

Consolidated Financial Results

for the Nine Months Ended December 31, 2023 (Q3 FY2023)

(Japanese Accounting Standards)

Company name:	Itoham Yonekyu Holdings Inc.
Stock exchange listing:	Tokyo Stock Exchange
Stock code:	2296
URL:	https://www.itoham-yonekyu-holdings.com
Representative:	Isao Miyashita, President and Chief Executive Officer
Contact:	Masaru Kato, General Manager, Public & Investor Relations Office Tel. +81-3-5723-6889
Scheduled date for filing of securities report:	February 14, 2024
Scheduled date of commencement of dividend payment:	—
Supplementary documents for financial results:	Yes
Quarterly results briefing:	No

(Amounts of less than one million yen are truncated)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023–December 31, 2023)

(1) Consolidated Results of Operations

(% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Nine months ended								
December 31, 2023	728,220	3.8	20,727	(13.3)	23,401	(10.0)	15,366	(13.4)
December 31, 2022	701,596	7.0	23,917	3.4	26,011	(2.9)	17,754	(4.5)

(Note) Comprehensive income: 20,126 million Yen 1.1 %
19,917 million Yen 6.9 %

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended		
December 31, 2023	269.80	269.71
December 31, 2022	306.49	306.37

(Note) As the effective date on October 1 2023, we have completed a share consolidation (combining 5 shares of common stock into 1 share).

In regard to above Profit per share and Diluted profit per share, it shows on the assumption of the share consolidation be carried out at the beginning of previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million Yen	Million Yen	%
As of December 31, 2023	483,761	282,516	58.3
As of March 31, 2023	436,763	269,261	61.5

(Reference) Shareholders' equity: 281,828 million Yen
268,608 million Yen

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
For the fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2023	—	0.00	—	24.00	24.00
March 31, 2024	—	0.00	—		
For the fiscal year ending				125.00	—
March 31, 2024 (Forecast)					

(Note) Changes to most recent dividend forecast : None

(Note) As the effective date on October 1 2023, we have completed a share consolidation (combining 5 shares of common stock into 1 share).

The forecast for the Total annual dividend is shown as "— en dush " because simple sum is not appropriate.

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

(% figures show year-on-year change)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Full year	930,000	0.8	23,000	0.0	25,000	(4.0)	15,000	(11.6)	263.41

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

(Translated)

* Notes

- (1) Changes in significant 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 consolidation 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: None
 - (ii) Other Changes in accounting policies: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Numbers of shares outstanding (common stock)

- (i) Numbers of issued shares at end of period:
 - As of December 31, 2023 : 57,471,011 shares
 - As of March 30, 2023 : 57,471,011 shares
- (ii) Numbers of treasury shares at end of period:
 - As of December 31, 2023 : 526,473 shares
 - As of March 30, 2023 : 526,552 shares
- (iii) Average number of shares outstanding during period:
 - As of December 31, 2023 : 56,955,917 shares
 - As of December 31, 2022 : 57,928,432 shares

(Note) As the effective date on October 1 2023, we have completed a share consolidation (combining 5 shares of common stock into 1 share).

In regard to above (i) to (iii), it shows on the assumption of the share consolidation be carried out at the beginning of the previous fiscal year.

* This Summary of Consolidated Financial Results is outside the scope of the external audit.

* Explanation for using the forecasted information and the other special notes

(Notes concerning forward-looking statements, etc.)

This summary financial report contains forward-looking statements and forecasts are made based on information available to the company at the time of preparation and certain assumption deemed to reasonable and actual result may significantly due to various factors.

For assumptions used for earnings forecasts and notes on the use of earnings forecasts, please refer to “(3) Outlook” under “1. Overview of Operating Results and Financial Position” on page “3”.

(Access to Supplementary Explanations)

Explanatory materials for quarterly financial results will be published on TD-net for viewing in Japan and on our website.

Contents

1. Overview of Operating Results and Financial Position	2
(1) Overview of operating results	2
(2) Overview of financial positions	3
(3) Outlook	3
2. Consolidated Financial Statements and Key Notes	4
(1) Consolidated balance sheets	4
(2) Consolidated statements of income and comprehensive income	6
(3) Notes on the consolidated financial statements	8
(Notes on going concern assumptions)	8
(Notes in the case of significant changes in shareholders' equity)	8
(Segment information)	8

1. Overview of Operating Results and Financial Position

(1) Overview of operating results

○Domestic economic situation

The Japanese economic activities show slow recovery trend due to improvements of employment income environment and recovery of personal consumption.

On the other hand, changing in resource prices and trends of financials/ foreign exchange markets affect domestic economy and prices as a background of global uncertainties.

○Our industry situation (Meat Processing industry)

The business environment remained difficult condition due to rising raw material prices and logistics costs on top of persistently high utility and packaging along with weakening yen. In addition, although consumer purchasing intentions temporarily improved due to the normalization of economic activities. However, consumer confidence has begun to stagnate and save the cost, because increasing the overall living cost gradually. In these circumstances, the Group should respond to consumer needs and values that are rapidly changing and diversifying, such as shift in consumer behavior, accelerated digitalization, and growing interest in sustainability.

