As stated in “(Changes in presentation method),” proceeds and expenses concerning the compound feed price stabilization system that had been previously posted under “Non-operating income” and “Non-operating expenses,” respectively, are posted under “Net sales” and “Selling, general and administrative expenses,” respectively, from the first quarter ended June 30, 2022.

Information by products and services for the previous fiscal year also presents the figures after reclassification. As a result of this change, net sales of “Other” increased by ¥1,125 million compared to the amount before reclassification.

2) Information by geographical segment

(i) Net sales

This information is omitted because net sales from external customers in Japan accounted for more than 90% of net sales recorded in the consolidated statements of income.

(ii) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment recorded in the consolidated balance sheets.

3) Information by major customer

(Million yen)

Name of customer	Net sales	Name of related segment
SEVEN-ELEVEN JAPAN CO., LTD.	116,485	Processed Foods Business

Information concerning impairment losses on non-current assets by reportable segment

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segments			Other	Corporate and eliminations	Total
	Processed Foods Business	Fresh Meat Business	Total			
Impairment losses	–	–	–	–	–	–

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Reportable segments			Other	Corporate and eliminations	Total
	Processed Foods Business	Fresh Meat Business	Total			
Impairment losses	3,836	807	4,643	–	–	4,643

Information concerning amortization and unamortized balance of goodwill by reportable segment

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segments			Other	Corporate and eliminations	Total
	Processed Foods Business	Fresh Meat Business	Total			
Amount amortized in FY2021	68	120	188	–	–	188
Balance as of March 31, 2022	1,189	1,278	2,467	–	–	2,467

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Reportable segments			Other	Corporate and eliminations	Total
	Processed Foods Business	Fresh Meat Business	Total			
Amount amortized in FY2022	134	202	337	–	–	337
Balance as of March 31, 2023	1,238	267	1,506	–	–	1,506

Information concerning goodwill by reporting segment

<Significant changes in the amount of goodwill>

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

In the Processed Foods Business segment, the Company purchased shares of Rudi's Fine Food Pte Ltd on August 4, 2021 and has included the said company and its subsidiary, Continental Deli Pte. Ltd. in the scope of consolidation from the previous fiscal year. The increase in goodwill from this event is ¥1,106 million for the previous fiscal year.

In the Fresh Meat Business segment, the Company purchased shares of TMG.CO., LTD on December 24, 2021 and has included the said company and its subsidiary, TMG INTERNATIONAL.CO., LTD in the scope of consolidation from the fiscal year. The increase in goodwill from this event is ¥1,213 million for the previous fiscal year.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

In the Fresh Meat Business segment, there are significant changes in the amount of goodwill due to the recording of impairment losses on goodwill. The decrease in goodwill from this event is ¥807 million for the fiscal year.

(Per share information)

(Yen)

	As of March 31, 2022	As of March 31, 2023
Net assets per share	2,226.09	2,252.09
Earnings per share	193.41	89.66

- (Notes) 1. Diluted earnings per share is not stated, since there were no potential shares with a dilutive effect.
2. For the purposes of calculation of net assets per share, the Company's shares remaining in the Trust recorded as treasury shares in share capital are included in treasury shares to be deducted from total number of issued shares at the end of the fiscal year. For the purposes of calculation of earnings per share for the year, such shares are likewise included in treasury shares to be deducted in the calculation of the average number of shares outstanding during the period.
For the calculation of net assets per share, the number of deducted treasury shares issued at the end of the fiscal year is 86 thousand shares, and in the calculation of earnings per share for the period, the average total of deducted shares of treasury shares during the period is 87 thousand shares.
3. The basis for calculating earnings per share is as follows.

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Earnings per share		
Profit attributable to owners of parent (Million yen)	9,718	4,505
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent associated with common shares (Million yen)	9,718	4,505
Average number of shares during the period (Thousand shares)	50,249	50,250

(Significant subsequent events)

None