Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 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 semi-annual securities report: November 11, 2024
Scheduled date of commencing dividend payments: December 2, 2024
Availability of supplementary briefing material on financial results: Yes
Schedule of financial results briefing session: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 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	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	229,441	3.0	6,185	(9.4)	6,812	(8.3)	4,258	10.3
September 30, 2023	222,735	5.2	6,829	24.8	7,427	27.4	3,861	4.7

(Note) Comprehensive income: Six months ended September 30, 2024: ¥4,871 million [(17.5)%]
Six months ended September 30, 2023: ¥5,907 million [32.7%]

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	84.73	–
September 30, 2023	76.85	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	242,502	132,760	50.1
As of March 31, 2024	244,793	130,213	48.7

(Reference) Equity: As of September 30, 2024: ¥121,437 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	–	40.00			
Fiscal year ending March 31, 2025 (Forecast)			–	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
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 semi-annual 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, 2024: 50,524,399 shares
March 31, 2024: 50,524,399 shares

2) Total number of treasury shares at the end of the period:
September 30, 2024: 260,686 shares
March 31, 2024: 270,641 shares

3) Average number of shares during the period:
Six months ended September 30, 2024: 50,256,473 shares
Six months ended September 30, 2023: 50,252,433 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").

* These semi-annual financial results are outside the scope of 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 Semi-annual Financial Results for the Period, (3) Explanation on Consolidated Financial Results Forecast and Other Forward-looking Information” on page 4 of the attachment.

・The Company plans to hold a financial results briefing session for institutional investors and analysts on Friday, November 15, 2024. 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 Semi-annual 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 six months ended September 30, 2024, consolidated basis.

During the six months ended September 30, 2024, the Japanese economy is expected to continue to recover in the real growth rate led by domestic demand due to increases in capital expenditure and consumer spending. While the Consumer Price Index (all items index released by the Ministry of Internal Affairs and Communications) has continued to rise at the 2% level year on year every month, real wages, adjusted for inflation, turned positive for the first time in 27 months in June, and are turning to a positive trend.

The environment surrounding the food industry has continued to see mark-ups in response to the soaring costs of raw materials and increased labor costs. Although the real consumer spending has increased compared to the previous year due to factors such as rising prices caused by the weather and supply shortages, the amount spent on fresh foods such as meat, seafood, and vegetables has continued to decrease year on year, and the trend of frugality in fresh foods 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 six months ended September 30, 2024, net sales amounted to ¥229,441 million (up 3.0% year on year). In terms of profit, operating profit was ¥6,185 million (down 9.4% year on year), ordinary profit was ¥6,812 million (down 8.3% year on year), and profit attributable to owners of parent was ¥4,258 million (up 10.3% year on year).

Results by segment are as follows:

<Processed Foods Business>

We implemented sixth price revisions since February 2022 in September 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 expanded 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 slight rise of net sales year on year due to increase in sales of products for summer, although profit was lower than in the same period of the previous year due to decrease in sales volume of products in existing categories and higher manufacturing costs such as fuel prices and labor costs.

As a result of the above, net sales were ¥157,924 million (up 0.5% year on year) and segment profit was ¥5,757 million (down 8.6% 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 ¥71,184 million (up 9.0% year on year) and segment profit was ¥512 million (down 18.1% year on year) in the Fresh Meat Business.

<Other Business>

Net sales from Other Business (development, manufacture and sale of scientific instruments) were ¥333 million (up 26.7% year on year) and segment profit was ¥146 million (up 44.7% year on year).

(2) Explanation on Financial Position

<Assets>

Total assets at the end of the six months ended September 30, 2024 were ¥242,502 million, a decrease of ¥2,291 million compared to the end of the previous fiscal year. This was mainly due to increases of ¥1,716 million in inventories and ¥1,006 million in buildings and structures, and a decrease of ¥4,978 million in notes and accounts receivable - trade.

<Liabilities>

Liabilities decreased by ¥4,838 million compared to the end of the previous fiscal year to ¥109,742 million. This was mainly due to a decrease of ¥4,103 million in notes and accounts payable - trade.

<Net assets>

Net assets increased by ¥2,546 million compared to the end of the previous fiscal year to ¥132,760 million. This was mainly due to increases of ¥1,993 million in retained earnings and ¥694 million in foreign currency translation adjustment and a decrease of ¥542 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 six months ended September 30, 2024 amounted to ¥9,355 million, a decrease of ¥409 million compared to the end of the previous fiscal year (a decrease of ¥4,085 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 ¥7,726 million (a net cash inflow of ¥13,472 million for the same period of the previous fiscal year). The main factors were profit before income taxes of ¥7,626 million, depreciation and amortization of ¥5,570 million, a decrease of ¥5,043 million in trade receivables, an increase of ¥1,647 million in inventories, a decrease of ¥4,144 million in trade payables, and income taxes paid of ¥2,470 million.

