

Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]



October 31, 2023

Company name: Prima Meat Packers, Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Securities Code number: 2281
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 Scheduled date of filing quarterly securities report: November 13, 2023
 Scheduled date of commencing dividend payments: December 1, 2023
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly 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 Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 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	%
Six months ended September 30, 2023	222,735	5.2	6,829	24.8	7,427	27.4	3,861	4.7
September 30, 2022	211,714	0.7	5,471	(34.9)	5,830	(34.1)	3,689	(30.2)

(Note) Comprehensive income: Six months ended September 30, 2023: ¥5,907 million [32.7%]

Six months ended September 30, 2022: ¥4,452 million [(19.1)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	76.85	—
September 30, 2022	73.43	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	244,761	126,829	47.4
As of March 31, 2023	229,887	123,194	49.2

(Reference) Equity: As of September 30, 2023: ¥116,095 million

As of March 31, 2023: ¥113,169 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	20.00	–	45.00	65.00
Fiscal year ending March 31, 2024	–	20.00			
Fiscal year ending March 31, 2024 (Forecast)			–	45.00	65.00

(Note) Revision to the dividend forecast announced most recently: None

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
Full year	470,300	9.2	11,500	18.3	12,000	14.2	7,600	68.7	151.24

(Note) Revision to the financial results forecast announced most recently: None

Notes:

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

New: –

Excluded: –

(2) Accounting applied especially for the preparation of quarterly consolidated financial statements: Yes

(3) 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

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

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

September 30, 2023: 50,524,399 shares

March 31, 2023: 50,524,399 shares

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

September 30, 2023: 270,075 shares

March 31, 2023: 273,366 shares

3) Average number of shares during the period:

Six months ended September 30, 2023: 50,252,433 shares

Six months ended September 30, 2022: 50,250,496 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.

* These quarterly financial results are outside the scope of quarterly review 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. Qualitative Information on Quarterly Financial Results for the Period, (1) Explanation on Operating Results” on page 2 of the attachment.
- The Company plans to hold a financial results briefing session for institutional investors and analysts on Thursday, November 16, 2023. Soon after the event, we plan to post financial results briefing materials to be distributed at the briefing on our website.

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1. Qualitative Information on Quarterly Financial Results for the Period

(1) Explanation on Operating Results

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 second quarter ended September 30, 2023, consolidated basis.

During the six months ended September 30, 2023, the Japanese economy witnessed a gradual return to normal economic activities, as domestic consumers’ behavioral sentiment was revitalized, along with the classification change of COVID-19 and the removal of constraints on activities, and demand for dining out and tourism, including inbound tourism, recovered significantly, while sales in the distribution sector, including department stores and convenience stores, were also increasing steadily.

Meanwhile, manufacturing costs continued to rise due to the continued rise in raw material prices and energy costs, another weakening of the yen, and higher labor costs. As a result, multiple mark-ups have been implemented in various industries during the period as in the previous fiscal year, and the number of mark-ups for overall food products is expected to exceed that of the previous fiscal year. In response to this situation, although wage levels are showing an upward trend through basic wage hikes and other factors, they are not sufficient compared to the rate of rising prices, and the market environment is hardly conducive to directly increasing consumption due to a growing awareness of the need to protect one’s livelihood.

In our sector, we continue to face a severe business environment due to many factors that cause significant fluctuations in the livestock meat market, such as high local market prices, continued weak yen levels, and disease issues, in addition to the above-mentioned rising in manufacturing costs.

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 ¥222,735 million (up 5.2% year on year). In terms of profit, operating profit was ¥6,829 million (up 24.8% year on year), ordinary profit was ¥7,427 million (up 27.4% year on year), and profit attributable to owners of parent was ¥3,861 million (up 4.7% year on year) for the quarterly period under review.

Results by segment are as follows:

<Processed Foods Business>

We implemented third price revisions in April 2023 for hams and sausages and other processed foods, raising the delivery prices for customers. While the industry as a whole continued to face a challenging environment with the production volume and the sales amount in the retail product market overall decreased year on year, we constantly increased our share as in the previous fiscal year.

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, we have continued to implement campaigns such as the Tokyo Disney Resort® invitation campaign and social media marketing campaigns, which enabled us to continue to expand the market share during the period. The newly rebuilt Kagoshima plant started full-scale operations this spring, contributing to the stable supply of products. As a result, although net sales and sales volume of both retail and commercial-use products increased steadily year on year, profit fell below that of the previous year due to higher raw material costs exceeding the effect of spread of price increases.

