

Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]



July 31, 2024

Company name: Prima Meat Packers, Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Securities Code number: 2281
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 Scheduled date of commencing dividend payments: –
 Availability of supplementary briefing material on financial results: None
 Schedule of financial results briefing session: None

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(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	%
Three months ended June 30, 2024	112,891	3.3	3,346	(7.2)	3,651	(6.8)	2,204	(0.6)
June 30, 2023	109,283	4.6	3,607	5.9	3,915	7.3	2,218	(1.1)

(Note) Comprehensive income: Three months ended June 30, 2024: ¥2,641 million [(28.7)%]
 Three months ended June 30, 2023: ¥3,702 million [35.5%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	43.87	–
June 30, 2023	44.15	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	249,305	130,502	47.9
As of March 31, 2024	244,793	130,213	48.7

(Reference) Equity: As of June 30, 2024: ¥119,412 million
 As of March 31, 2024: ¥119,313 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, 2024	–	20.00	–	45.00	65.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		40.00	–	40.00	80.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% 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)	235,000	5.5	8,500	24.5	8,900	19.8	5,100	32.1	101.49
Full year	470,000	4.8	16,000	35.4	17,000	31.9	10,000	33.5	198.99

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

Notes:

(1) Significant changes in the scope of consolidation during the period: 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):

June 30, 2024: 50,524,399 shares

March 31, 2024: 50,524,399 shares

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

June 30, 2024: 270,914 shares

March 31, 2024: 270,641 shares

3) Average number of shares during the period:

Three months ended June 30, 2024: 50,253,638 shares

Three months ended June 30, 2023: 50,250,984 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").

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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, (3) Explanation on Consolidated Financial Results Forecast and Other Forward-looking Information” on page 4 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 first quarter ended June 30, 2024, consolidated basis.

During the three months ended June 30, 2024, the Japanese economy has shown signs of recovery, with real growth rate turning positive due to increases in capital expenditure and consumer spending. Meanwhile, the Consumer Price Index rose by 2.6% in June compared to the same month last year. Real wages, adjusted for inflation, have been negative for 26 consecutive months through May, indicating that wage growth is not keeping pace with the rise in prices.

Energy costs remain high, and the yen continues to depreciate, resulting in multiple mark-ups across various industries this quarter, as in the same period last year. In the mark-ups from April, the number of “processed foods,” including processed meat products and frozen foods, was the largest among all food categories. Although wage levels are showing an upward trend through basic wage hikes and other factors, consumption has not grown due to the impact of high prices, and the trend of frugality continues. The industry continues to face a severe business environment due to many factors that cause significant fluctuations in the livestock meat market environment, such as high local market prices, high feedstuff prices, and disease issues.

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 “Make business foundation more sustainable,” “Build a revenue base that responds to changes in the external environment,” and “Invest in growth projects and expand globally.”

As a result, for the three months ended June 30, 2024, net sales amounted to ¥112,891 million (up 3.3% year on year). In terms of profit, operating profit was ¥3,346 million (down 7.2% year on year), ordinary profit was ¥3,651 million (down 6.8% year on year), and profit attributable to owners of parent was ¥2,204 million (down 0.6% year on year).

Results by segment are as follows:

<Processed Foods Business>

We implemented fifth price revisions in April 2024 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 sales amount in the retail products market overall decreased year on year, we constantly increased our share in the retail product market as in the previous fiscal year. However, this was not enough to compensate for the rise in manufacturing costs, causing profit to fall below that of the same period of 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 promotions such as the Tokyo Disney Resort® invitation campaign, the “Smile Up!®” promo campaign, and social media marketing campaigns, which enabled us to continue to expand the market share during the period. As a result, net sales and sales volume of retail products steadily surpassed those in the same period of the previous fiscal year.

2) Processed foods section

In the processed foods section, we expanded mainly sales of the Spicy Stick, pre-fried chilled products, but sales of Burgers and Meatballs were sluggish. In the commercial-use products category, the market for products for food service companies recovered due to increased consumption by visitors from abroad to Japan, while sales of products for convenience stores were unable to fully offset purchasing costs due to the impact of rising raw material prices, causing net sales and profit to fall below those in the same period of the previous year.

