

Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]



February 5, 2024

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: February 13, 2024
 Scheduled date of commencing dividend payments: –
 Availability of supplementary briefing material on quarterly financial results: None
 Schedule of quarterly financial results briefing session: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 to December 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	%
Nine months ended December 31, 2023	342,567	4.3	10,391	18.6	11,180	20.0	6,202	5.7
December 31, 2022	328,388	2.3	8,762	(28.8)	9,314	(27.8)	5,866	(24.2)

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥8,643 million [31.3%]

Nine months ended December 31, 2022: ¥6,583 million [(25.5)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	123.42	–
December 31, 2022	116.75	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2023	251,489	128,558	46.8
As of March 31, 2023	229,887	123,194	49.2

(Reference) Equity: As of December 31, 2023: ¥117,652 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):

December 31, 2023: 50,524,399 shares

March 31, 2023: 50,524,399 shares

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

December 31, 2023: 270,344 shares

March 31, 2023: 273,366 shares

3) Average number of shares during the period:

Nine months ended December 31, 2023: 50,252,969 shares

Nine months ended December 31, 2022: 50,250,771 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.

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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 third quarter ended December 31, 2023, consolidated basis.

During the nine months ended December 31, 2023, the Japanese economy witnessed progress in the normalization of economic activities, as demand for dining out, tourism, etc. recovered significantly, driven by a revitalization of behavioral sentiment in domestic consumers and a recovery in inbound consumption, along with the classification change of COVID-19 and the removal of constraints on activities at the beginning of the fiscal year, while sales in the distribution sector, including department stores, supermarkets 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 increased significantly. In response to this situation, although wage levels are showing an upward trend through basic wage hikes and other factors, real wages have continued to be negative due to the impact of high prices of commodities, and the market environment is hardly conducive to continued steady consumption growth due to domestic consumers’ high awareness of the need to protect their livelihoods.

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 of livestock meat, continued weak yen levels, and disease issues, in addition to 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, for the nine months ended December 31, 2023, net sales amounted to ¥342,567 million (up 4.3% year on year). In terms of profit, operating profit was ¥10,391 million (up 18.6% year on year), ordinary profit was ¥11,180 million (up 20.0% year on year), and profit attributable to owners of parent was ¥6,202 million (up 5.7% year on year).

Results by segment are as follows:

<Processed Foods Business>

Following the price revisions in April 2023, we implemented fourth price revisions in October 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, the Takarazuka Revue 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 and provision of new products. As a result, although net sales and sales volume of both retail and commercial-use products steadily surpassed those in the same period of the previous fiscal year, profit fell below that of the same period of the previous fiscal year due to higher raw material costs exceeding the effect of 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 Bar products 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 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. surpassed those in the same period of the previous fiscal year.

As a result of the above, net sales were ¥240,095 million (up 4.6% year on year) and segment profit was ¥9,560 million (up 5.0% 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 the continued high market prices of livestock meat overseas, and a rise in purchasing costs from abroad due to the weaker yen. The sales environment has remained similarly challenging, as the rise in store prices at customers' shops are not high enough to cover the rise in meat prices. Under these circumstances, we were able to secure higher net sales and profit than in the same period of the previous fiscal year as we passed on the procurement costs to customers in stages and gradually shifted to transactions that are linked to market prices.

The hog farming business is also 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 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 ¥102,052 million (up 3.7% year on year) and segment profit was ¥953 million (compared to segment loss of ¥51 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 ¥419 million (up 9.2% year on year) and segment profit was ¥179 million (up 7.4% year on year).

(2) Explanation on Financial Position

<Assets>

Total assets at the end of the third quarter were ¥251,489 million, an increase of ¥21,601 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥13,535 million in notes and accounts receivable - trade, ¥5,778 million in inventories, ¥3,864 million in cash and deposits, ¥2,956 million in investment securities, and ¥1,562 million in buildings and structures, and a decrease of ¥6,709 million in deposits paid.

<Liabilities>

Liabilities increased by ¥16,237 million compared to the end of the previous fiscal year to ¥122,930 million. This was mainly due to an increase of ¥16,319 million in notes and accounts payable - trade.

<Net assets>

Net assets increased by ¥5,364 million compared to the end of the previous fiscal year to ¥128,558 million. This was mainly due to increases of ¥2,943 million in retained earnings, ¥1,131 million in valuation difference on available-for-sale securities and ¥645 million in foreign currency translation adjustment.

Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the third quarter amounted to ¥10,904 million, a decrease of ¥3,194 million compared to the end of the previous fiscal year (an increase of ¥2,407 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 ¥17,658 million (a net cash inflow of ¥10,198 million for the same period of the previous fiscal year). The main factors were profit before income taxes of ¥10,667million, depreciation and amortization of ¥8,407 million, an increase of ¥16,308 million in trade payables, an increase of ¥13,488 million in trade receivables, an increase of ¥5,775 million in inventories, and an increase of ¥4,725 million in other current liabilities.

<Cash flows from investing activities>

Cash flows from investing activities recorded a net cash outflow of ¥14,304 million (a net cash outflow of ¥9,292 million for the same period of the previous fiscal year). This was primarily due to outflows of ¥8,860 million for purchase of property, plant and equipment in order to upgrade production facilities, improve productivity, and stabilize quality, and ¥3,731 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 ¥6,663 million (a net cash inflow of ¥1,439 million for the same period of the previous fiscal year). This was primarily due to outflows of ¥3,264 million for dividends paid and repayments of long-term borrowings of ¥2,871 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 presented in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023” announced on May 8, 2023.

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

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	10,861	14,726
Notes and accounts receivable - trade	46,471	60,006
Merchandise and finished goods	18,994	23,855
Work in process	4,498	4,489
Raw materials and supplies	3,479	4,405
Deposits paid	7,041	332
Other	3,966	2,504
Allowance for doubtful accounts	(2)	(4)
Total current assets	95,311	110,316
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	53,979	55,541
Land	19,923	19,901
Other, net	28,407	24,341
Total property, plant and equipment	102,309	99,785
Intangible assets		
Goodwill	1,506	1,506
Other	5,802	10,387
Total intangible assets	7,308	11,893
Investments and other assets		
Investment securities	6,154	9,110
Retirement benefit asset	12,891	13,275
Other	5,969	7,169
Allowance for doubtful accounts	(57)	(62)
Total investments and other assets	24,957	29,494
Total non-current assets	134,576	141,172
Total assets	229,887	251,489

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	49,287	65,607
Short-term borrowings	323	226
Current portion of long-term borrowings	3,774	3,387
Income taxes payable	2,160	2,130
Provision for bonuses	1,637	697
Other	17,683	20,991
Total current liabilities	74,867	93,041
Non-current liabilities		
Long-term borrowings	19,783	17,298
Provision for share awards for directors (and other officers)	92	100
Retirement benefit liability	4,714	4,683
Asset retirement obligations	406	409
Other	6,828	7,396
Total non-current liabilities	31,825	29,888
Total liabilities	106,692	122,930
Net assets		
Shareholders' equity		
Share capital	7,908	7,908
Capital surplus	10,198	10,199
Retained earnings	86,324	89,267
Treasury shares	(405)	(397)
Total shareholders' equity	104,025	106,979
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,302	3,433
Deferred gains or losses on hedges	(4)	(16)
Revaluation reserve for land	4,546	4,532
Foreign currency translation adjustment	1,215	1,861
Remeasurements of defined benefit plans	1,084	862
Total accumulated other comprehensive income	9,143	10,672
Non-controlling interests	10,024	10,906
Total net assets	123,194	128,558
Total liabilities and net assets	229,887	251,489

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

For the Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	328,388	342,567
Cost of sales	290,526	302,988
Gross profit	37,861	39,578
Selling, general and administrative expenses	29,099	29,187
Operating profit	8,762	10,391
Non-operating income		
Interest and dividend income	100	186
Share of profit of entities accounted for using equity method	26	31
Subsidy income	106	116
Other	631	754
Total non-operating income	865	1,089
Non-operating expenses		
Interest expenses	109	118
Loss on abandonment of inventories	91	103
Other	113	78
Total non-operating expenses	313	300
Ordinary profit	9,314	11,180
Extraordinary income		
Gain on sale of non-current assets	3	4
Gain on sale of investment securities	–	148
Other	0	0
Total extraordinary income	3	154
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	–	25
Loss on sale of non-current assets	3	25
Loss on retirement of non-current assets	90	217
Impairment losses	14	296
Loss on valuation of investment securities	–	3
Other	5	98
Total extraordinary losses	114	667
Profit before income taxes	9,203	10,667
Income taxes	3,042	3,561
Profit	6,160	7,105
Profit attributable to non-controlling interests	294	903
Profit attributable to owners of parent	5,866	6,202