<Cash flows from investing activities>

Cash flows from investing activities recorded a net cash outflow of ¥6,365 million (a net cash outflow of ¥13,212 million for the same period of the previous fiscal year). This was primarily due to outflows of ¥3,981 million for purchase of property, plant and equipment in order to upgrade production facilities, improve productivity, and stabilize quality, and ¥1,270 million for purchase 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 ¥1,825 million (a net cash outflow of ¥4,437 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 ¥2,262 million for dividends paid and ¥1,861 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. Semi-annual Consolidated Financial Statements and Primary Notes

(1) Semi-annual Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	13,253	13,718
Notes and accounts receivable - trade	52,592	47,614
Merchandise and finished goods	22,704	24,180
Raw materials and supplies	4,623	4,661
Work in process	4,656	4,858
Deposits paid	2,105	2,075
Other	3,259	2,839
Allowance for doubtful accounts	(2)	(2)
Total current assets	103,192	99,946
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	54,769	55,776
Land	19,919	19,936
Other, net	24,271	22,673
Total property, plant and equipment	98,961	98,385
Intangible assets		
Goodwill	1,440	1,469
Other	10,945	12,218
Total intangible assets	12,386	13,688
Investments and other assets		
Investment securities	8,855	9,063
Retirement benefit asset	14,620	14,849
Other	6,851	6,642
Allowance for doubtful accounts	(74)	(74)
Total investments and other assets	30,253	30,481
Total non-current assets	141,601	142,556
Total assets	244,793	242,502

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	58,856	54,752
Provision for bonuses	1,680	1,923
Income taxes payable	2,541	2,704
Short-term borrowings	362	327
Current portion of long-term borrowings	3,822	4,023
Other	17,887	16,212
Total current liabilities	85,150	79,942
Non-current liabilities		
Long-term borrowings	15,961	16,598
Retirement benefit liability	4,644	4,585
Provision for share awards for directors (and other officers)	108	87
Asset retirement obligations	410	412
Other	8,305	8,115
Total non-current liabilities	29,430	29,799
Total liabilities	114,580	109,742
Net assets		
Shareholders' equity		
Share capital	7,908	7,908
Capital surplus	10,199	10,199
Retained earnings	90,554	92,548
Treasury shares	(397)	(371)
Total shareholders' equity	108,265	110,285
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,053	2,511
Deferred gains or losses on hedges	(11)	84
Revaluation reserve for land	4,532	4,532
Foreign currency translation adjustment	1,847	2,541
Remeasurements of defined benefit plans	1,626	1,481
Total accumulated other comprehensive income	11,048	11,151
Non-controlling interests	10,899	11,322
Total net assets	130,213	132,760
Total liabilities and net assets	244,793	242,502

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statements of Income

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	222,735	229,441
Cost of sales	196,792	204,028
Gross profit	25,942	25,413
Selling, general and administrative expenses	19,112	19,227
Operating profit	6,829	6,185
Non-operating income		
Interest and dividend income	109	171
Share of profit of entities accounted for using equity method	20	13
Subsidy income	113	187
Other	534	511
Total non-operating income	778	884
Non-operating expenses		
Interest expenses	79	73
Loss on valuation of derivatives	–	140
Other	101	43
Total non-operating expenses	180	257
Ordinary profit	7,427	6,812
Extraordinary income		
Gain on sale of non-current assets	2	2
Gain on sale of investment securities	10	858
Subsidy income	–	221
Insurance claim income	–	139
Other	–	7
Total extraordinary income	12	1,229
Extraordinary losses		
Loss on sale of non-current assets	11	10
Impairment losses	283	–
Loss on retirement of non-current assets	170	399
Other	96	6
Total extraordinary losses	560	416
Profit before income taxes	6,879	7,626
Income taxes	2,289	2,856
Profit	4,590	4,769
Profit attributable to non-controlling interests	728	511
Profit attributable to owners of parent	3,861	4,258

Semi-annual Consolidated Statements of Comprehensive Income

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	4,590	4,769
Other comprehensive income		
Valuation difference on available-for-sale securities	955	(536)
Deferred gains or losses on hedges	(12)	96
Foreign currency translation adjustment	508	694
Remeasurements of defined benefit plans, net of tax	(148)	(144)
Share of other comprehensive income of entities accounted for using equity method	14	(7)
Total other comprehensive income	1,317	101
Comprehensive income	5,907	4,871
Comprehensive income attributable to		
Owners of parent	5,180	4,362
Non-controlling interests	726	509