Our vendor business for convenience stores experienced a rise of net sales year on year due to the price revisions, although profit was lower than in the same period of the previous year due to higher manufacturing costs due primarily to soaring raw material prices, high fuel prices and higher labor costs.

As a result of the above, net sales were ¥77,335 million (up 0.3% year on year) and segment profit was

¥3,171 million (down 5.3% year on year) in the Processed Foods Business.

<Fresh Meat Business>

Due to the persistently high local market prices and the impact of foreign exchange rates, the cost of purchasing imported goods has continued to rise, creating a very challenging situation. Therefore, we have reviewed the production areas of each livestock species, which resulted in net sales increased year on year, but profit was lower than in the same period of the previous year due to the inability to fully pass on prices and absorb higher purchasing costs. In the hog farming business, despite the impact of high feedstuff prices, both net sales and profit were higher than in the same period of the previous year, and we intend to continue expanding our production business, centering on the new farm in Miyagi.

As a result of the above, net sales were ¥35,393 million (up 10.5% year on year) and segment profit was ¥219 million (down 26.9% year on year) in the Fresh Meat Business.

<Other Business>

Net sales from Other Business (development, manufacture and sale of scientific instruments) were ¥163 million (up 27.7% year on year) and segment profit was ¥70 million (up 21.2% year on year).

(2) Explanation on Financial Position

<Assets>

Total assets at the end of the first quarter were ¥249,305 million, an increase of ¥4,511 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥2,484 million in cash and deposits, ¥1,627 million in inventories, ¥1,583 million in notes and accounts receivable - trade, and ¥516 million in intangible assets, and a decrease of ¥2,044 million in deposits paid.

<Liabilities>

Liabilities increased by ¥4,221 million compared to the end of the previous fiscal year to ¥118,802 million. This was mainly due to increases of ¥3,341 million in notes and accounts payable - trade, ¥1,798 million in long-term borrowings (including current portion of long-term borrowings), and decreases of ¥989 million in income taxes payable, and ¥615 million in provision for bonuses.

<Net assets>

Net assets increased by ¥289 million compared to the end of the previous fiscal year to ¥130,502 million. This was mainly due to an increase of ¥471 million in foreign currency translation adjustment and a decrease of ¥336 million in valuation difference on available-for-sale securities.

Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the first quarter amounted to ¥9,707 million, a decrease of ¥57 million compared to the end of the previous fiscal year (a decrease of ¥5,727 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 ¥3,165 million (a net cash inflow of ¥5,688 million for the same period of the previous fiscal year). The main factors were profit before income taxes of ¥4,182 million, depreciation and amortization of ¥2,721 million, an increase of ¥1,539 million in trade receivables, an increase of ¥1,577 million in inventories, an increase of ¥3,311 million in trade payable, and income taxes paid of ¥2,434 million.

<Cash flows from investing activities>

Cash flows from investing activities recorded a net cash outflow of ¥2,639 million (a net cash outflow of ¥8,193 million for the same period of the previous fiscal year). This was primarily due to outflows of ¥1,695 million for purchase of property, plant and equipment in order to upgrade production facilities, improve productivity, and stabilize quality, and ¥586 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 ¥615 million (a net cash outflow of ¥3,282 million for the same period of the previous fiscal year). This was primarily due to an inflow of ¥2,700 million for proceeds from long-term borrowings, outflows of ¥2,192 million for dividends paid and ¥901 million for repayments of long-term borrowings.

(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, 2025 from the forecast presented in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2024” announced on May 7, 2024.

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

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	13,253	15,737
Notes and accounts receivable - trade	52,592	54,176
Merchandise and finished goods	22,704	24,061
Raw materials and supplies	4,623	4,877
Work in process	4,656	4,672
Deposits paid	2,105	60
Other	3,259	3,715
Allowance for doubtful accounts	(2)	(2)
Total current assets	103,192	107,299
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	54,769	54,085
Land	19,919	19,933
Other, net	24,271	24,848
Total property, plant and equipment	98,961	98,868
Intangible assets		
Goodwill	1,440	1,447
Other	10,945	11,454
Total intangible assets	12,386	12,902
Investments and other assets		
Investment securities	8,855	8,635
Retirement benefit asset	14,620	14,740
Other	6,851	6,932
Allowance for doubtful accounts	(74)	(74)
Total investments and other assets	30,253	30,234
Total non-current assets	141,601	142,005
Total assets	244,793	249,305