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 Bar products that is convenient to eat enjoyed popularity among consumers, and we steadily expanded their sales. Net sales of commercial-use products also expanded following the recovery in the market and the effect of 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 of the same period of the previous fiscal year.

Our vendor business for convenience stores experienced a rise of both net sales and profit year on year due

to the constant development and launch of new products that cater to customer requests, although manufacturing costs increased due primarily to soaring raw material prices, high fuel prices, and higher labor costs.

As a result of the above, net sales were ¥157,139 million (up 5.9% year on year) and segment profit was ¥6,301 million (up 7.2% year on year) in the Processed Foods Business.

<Fresh Meat Business>

The purchasing environment for the Fresh Meat Business has continued to be harsh owing to factors such as high market prices of livestock meat overseas, and rise in purchasing costs from abroad due to the weaker yen. Although the rise in store prices at customers' shops are not high enough to cover the rise in meat prices, we were able to secure higher net sales and profit year on year as we passed on the procurement costs to customers in stages and gradually shifted to transactions that are linked to market prices. Although the price of domestic pork has remained high, the hog farming business is in a challenging situation in terms of profitability due to the continuing high level of price of feedstuff. However, fattening operations at the new farm in Miyagi are progressing smoothly, and we began shipments in the summer and beyond as planned. We will continue to engage in various efforts to expand sales of high-quality pork at a fair price.

As a result of the above, net sales were ¥65,332 million (up 3.7% year on year) and segment profit was ¥626 million (compared to segment loss of ¥195 million for the same period of the previous fiscal year) in the Fresh Meat Business.

<Other Business>

Net sales from Other Business (development, manufacture and sale of scientific instruments) were ¥263 million (up 3.7% year on year) and segment profit was ¥101 million (down 13.5% year on year).

(2) Explanation on Financial Position

<Assets>

Total assets at the end of the second quarter were ¥244,761 million, an increase of ¥14,874 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥7,547 million in notes and accounts receivable - trade, ¥6,259 million in inventories, ¥3,962 million in cash and deposits, ¥2,252 million in investment securities, and ¥2,010 million in intangible assets, and a decrease of ¥6,974 million in deposits paid.

<Liabilities>

Liabilities increased by ¥11,239 million compared to the end of the previous fiscal year to ¥117,931 million. This was mainly due to an increase of ¥12,689 million in notes and accounts payable - trade, and a decrease of ¥1,934 million in long-term borrowings (including current portion of long-term borrowings).

<Net assets>

Net assets increased by ¥3,635 million compared to the end of the previous fiscal year to ¥126,829 million. This was mainly due to increases of ¥1,603 million in retained earnings, ¥961 million in valuation difference on available-for-sale securities and ¥517 million in foreign currency translation adjustment.

Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the second quarter amounted to ¥10,012 million, a decrease of ¥4,086 million compared to the end of the previous fiscal year (a decrease of ¥131 million for the same period of the previous fiscal year).

<Cash flows from operating activities>

Cash flows from operating activities recorded a net cash inflow of ¥13,472 million (a net cash inflow of ¥4,961 million for the same period of the previous fiscal year). The main factors were profit before income taxes of ¥6,879 million, depreciation and amortization of ¥5,500 million, an increase of ¥12,686 million in trade payables, an increase of ¥7,512 million in trade receivables, an increase of ¥6,241 million in inventories, and an increase of ¥2,646 million in other current liabilities.

<Cash flows from investing activities>

Cash flows from investing activities recorded a net cash outflow of ¥13,212 million (a net cash outflow of ¥5,797 million for the same period of the previous fiscal year). This was primarily due to outflows of ¥7,334 million for purchase of property, plant and equipment in order to upgrade production facilities, improve productivity, and stabilize quality, and ¥3,434 million for the acquisition of intangible assets for the purpose of building a core system.

<Cash flows from financing activities>

Cash flows from financing activities recorded a net cash outflow of ¥4,437 million (a net cash inflow of ¥680 million for the same period of the previous fiscal year). This was primarily due to outflows of ¥2,261 million for dividends paid and repayments of long-term borrowings of ¥1,934 million.

(3) Explanation on Consolidated Financial Results Forecast and Other Forward-looking Information

There are no changes to the consolidated financial results forecast for the fiscal year ending March 31, 2024 from the forecast announced on May 8, 2023, as a result of a review conducted in light of soaring raw material prices, the weaker yen, and price revisions implemented in October.

