

August 3, 2020

Consolidated Financial Results (Japanese Accounting Standards) for the Three Months Ended June 30, 2020 (Q1 FY2020)

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 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 2810
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Scheduled date for filing of securities report: August 12, 2020

Scheduled date of commencement of dividend payment: –

Supplementary documents for quarterly results: Yes

Quarterly results briefing: None

(Amounts of less than one million yen are rounded to the nearest million yen.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (April 1, 2020 – June 30, 2020)

(1) Consolidated Results of Operations (Accumulated Total)

(Percentages show year-on-year changes.)

	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, 2020	67,448	(6.8)	4,407	(5.0)	4,491	(10.2)	2,789	12.1
June 30, 2019	72,341	1.5	4,638	7.6	5,002	7.3	2,488	(8.4)

(Note) Comprehensive income: 2,953 million yen (61.0%) for the three months ended June 30, 2020
 1,834 million yen (-41.4%) for the three months ended June 30, 2019

	Profit per share (basic)	Profit per share (diluted)
	Yen	Yen
Three months ended June 30, 2020	27.68	–
June 30, 2019	24.69	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Three months ended June 30, 2020	359,215	280,926	69.4	2,475.38
Year ended March 31, 2020	367,194	280,930	67.7	2,469.20

(Reference) Shareholders' equity: As of June 30, 2020: 249,392 million yen
 As of March 31, 2020: 248,770 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	–	23.00	–	23.00	46.00
Year ending March 31, 2021	–				
Year ending March 31, 2021 (forecasts)		23.00	–	23.00	46.00

(Note) Revisions to dividend forecasts published most recently: None

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(Percentage figures represent the changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2021	290,000	(1.3)	15,500	(18.4)	16,900	(18.7)	9,600	(16.2)	95.29

(Note) Revisions to financial forecasts published most recently: None

* Notes

- (1) Changes of important subsidiaries during the period
(changes of specific subsidiaries in accordance with changes in the scope of consolidation): None
- (2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies and changes or restatement of accounting estimates
- | | |
|--|------|
| (i) Changes in accounting policies caused by revision of accounting standards: | None |
| (ii) Changes in accounting policies other than (i): | None |
| (iii) Changes in accounting estimates: | None |
| (iv) Restatement: | None |
- (4) Number of shares outstanding (common shares):
- | | |
|---|--------------------|
| (i) Number of shares outstanding at end of period (including treasury shares) | |
| As of June 30, 2020: | 100,750,620 shares |
| As of March 31, 2020: | 100,750,620 shares |
| (ii) Number of treasury shares at end of period | |
| As of June 30, 2020: | 1,619 shares |
| As of March 31, 2020: | 1,367 shares |
| (iii) Average number of shares outstanding during the term | |
| Three months ended June 30, 2020: | 100,749,138 shares |
| Three months ended June 30, 2019: | 100,750,058 shares |

* Quarterly consolidated financial results are not subject to a quarterly review by certified public accountants or audit corporations.

* Explanations and other special notes concerning the appropriate use of business results forecasts

- The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.
- For other matters related to the forecasts, please refer to “(3) Information on the Future Outlook, Including Consolidated Business Results Forecasts” under “1. Qualitative Information on Results for the First Quarter Ended June 30, 2020” on page 4 of the accompanying materials.

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1. Qualitative Information on Results for the First Quarter Ended June 30, 2020

(1) Details of Operating Results

During the first quarter of the fiscal year under review, the domestic economy and foreign economies continued to stagnate amid the COVID-19 pandemic, and the outlook was extremely uncertain.

Under such conditions, House Foods Group focused on ensuring the safety of its employees and their families as its top priority, whilst also endeavoring to maintain stable provision of products and services as a company that plays a part in supplying essential “food” to customers. In the first quarter of the fiscal year under review, demand for products for household use grew both in Japan and overseas owing to more home-cooked meal opportunities. However, business results were noticeably affected by fewer opportunities to sell products for food service use and functional beverages and sluggish demand in the Restaurant Business as people refrained from going out.

Meanwhile, the current fiscal year is the final fiscal year of House Food Group’s Sixth Medium-Term Business Plan. The Group is taking steps to become a high quality company in all three of the responsibilities (“For our customers,” “For our employees and their families,” and “For society”) it seeks to fulfill as a corporate citizen.

As a result, the Group’s operating results were as shown below.

	Three months ended June 30, 2020	
	Amount (million yen)	Year-on-year change (%)
Net sales	67,448	93.2
Operating profit	4,407	95.0
Ordinary profit	4,491	89.8
Profit attributable to owners of parent	2,789	112.1

The following is an overview of results by segment (before the elimination of inter-segment transactions).

Segment	Consolidated net sales		Consolidated operating profit Segment profit (loss)	
	Amount (million yen)	Year-on-year change (%)	Amount (million yen)	Year-on-year change (%)
Spice / Seasoning / Processed Food Business	35,350	105.8	4,263	147.8
Health Food Business	4,921	65.4	(235)	—
International Food Business	8,341	112.9	1,010	77.1
Restaurant Business	10,419	79.0	(927)	—
Other Food Related Business	10,932	86.2	508	124.0
Subtotal	69,962	94.3	4,619	91.5
Adjustment (elimination)	(2,514)	—	(212)	—
Total	67,448	93.2	4,407	95.0

(Note) 1. Adjustment (elimination) comprises profit or loss not distributed to segments and the elimination of inter-segment transactions.