○Our operating results and overview

◇Consolidated operating results

(% figures show year-on-year change)

Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
728,220	3.8	20,727	(13.3)	23,401	(10.0)	15,366	(13.4)

We implement the following measures based on the four priority policies and financial strategies of the Medium-Term Management Plan 2023.

Priority policies	Main measures
Strengthen management base	Strategic-based reorganization , Promotion of digital strategy
Strengthen earnings base	Reorganization of production and logistics bases, Enhancement of WAGYU exports
Initiatives for new businesses and markets	Strengthen Frozen foods, Expanding range of Non-meat products, Strengthening Healthcare business
Initiatives for sustainability	Reducing greenhouse gas emissions, Conducting human rights due diligence, Considering Animal welfare

In terms of financial strategy, we aim to enhance return on invested capital (ROIC) and increase dividends steadily around the payout ratio 40% to maximize shareholder value, by carrying out shareholder return policies while ensuring financial soundness and capital efficiency. Then we have set 2 billion yen limit for the acquisition of treasury stock for this fiscal year.

◇Operating results by reportable segment (% figures show year-on-year change)

	Net Sales		Ordinary profit	
	Million Yen	%	Million Yen	%
Processed Food Division	301,725	4.2	8,557	12.0
Meat Division	426,482	3.5	15,811	(17.7)

<Processed Food Division>

- Regarding Hams and Sausages, net sales increased driven by TV commercials and consumer campaigns to expand sales of the main products for consumer products such as “The Grand Alt Bayern”, “Asano Fresh Series”, and “Gotenba Kogen Arabiki Pork”, on top of stable sales of business-use products.
- Regarding Cooked foods, net sales increased driven by expanded product range to accommodate more diversified consumer needs such as pizza products of “La Pizza” and “Pizza Garden”, “Salad Chicken”, and soy-meat products of “Marude Oniku! Series”, on top of increased sales of business-use products.
- Net sales and ordinary profit of the Processed food division increased due to the price revisions and cost reduction efforts.

<Meat Division>

- In domestic business, net sales amount increased driven by increasing sales volume due to strengthening domestic meat production equipment and recovering foodservice demand. The profits increased as a result of value chain management connected with imported beef and imported chicken mainly, despite the impact of remaining high compound feed prices and rising logistics costs including storage fees.
- In overseas business, under the situation of the global beef demand dropped comparison with previous year, therefore ANZCO Foods decreased the sales prices of beef products.
- Net sales of Meat Division increased, but ordinary profit declined due to the impact of the decrease in overseas business profit.

(2) Overview of financial positions

(Assets, liabilities and net assets)

- Total assets was 483,761 million yen, an increase of 46,998 million yen from the end of the previous consolidated fiscal year.
Increase factors: Increase in Accounts receivable-trade
- Liabilities was 201,245 million yen, an increase of 33,743 million yen from the end of the previous consolidated fiscal year.
Increase factors: Increase in Accounts payable - trade, and Short-term borrowings
- Net assets was 282,516 million yen, an increase of 13,254 million yen from the end of the previous consolidated fiscal year.
Increase factors: Increase in Retained earnings and Foreign currency translation adjustment

(3) Outlook

There are no changes to the consolidated results forecasts for the full year of the fiscal year ending March 31, 2024 that were announced on May 9, 2023.

Consolidated Financial Statements and Key Notes

(1) Consolidated balance sheets

(Million Yen)

	As of March 31, 2023	As of December 31, 2023
ASSETS		
Current assets		
Cash and deposits	22,736	23,150
Notes and accounts receivable-trade	95,323	138,444
Merchandise and finished goods	97,801	96,567
Work in process	2,020	1,459
Raw materials and supplies	22,920	26,376
Other	15,681	10,364
Allowance for doubtful accounts	(20)	(22)
Total current assets	256,463	296,340
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,935	36,897
Machinery, equipment and vehicles, net	29,091	28,728
Tools, furniture & fixtures, net	1,454	1,398
Land	26,368	26,798
Leased assets, net	2,797	2,897
Others, net	4,825	8,232
Total property, plant and equipment	101,472	104,953
Intangible assets		
Goodwill	18,286	17,186
Other	8,555	9,421
Total intangible assets	26,842	26,607
Investments and other assets		
Investment securities	30,302	31,867
Retirement benefit asset	15,307	17,533
Other	6,462	6,636
Allowance for doubtful accounts	(88)	(178)
Investments and other assets	51,984	55,858
Total non-current assets	180,299	187,420
Total Assets	436,763	483,761