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

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	10,861	14,823
Notes and accounts receivable - trade	46,471	54,019
Merchandise and finished goods	18,994	24,137
Work in process	4,498	4,976
Raw materials and supplies	3,479	4,119
Deposits paid	7,041	67
Other	3,966	3,081
Allowance for doubtful accounts	(2)	(4)
Total current assets	95,311	105,218
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	53,979	56,476
Land	19,923	19,912
Other, net	28,407	24,984
Total property, plant and equipment	102,309	101,373
Intangible assets		
Goodwill	1,506	1,520
Other	5,802	7,797
Total intangible assets	7,308	9,318
Investments and other assets		
Investment securities	6,154	8,406
Retirement benefit asset	12,891	13,146
Other	5,969	7,359
Allowance for doubtful accounts	(57)	(62)
Total investments and other assets	24,957	28,850
Total non-current assets	134,576	139,542
Total assets	229,887	244,761

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,287	61,977
Short-term borrowings	323	372
Current portion of long-term borrowings	3,774	3,522
Income taxes payable	2,160	2,532
Provision for bonuses	1,637	1,891
Other	17,683	16,876
Total current liabilities	74,867	87,172
Non-current liabilities		
Long-term borrowings	19,783	18,101
Provision for share awards for directors (and other officers)	92	94
Retirement benefit liability	4,714	4,744
Asset retirement obligations	406	408
Other	6,828	7,410
Total non-current liabilities	31,825	30,759
Total liabilities	106,692	117,931
Net assets		
Shareholders' equity		
Share capital	7,908	7,908
Capital surplus	10,198	10,199
Retained earnings	86,324	87,927
Treasury shares	(405)	(396)
Total shareholders' equity	104,025	105,639
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,302	3,263
Deferred gains or losses on hedges	(4)	(17)
Revaluation reserve for land	4,546	4,539
Foreign currency translation adjustment	1,215	1,733
Remeasurements of defined benefit plans	1,084	936
Total accumulated other comprehensive income	9,143	10,455
Non-controlling interests	10,024	10,734
Total net assets	123,194	126,829
Total liabilities and net assets	229,887	244,761

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

For the Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	211,714	222,735
Cost of sales	187,128	196,792
Gross profit	24,586	25,942
Selling, general and administrative expenses	19,114	19,112
Operating profit	5,471	6,829
Non-operating income		
Interest and dividend income	64	109
Share of profit of entities accounted for using equity method	10	20
Subsidy income	102	113
Other	340	534
Total non-operating income	518	778
Non-operating expenses		
Interest expenses	68	79
Loss on abandonment of inventories	52	43
Other	37	57
Total non-operating expenses	159	180
Ordinary profit	5,830	7,427
Extraordinary income		
Gain on sale of non-current assets	1	2
Gain on sale of investment securities	–	10
Other	0	–
Total extraordinary income	1	12
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	–	10
Loss on sale of non-current assets	3	11
Loss on retirement of non-current assets	51	170
Impairment losses	14	283
Loss on valuation of investment securities	–	3
Other	1	82
Total extraordinary losses	70	560
Profit before income taxes	5,760	6,879
Income taxes	1,889	2,289
Profit	3,871	4,590
Profit attributable to non-controlling interests	181	728
Profit attributable to owners of parent	3,689	3,861

Quarterly Consolidated Statements of Comprehensive Income
For the Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	3,871	4,590
Other comprehensive income		
Valuation difference on available-for-sale securities	96	955
Deferred gains or losses on hedges	9	(12)
Foreign currency translation adjustment	654	508
Remeasurements of defined benefit plans, net of tax	(189)	(148)
Share of other comprehensive income of entities accounted for using equity method	9	14
Total other comprehensive income	580	1,317
Comprehensive income	4,452	5,907
Comprehensive income attributable to		
Owners of parent	4,270	5,180
Non-controlling interests	181	726