Quarterly Consolidated Statements of Comprehensive Income
For the Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	6,160	7,105
Other comprehensive income		
Valuation difference on available-for-sale securities	74	1,124
Deferred gains or losses on hedges	(12)	(12)
Foreign currency translation adjustment	636	638
Remeasurements of defined benefit plans, net of tax	(284)	(222)
Share of other comprehensive income of entities accounted for using equity method	8	9
Total other comprehensive income	422	1,537
Comprehensive income	6,583	8,643
Comprehensive income attributable to		
Owners of parent	6,290	7,744
Non-controlling interests	292	899

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	9,203	10,667
Depreciation and amortization	7,959	8,407
Impairment losses	14	296
Amortization of goodwill	255	131
Increase (decrease) in allowance for doubtful accounts	44	5
Increase (decrease) in provision for bonuses	(929)	(942)
Increase (decrease) in retirement benefit liability	(2)	(32)
Decrease (increase) in retirement benefit asset	(811)	(694)
Increase (decrease) in provision for share awards for directors (and other officers)	3	8
Interest and dividend income	(100)	(186)
Interest expenses	109	118
Loss (gain) on sale of investment securities	–	(148)
Share of loss (profit) of entities accounted for using equity method	(26)	(31)
Loss (gain) on sale of property, plant and equipment	0	20
Loss (gain) on valuation of investment securities	–	3
Loss (gain) on sale of shares of subsidiaries and associates	–	25
Loss on retirement of property, plant and equipment	90	217
Decrease (increase) in trade receivables	(14,247)	(13,488)
Decrease (increase) in other current assets	(393)	336
Decrease (increase) in inventories	(7,739)	(5,775)
Increase (decrease) in trade payables	14,883	16,308
Increase (decrease) in other current liabilities	4,547	4,725
Increase (decrease) in accrued consumption taxes	(988)	1,038
Increase (decrease) in long-term accounts payable - other	(7)	0
Other, net	57	50
Subtotal	11,921	21,065
Interest and dividends received	113	172
Interest paid	(118)	(116)
Income taxes paid	(1,716)	(3,463)
Net cash provided by (used in) operating activities	10,198	17,658

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Cash flows from investing activities		
Decrease (increase) in deposits paid	5,000	–
Purchase of property, plant and equipment	(12,347)	(8,860)
Proceeds from sale of property, plant and equipment	25	1,294
Purchase of intangible assets	(1,815)	(3,731)
Purchase of investment securities	(8)	(1,402)
Proceeds from sale of investment securities	–	330
Loan advances	–	(5)
Proceeds from collection of loans receivable	0	0
Payments of leasehold deposits	(20)	(32)
Proceeds from refund of leasehold deposits	95	19
Decrease (increase) in time deposits	38	(136)
Purchase of long-term prepaid expenses	(146)	(1,713)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	10
Other, net	(113)	(78)
Net cash provided by (used in) investing activities	(9,292)	(14,304)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(83)	(115)
Repayments of lease liabilities	(476)	(393)
Proceeds from long-term borrowings	8,200	–
Repayments of long-term borrowings	(2,928)	(2,871)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(9)
Dividends paid	(3,264)	(3,264)
Dividends paid to non-controlling interests	(7)	(7)
Purchase of treasury shares	(1)	(1)
Net cash provided by (used in) financing activities	1,439	(6,663)
Effect of exchange rate change on cash and cash equivalents	61	115
Net increase (decrease) in cash and cash equivalents	2,407	(3,193)
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	18,638	10,904

(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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	229,573	98,430	328,004	384	328,388	–	328,388
(2) Intersegment sales or transfers	8	20,755	20,764	40	20,805	(20,805)	–
Total	229,581	119,186	348,768	425	349,193	(20,805)	328,388
Segment profit (loss)	9,102	(51)	9,050	167	9,218	(456)	8,762

(Notes) 1. "Other" comprises business segments not included in reportable segments, such as development, manufacture, and sale of scientific instruments.

2. Adjustment for segment profit (loss) of ¥456 million includes corporate expenses of ¥457 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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	240,095	102,052	342,147	419	342,567	–	342,567
(2) Intersegment sales or transfers	8	16,614	16,622	42	16,664	(16,664)	–
Total	240,103	118,666	358,770	461	359,232	(16,664)	342,567
Segment profit (loss)	9,560	953	10,514	179	10,694	(302)	10,391

(Notes) 1. “Other” comprises business segments not included in reportable segments, such as development, manufacture, and sale of scientific instruments.

2. Adjustment for segment profit (loss) of ¥302 million includes corporate expenses of ¥302 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 ¥296 million are recorded.