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	58,856	62,197
Provision for bonuses	1,680	1,064
Income taxes payable	2,541	1,552
Short-term borrowings	362	374
Current portion of long-term borrowings	3,822	4,178
Other	17,887	18,548
Total current liabilities	85,150	87,914
Non-current liabilities		
Long-term borrowings	15,961	17,403
Retirement benefit liability	4,644	4,600
Provision for share awards for directors (and other officers)	108	119
Asset retirement obligations	410	411
Other	8,305	8,352
Total non-current liabilities	29,430	30,887
Total liabilities	114,580	118,802
Net assets		
Shareholders' equity		
Share capital	7,908	7,908
Capital surplus	10,199	10,199
Retained earnings	90,554	90,494
Treasury shares	(397)	(398)
Total shareholders' equity	108,265	108,204
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,053	2,716
Deferred gains or losses on hedges	(11)	85
Revaluation reserve for land	4,532	4,532
Foreign currency translation adjustment	1,847	2,319
Remeasurements of defined benefit plans	1,626	1,554
Total accumulated other comprehensive income	11,048	11,208
Non-controlling interests	10,899	11,089
Total net assets	130,213	130,502
Total liabilities and net assets	244,793	249,305

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

For the Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	109,283	112,891
Cost of sales	96,391	100,069
Gross profit	12,892	12,822
Selling, general and administrative expenses	9,284	9,475
Operating profit	3,607	3,346
Non-operating income		
Interest and dividend income	66	104
Share of profit of entities accounted for using equity method	25	13
Subsidy income	97	120
Other	206	258
Total non-operating income	396	496
Non-operating expenses		
Interest expenses	40	35
Loss on valuation of derivatives	–	140
Other	47	16
Total non-operating expenses	88	192
Ordinary profit	3,915	3,651
Extraordinary income		
Gain on sale of non-current assets	1	1
Gain on sale of investment securities	–	374
Subsidy income	–	221
Insurance claim income	–	139
Other	–	7
Total extraordinary income	1	745
Extraordinary losses		
Loss on sale of non-current assets	6	6
Loss on retirement of non-current assets	116	204
Other	17	2
Total extraordinary losses	139	213
Profit before income taxes	3,777	4,182
Income taxes	1,215	1,692
Profit	2,561	2,489
Profit attributable to non-controlling interests	343	285
Profit attributable to owners of parent	2,218	2,204

Quarterly Consolidated Statements of Comprehensive Income
For the Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	2,561	2,489
Other comprehensive income		
Valuation difference on available-for-sale securities	869	(341)
Deferred gains or losses on hedges	31	97
Foreign currency translation adjustment	305	471
Remeasurements of defined benefit plans, net of tax	(74)	(72)
Share of other comprehensive income of entities accounted for using equity method	7	(4)
Total other comprehensive income	1,140	151
Comprehensive income	3,702	2,641
Comprehensive income attributable to		
Owners of parent	3,355	2,364
Non-controlling interests	346	276

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	3,777	4,182
Depreciation and amortization	2,698	2,721
Impairment losses	13	–
Amortization of goodwill	41	45
Increase (decrease) in allowance for doubtful accounts	6	(0)
Increase (decrease) in provision for bonuses	(603)	(618)
Increase (decrease) in retirement benefit liability	47	(58)
Decrease (increase) in retirement benefit asset	(228)	(220)
Increase (decrease) in provision for share awards for directors (and other officers)	3	10
Interest and dividend income	(66)	(104)
Insurance claim income	–	(139)
Interest expenses	40	35
Loss (gain) on sale of investment securities	–	(374)
Share of loss (profit) of entities accounted for using equity method	(25)	(13)
Loss (gain) on sale of property, plant and equipment	4	4
Loss (gain) on valuation of investment securities	3	–
Loss on retirement of property, plant and equipment	116	204
Subsidy income	–	(221)
Decrease (increase) in trade receivables	(1,044)	(1,539)
Decrease (increase) in other current assets	(307)	(820)
Decrease (increase) in inventories	(5,916)	(1,577)
Increase (decrease) in trade payables	7,321	3,311
Increase (decrease) in other current liabilities	1,133	64
Increase (decrease) in accrued consumption taxes	623	(335)
Increase (decrease) in long-term accounts payable - other	0	77
Other, net	20	(23)
Subtotal	7,660	4,607
Interest and dividends received	71	103
Interest paid	(40)	(36)
Income taxes paid	(2,003)	(2,434)
Subsidies received	–	221
Proceeds from insurance income	–	702
Net cash provided by (used in) operating activities	5,688	3,165