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	5,760	6,879
Depreciation and amortization	5,265	5,500
Impairment losses	14	283
Amortization of goodwill	168	86
Increase (decrease) in allowance for doubtful accounts	(0)	5
Increase (decrease) in provision for bonuses	203	252
Increase (decrease) in retirement benefit liability	(4)	36
Decrease (increase) in retirement benefit asset	(541)	(461)
Increase (decrease) in provision for share awards for directors (and other officers)	0	2
Interest and dividend income	(64)	(109)
Interest expenses	68	79
Loss (gain) on sale of investment securities	–	(10)
Share of loss (profit) of entities accounted for using equity method	(10)	(20)
Loss (gain) on sale of property, plant and equipment	2	8
Loss (gain) on valuation of investment securities	–	3
Loss (gain) on sale of shares of subsidiaries and associates	–	10
Loss on retirement of property, plant and equipment	51	170
Decrease (increase) in trade receivables	(461)	(7,512)
Decrease (increase) in other current assets	(466)	54
Decrease (increase) in inventories	(7,258)	(6,241)
Increase (decrease) in trade payables	2,490	12,686
Increase (decrease) in other current liabilities	201	2,646
Increase (decrease) in accrued consumption taxes	(161)	941
Increase (decrease) in long-term accounts payable - other	(6)	0
Other, net	(132)	26
Subtotal	5,119	15,319
Interest and dividends received	76	107
Interest paid	(67)	(78)
Income taxes paid	(167)	(1,876)
Net cash provided by (used in) operating activities	4,961	13,472

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from investing activities		
Decrease (increase) in deposits paid	5,000	–
Purchase of property, plant and equipment	(9,760)	(7,334)
Proceeds from sale of property, plant and equipment	18	961
Purchase of intangible assets	(997)	(3,434)
Purchase of investment securities	(8)	(798)
Proceeds from sale of investment securities	–	13
Loan advances	–	(5)
Proceeds from collection of loans receivable	0	0
Payments of leasehold deposits	(14)	(12)
Proceeds from refund of leasehold deposits	18	15
Decrease (increase) in time deposits	38	(899)
Purchase of long-term prepaid expenses	(100)	(1,666)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	10
Other, net	7	(62)
Net cash provided by (used in) investing activities	(5,797)	(13,212)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	20	33
Repayments of lease liabilities	(316)	(258)
Proceeds from long-term borrowings	5,200	–
Repayments of long-term borrowings	(1,952)	(1,934)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(9)
Dividends paid	(2,263)	(2,261)
Dividends paid to non-controlling interests	(7)	(7)
Purchase of treasury shares	(0)	(1)
Net cash provided by (used in) financing activities	680	(4,437)
Effect of exchange rate change on cash and cash equivalents	24	92
Net increase (decrease) in cash and cash equivalents	(131)	(4,085)
Cash and cash equivalents at beginning of period	16,230	14,098
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(0)
Cash and cash equivalents at end of period	16,099	10,012

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

None

(Notes in the case of significant changes in shareholders' equity)

None

(Accounting applied especially for the preparation of quarterly consolidated financial statements)

Item	For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)
Tax expense	The Group reasonably estimates the effective tax rate after applying tax effect accounting on profit before income taxes for the fiscal year ending March 31, 2024 and calculates tax expense by multiplying profit before income taxes by the effective tax rate thus obtained.

(Segment information, etc.)

1. For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Information relating to net sales and profit or loss by reportable segment

(Million yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Quarterly consolidated statements of income (Note 3)
	Processed Foods Business	Fresh Meat Business	Total				
Net sales							
(1) Sales to external customers	148,442	63,018	211,460	254	211,714	–	211,714
(2) Intersegment sales or transfers	5	13,179	13,184	26	13,211	(13,211)	–
Total	148,448	76,197	224,645	280	224,926	(13,211)	211,714
Segment profit (loss)	5,879	(195)	5,684	116	5,801	(329)	5,471

(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 ¥329 million includes corporate expenses of ¥329 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 quarterly consolidated statements of income.

(2) Information concerning impairment loss on non-current assets or goodwill, etc. by reportable segment

None

2. For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Information relating to net sales and profit or loss by reportable segment

(Million yen)

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Quarterly consolidated statements of income (Note 3)
	Processed Foods Business	Fresh Meat Business	Total				
Net sales							
(1) Sales to external customers	157,139	65,332	222,471	263	222,735	–	222,735
(2) Intersegment sales or transfers	5	10,726	10,732	26	10,758	(10,758)	–
Total	157,144	76,059	233,203	290	233,493	(10,758)	222,735
Segment profit (loss)	6,301	626	6,928	101	7,029	(199)	6,829

(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 ¥199 million includes corporate expenses of ¥199 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 quarterly consolidated statements of income.

(2) Information concerning impairment loss on non-current assets or goodwill, etc. by reportable segment

(Significant impairment loss on non-current assets)

In the Processed Foods Business segment, impairment losses of ¥283 million are recorded.