Spice / Seasoning / Processed Food Business

In the products for household use business of House Foods Corporation, demand grew across a wide range of product categories, including curry products and retort pouched products, driven by a shift towards home-cooked meals amid increased at-home consumption since the end of the previous fiscal year. However, the surge in demand gradually subsided, partly because of restrictions on sales promotion activities. Meanwhile, the business of products for food service use conducted by House Foods Corporation and Gaban Co., Ltd. was severely affected by fewer selling opportunities as people refrained from going out.

As a result of the above, sales in the Spice/Seasoning/Processed Food Business stood at 35,350 million yen, up 5.8% year on year, and operating profit was 4,263 million yen, up 47.8% year on year. As a result, the ratio of operating profit to net sales was 12.1%, improving 3.4 percentage point from the same period of the previous fiscal year.

Health Food Business

The Health Food Business faced enormously challenging conditions, fighting an uphill battle against the impact of the downscaling of the PET products business as part of reorganization of the business base, sharp decline in sales of the *Ukon No Chikara* series due to plunging demand for drinking out and fewer selling opportunities for vitamin products as people refrained from going out. However, *Ichinichibun No Vitamin jelly* products and the lactic acid bacterium business performed better than a year earlier.

As a result of the above, sales in the Health Food Business declined 34.6% year on year, to 4,921 million yen. Operating profit decreased 379 million yen year on year, resulting in an operating loss of 235 million yen, reflecting sharp decline in sales despite efforts to curb marketing costs and fixed costs. As a result, the ratio of operating profit to net sales was -4.8%, declining 6.7 percentage points from the same period of the previous fiscal year.

International Food Business Period covered by the consolidated financial statements: Mainly from January to March 2020

The tofu business in the United States posted sales growth driven by products for household use amid continued demand growth in the plant-based protein market. However, profit was down, mainly due to higher costs associated with the start of operation of new lines at the Los Angeles Plant in January 2020.

The curry business in China posted gains in sales overall due to brisk sales of products for household use associated with expansion of at-home demand, despite an inevitable slump in products for food service use due to the COVID-19 pandemic.

The functional beverage business in Thailand posted higher sales but lower profits, reflecting higher costs associated with increased VAT since October 2019 even through the impact of COVID-19 was insignificant during the first quarter under review and demand remained strong.

As a result of the above, sales in the International Food Business rose 12.9% year on year, to 8,341 million yen. Operating profit decreased 22.9%, to 1,010 million yen. Consequently, the ratio of operating profit to net sales was 12.1%, fell 5.6 percentage point from a year earlier.

Restaurant Business Periods covered by the consolidated financial statements: From March to May for Ichibanya Co., Ltd. and from January to March for overseas subsidiaries

Ichibanya Co., Ltd. posted declines in sales and profits, reflecting the severe impact of the COVID-19 crisis, despite efforts to adapt flexibly including increasing takeout and home delivery sales and providing various support to franchisees as people refrained from going out and restaurants were asked to close. Sales of existing stores of Ichibanya Co., Ltd. in Japan fell 18.5% year on year (customer footfall down 19%, average customer spend up 0.7%) while sales at existing stores overseas fell 37.7% year on year.

As a result, sales in the Restaurant Business including Ichibanya Co., Ltd. and other restaurant subsidiaries decreased

21.0% year on year, to 10,419 million yen. Operating profit fell 1,230 million yen year on year, resulting in a loss of 927 million yen, partly due to the burden of the amortization of goodwill and intangible assets recognized upon making Ichibanya Co., Ltd. a subsidiary included in the scope of consolidation. Consequently, the ratio of operating profit to net sales was -8.9%, falling 11.2 percentage points from a year earlier.

Other Food Related Business

Delica Chef Corporation, a Group company that produces prepared food for convenience stores, posted sales growth driven by desserts amid growth in at-home consumption. However profits decreased mainly due to rising labor costs.

Vox Trading Co., Ltd., which imports, exports and sells agricultural products and food, continued to work on expanding sales of high value-added products and achieved higher profits despite lower sales.

As a result of the above, sales in Other Food Related Business decreased 13.8% year on year, to 10,932 million yen, and operating profit increased 24.0% year on year, to 508 million yen. Consequently, the ratio of operating profit to net sales was 4.6%, improving 1.4 percentage point from a year ago.

(2) Details of Financial Position

The consolidated financial situation at the end of the first quarter of the fiscal year under review is as follows:

Total assets were 359,215 million yen, a decrease of 7,979 million yen from the end of the previous consolidated fiscal year.

Current assets stood at 144,361 million yen, a decrease of 5,292 million yen mainly due to decreases in notes and accounts receivable - trade and securities, despite increases in merchandise and finished goods and cash and deposits.

Non-current assets declined 2,687 million yen, to 214,854 million yen mainly due to decreases in construction in progress and investment securities despite increases in buildings and structures, net and machinery, equipment and vehicles, net.