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,276)	(1,695)
Proceeds from sale of property, plant and equipment	917	4
Proceeds from redemption of investment securities	–	21
Purchase of intangible assets	(1,731)	(586)
Purchase of investment securities	(304)	(320)
Proceeds from sale of investment securities	0	376
Loan advances	(5)	–
Proceeds from collection of loans receivable	0	0
Payments of leasehold deposits	(6)	(5)
Proceeds from refund of leasehold deposits	10	21
Decrease (increase) in time deposits	(974)	(230)
Purchase of long-term prepaid expenses	(780)	(53)
Other, net	(43)	(170)
Net cash provided by (used in) investing activities	(8,193)	(2,639)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	12	(5)
Repayments of lease liabilities	(121)	(128)
Proceeds from long-term borrowings	–	2,700
Repayments of long-term borrowings	(975)	(901)
Dividends paid	(2,190)	(2,192)
Dividends paid to non-controlling interests	(7)	(86)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(3,282)	(615)
Effect of exchange rate change on cash and cash equivalents	59	31
Net increase (decrease) in cash and cash equivalents	(5,727)	(57)
Cash and cash equivalents at beginning of period	14,098	9,765
Cash and cash equivalents at end of period	8,370	9,707

(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 three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)
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, 2025 and calculates tax expense by multiplying profit before income taxes by the effective tax rate thus obtained.

(Segment information, etc.)

1. For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Information relating to net sales and profit or loss by reportable segment and information on breakdown of revenue

		Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Quarterly consolidated statements of income (Note 3)
		Processed Foods Business	Fresh Meat Business	Total				
Net sales								
Fresh meat		3,972	31,566	35,539	–	35,539	–	35,539
Ham and sausage		27,784	3	27,788	–	27,788	–	27,788
Processed foods		45,017	36	45,053	–	45,053	–	45,053
Other		336	107	444	126	571	–	571
Revenue from contracts with customers		77,111	31,714	108,826	126	108,952	–	108,952
Other revenue		–	329	329	1	330	–	330
Sales to external customers		77,111	32,044	109,155	127	109,283	–	109,283
Intersegment sales or transfers		2	5,512	5,515	13	5,528	(5,528)	–
Total		77,114	37,556	114,670	141	114,812	(5,528)	109,283
Segment profit (loss)		3,347	300	3,647	58	3,705	(98)	3,607

(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 ¥98 million includes corporate expenses of ¥98 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 three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Information relating to net sales and profit or loss by reportable segment and information on breakdown of revenue

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	(Million yen)
	Processed Foods Business	Fresh Meat Business	Total				Quarterly consolidated statements of income (Note 3)
Net sales							
Fresh meat	4,065	35,231	39,296	–	39,296	–	39,296
Ham and sausage	29,083	4	29,087	–	29,087	–	29,087
Processed foods	43,913	53	43,966	–	43,966	–	43,966
Other	273	95	368	162	531	–	531
Revenue from contracts with customers	77,335	35,384	112,719	162	112,882	–	112,882
Other revenue	–	8	8	1	9	–	9
Sales to external customers	77,335	35,393	112,728	163	112,891	–	112,891
Intersegment sales or transfers	0	5,172	5,172	14	5,187	(5,187)	–
Total	77,335	40,565	117,901	178	118,079	(5,187)	112,891
Segment profit (loss)	3,171	219	3,390	70	3,461	(114)	3,346

- (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 ¥114 million includes corporate expenses of ¥114 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

(Revenue recognition)

Information on breakdown of revenue from contracts with customers is presented in the “Notes (Segment information, etc.)” section.