(Million Yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	66,978	74,768
Electronically recorded obligations - operating	1,991	1,595
Short-term borrowings	32,062	54,735
Current portion of Long-term borrowings	10,126	10,112
Income taxes payable	5,024	2,992
Provision for bonuses	6,163	3,462
Provision for bonuses for directors (and other officers)	161	132
Provision for loss on disaster	329	—
Other	30,103	37,607
Total current liabilities	152,941	185,406
Non-current liabilities		
Long-term borrowings	446	365
Retirement benefit liability	1,653	1,641
Asset retirement obligations	1,469	1,464
Other	10,991	12,367
Total non-current liabilities	14,560	15,838
Total liabilities	167,501	201,245
Net assets		
Shareholders' equity		
Capital stock	30,003	30,003
Capital surplus	89,427	89,430
Retained earnings	140,066	148,599
Treasury shares	(1,841)	(1,848)
Total shareholders' equity	257,655	266,184
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,708	7,430
Deferred gains or losses on hedges	(828)	(1,005)
Foreign currency translation adjustment	2,237	5,735
Remeasurements of defined benefit plans	2,835	3,483
Total accumulated other comprehensive income	10,952	15,643
Share acquisition rights	77	77
Non-controlling interests	576	610
Total net assets	269,261	282,516
Total liabilities and net assets	436,763	483,761

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

(Million Yen)

	Nine Months Ended December 31, 2022 (Apr 1, 2022 - Dec 31, 2022)	Nine Months Ended December 31, 2023 (Apr 1, 2023 - Dec 31, 2023)
Net sales	701,596	728,220
Cost of sales	596,433	623,353
Gross profit	105,163	104,866
Selling, general and administrative expenses	81,246	84,138
Operating profit	23,917	20,727
Non-operating Income		
Interest income	59	183
Dividend income	375	374
Rental income	343	359
Subsidy income	994	2,166
Share of profit of entities accounted for using equity method	308	351
Other	850	699
Total non-operating income	2,931	4,134
Non-operating expenses		
Interest expenses	529	1,286
Rental expenses on real estate	108	103
Other	199	70
Total non-operating expenses	837	1,460
Ordinary profit	26,011	23,401
Extraordinary income		
Gain on sale of non-current assets	61	1
Gain on sale of investment securities	0	188
Gain on reversal of provision incurred from business combination	—	550
Total extraordinary income	61	740
Extraordinary losses		
Loss on retirement of non-current assets	242	158
Loss on disaster	—	248
Loss on closing plants	—	823
Others	12	51
Total extraordinary losses	254	1,282
Profit before income taxes	25,818	22,859
Income taxes-current	6,987	6,421
Income taxes-deferred	1,037	1,029
Total income taxes	8,024	7,451
Profit	17,793	15,408
Profit attributable to non-controlling interests	38	41
Profit attributable to owners of parent	17,754	15,366

Consolidated statements of comprehensive income

(Million Yen)

	Nine Months Ended December 31, 2022 (Apr 1, 2022 - Dec 31, 2022)	Nine Months Ended December 31, 2023 (Apr 1, 2023 - Dec 31, 2023)
Profit	17,793	15,408
Other comprehensive income		
Valuation difference on available-for- sale securities	187	827
Deferred gains or losses on hedges	(1,464)	(177)
Foreign currency translation adjustment	2,824	2,903
Remeasurements of defined benefit plans	(274)	616
Share of other comprehensive income of entities accounted for using equity method	851	546
Total other comprehensive income	2,124	4,718
Comprehensive income	19,917	20,126
(Breakdown)		
Comprehensive income attributable to owners of parent	19,837	20,057
Comprehensive income attributable to non-controlling interests	80	68

(4) Notes on the consolidated financial statements

(Notes on going concern assumptions)

Not applicable.

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

Not applicable.

(Segment information)

I. Nine Months Ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

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

(Million Yen)

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded on consolidated quarterly statements of income (Note 3)
	Processed Food Division	Meat Division	Total				
Net sales							
Net sales to customers	289,645	411,941	701,586	10	701,596	—	701,596
Intersegment net sales or transfers	20,320	62,449	82,769	615	83,385	(83,385)	—
Total	309,965	474,390	784,355	626	784,981	(83,385)	701,596
Segment profit (loss)	7,638	19,210	26,848	55	26,903	(891)	26,011

(Note)

- "Others" segment which is not included in the reportable segments such as human resource and payroll related services.
- The main content of adjustment of segment profit (loss) is the amortization of goodwill of (1,041) million yen.
- Segment profit (loss) is adjusted to ordinary profit in the quarterly consolidated statements of income.

II. Nine Months Ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

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

(Million Yen)

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Amount recorded on consolidated quarterly statements of income (Note 3)
	Processed Food Division	Meat Division	Total				
Net sales							
Net sales to customers	301,725	426,482	728,208	12	728,220	—	728,220
Intersegment net sales or transfers	29,219	54,478	83,697	672	84,369	(84,369)	—
Total	330,944	480,960	811,905	684	812,589	(84,369)	728,220
Segment profit (loss)	8,557	15,811	24,368	(181)	24,186	(784)	23,401

(Note)

- "Others" segment which is not included in the reportable segments such as human resource and payroll related services.
- The main content of adjustment of segment profit (loss) is the amortization of goodwill of (1,041) million yen.
- Segment profit (loss) is adjusted to ordinary profit in the quarterly consolidated statements of income.

2. Note for changes in reportable segments, etc.

From this first quarter, the segment of logistics business have changed from "Other" to "Processed Food Division" and "Meat Division" according to Group's organizational changes.

Previous year segment information show by after changing of logistics business.