(3) Semi-annual Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	6,879	7,626
Depreciation and amortization	5,500	5,570
Impairment losses	283	–
Amortization of goodwill	86	93
Increase (decrease) in allowance for doubtful accounts	5	(0)
Increase (decrease) in provision for bonuses	252	238
Increase (decrease) in retirement benefit liability	36	(5)
Decrease (increase) in retirement benefit asset	(461)	(429)
Increase (decrease) in provision for share awards for directors (and other officers)	2	(21)
Interest and dividend income	(109)	(171)
Insurance claim income	–	(139)
Interest expenses	79	73
Loss (gain) on sale of investment securities	(10)	(858)
Share of loss (profit) of entities accounted for using equity method	(20)	(13)
Loss (gain) on sale of property, plant and equipment	8	7
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	170	399
Subsidy income	–	(221)
Decrease (increase) in trade receivables	(7,512)	5,043
Decrease (increase) in other current assets	54	(381)
Decrease (increase) in inventories	(6,241)	(1,647)
Increase (decrease) in trade payables	12,686	(4,144)
Increase (decrease) in other current liabilities	2,646	(1,952)
Increase (decrease) in accrued consumption taxes	941	(35)
Increase (decrease) in long-term accounts payable - other	0	(4)
Other, net	26	155
Subtotal	15,319	9,182
Interest and dividends received	107	163
Interest paid	(78)	(73)
Income taxes paid	(1,876)	(2,470)
Subsidies received	–	221
Proceeds from insurance income	–	702
Net cash provided by (used in) operating activities	13,472	7,726

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,334)	(3,981)
Proceeds from sale of property, plant and equipment	961	13
Proceeds from redemption of investment securities	–	57
Purchase of intangible assets	(3,434)	(1,270)
Purchase of investment securities	(798)	(1,221)
Proceeds from sale of investment securities	13	1,015
Loan advances	(5)	–
Proceeds from collection of loans receivable	0	0
Payments of leasehold deposits	(12)	(10)
Proceeds from refund of leasehold deposits	15	25
Decrease (increase) in time deposits	(899)	(500)
Purchase of long-term prepaid expenses	(1,666)	(178)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	10	–
Other, net	(62)	(315)
Net cash provided by (used in) investing activities	(13,212)	(6,365)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	33	(56)
Repayments of lease liabilities	(258)	(257)
Proceeds from long-term borrowings	–	2,700
Repayments of long-term borrowings	(1,934)	(1,861)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(9)	–
Dividends paid	(2,261)	(2,262)
Dividends paid to non-controlling interests	(7)	(86)
Purchase of treasury shares	(1)	(1)
Net cash provided by (used in) financing activities	(4,437)	(1,825)
Effect of exchange rate change on cash and cash equivalents	92	54
Net increase (decrease) in cash and cash equivalents	(4,085)	(409)
Cash and cash equivalents at beginning of period	14,098	9,765
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(0)	–
Cash and cash equivalents at end of period	10,012	9,355

(4) Notes to the Semi-annual 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 semi-annual consolidated financial statements)

Item	For the six months ended September 30, 2024 (from April 1, 2024 to September 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 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 and information on breakdown of revenue

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Semi-annual consolidated statements of income (Note 3)
	Processed Foods Business	Fresh Meat Business	Total				
Net sales							
Fresh meat	8,365	64,422	72,787	–	72,787	–	72,787
Ham and sausage	55,903	8	55,911	–	55,911	–	55,911
Processed foods	92,110	81	92,192	–	92,192	–	92,192
Other	733	214	947	261	1,209	–	1,209
Revenue from contracts with customers	157,112	64,727	221,839	261	222,100	–	222,100
Other revenue	26	605	632	2	634	–	634
Sales to external customers	157,139	65,332	222,471	263	222,735	–	222,735
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 profit (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 semi-annual 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.

2. For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

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

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Semi-annual consolidated statements of income (Note 3)
	Processed Foods Business	Fresh Meat Business	Total				
Net sales							
Fresh meat	8,232	70,845	79,077	–	79,077	–	79,077
Ham and sausage	58,834	10	58,845	–	58,845	–	58,845
Processed foods	90,225	107	90,332	–	90,332	–	90,332
Other	631	194	826	331	1,158	–	1,158
Revenue from contracts with customers	157,924	71,158	229,082	331	229,414	–	229,414
Other revenue	–	25	25	2	27	–	27
Sales to external customers	157,924	71,184	229,108	333	229,441	–	229,441
Intersegment sales or transfers	0	10,496	10,497	29	10,526	(10,526)	–
Total	157,924	81,680	239,605	363	239,968	(10,526)	229,441
Segment profit (loss)	5,757	512	6,270	146	6,417	(231)	6,185

(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 ¥231 million includes corporate expenses of ¥231 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 semi-annual 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.