Liabilities stood at 78,288 million yen, a decrease of 7,975 million yen from the end of the previous consolidated fiscal year.

Current liabilities were down 6,760 million yen, to 46,377 million yen mainly due to decreases in accounts payable - other and income taxes payable despite an increase in short-term borrowings. Non-current liabilities declined 1,215 million yen, to 31,911 million yen chiefly due to a decrease in long-term guarantee deposits.

Net assets stood at 280,926 million yen, a decrease of 4 million yen from the end of the previous consolidated fiscal year mainly because of declines in foreign currency translation adjustment and non-controlling interests, while retained earnings increased thanks to profit attributable to owners of parent and valuation difference on available-for-sale securities increased due to a rise in the market value of investment securities owned.

As a result, the equity ratio stood at 69.4% (compared with 67.7% at the end of the previous fiscal year), and net assets per share amounted to 2,475.38 yen (2,469.20 yen at the end of the previous fiscal year) at the end of the first quarter of the fiscal year under review.

(3) Information on the Future Outlook, Including Consolidated Business Results Forecasts

Regarding the impact of COVID-19, although the state of emergency has been lifted in Japan, the situation is expected to remain unpredictable, with fears of a resurgence of the virus and continued growth in the number of COVID-19 infections worldwide.

As for the consolidated forecasts for the fiscal year ending March 31, 2021, although the severity of the impact will vary depending on the business segment, there has been no change to the consolidated results forecasts announced on May 12, 2020, which are calculated based on the assumption that first-half results will be significantly impacted and the outbreak will gradually end through the second half.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	End of previous fiscal year (As of March 31, 2020)	End of first quarter of the fiscal year under review (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	66,424	66,917
Notes and accounts receivable - trade	47,774	41,205
Securities	10,893	7,402
Merchandise and finished goods	11,390	13,972
Work in process	1,979	2,076
Raw materials and supplies	5,128	5,361
Other	6,181	7,580
Allowance for doubtful accounts	(115)	(153)
Total current assets	149,653	144,361
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,327	34,128
Machinery, equipment and vehicles, net	17,229	18,081
Land	31,865	31,841
Leased assets, net	1,861	1,777
Construction in progress	4,589	1,191
Other, net	2,368	2,227
Total property, plant and equipment	90,239	89,245
Intangible assets		
Goodwill	2,562	1,708
Trademark right	24,024	23,865
Software	1,549	1,480
Contract-related intangible assets	24,887	24,646
Software in progress	731	1,223
Other	722	704
Total intangible assets	54,476	53,626
Investments and other assets		
Investment securities	60,182	58,849
Long-term loans receivable	3	2
Deferred tax assets	1,837	1,936
Long-term time deposits	1,000	1,000
Retirement benefit asset	3,162	3,585
Distressed receivables	659	654
Long-term deposits	1,088	1,077
Other	6,825	6,795
Allowance for doubtful accounts	(1,931)	(1,915)
Total investments and other assets	72,825	71,983
Total non-current assets	217,541	214,854
Total assets	367,194	359,215

(Million yen)

	End of previous fiscal year (As of March 31, 2020)	End of first quarter of the fiscal year under review (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,706	19,277
Electronically recorded obligations - operating	1,553	1,101
Short-term borrowings	3,340	3,695
Current portion of bonds payable	26	13
Lease obligations	491	499
Accounts payable - other	17,435	11,652
Income taxes payable	4,232	1,764
Provision for bonuses	636	250
Provision for bonuses for directors (and other officers)	85	21
Provision for shareholder benefit program	86	70
Asset retirement obligations	3	3
Other	5,543	8,032
Total current liabilities	53,138	46,377
Non-current liabilities		
Long-term borrowings	98	92
Lease obligations	1,451	1,361
Long-term accounts payable - other	250	256
Deferred tax liabilities	22,518	22,970
Retirement benefit liability	1,987	1,966
Asset retirement obligations	723	726
Long-term guarantee deposits	5,698	4,142
Other	400	398
Total non-current liabilities	33,126	31,911
Total liabilities	86,264	78,288
Net assets		
Shareholders' equity		
Share capital	9,948	9,948
Capital surplus	22,829	22,829
Retained earnings	195,844	196,316
Treasury shares	(6)	(7)
Total shareholders' equity	228,616	229,087
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	18,650	19,468
Deferred gains or losses on hedges	14	7
Foreign currency translation adjustment	292	(369)
Remeasurements of defined benefit plans	1,198	1,199
Total other accumulated comprehensive income	20,154	20,305
Non-controlling interests	32,160	31,534
Total net assets	280,930	280,926
Total liabilities and net assets	367,194	359,215

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(First three-month period)

(Million yen)

	First three-month period of previous fiscal year (April 1, 2019 - June 30, 2019)	First three-month period of the fiscal year under review (April 1, 2020 - June 30, 2020)
Net sales	72,341	67,448
Cost of sales	40,037	37,077
Gross profit	32,305	30,371
Selling, general and administrative expenses	27,667	25,964
Operating profit	4,638	4,407
Non-operating income		
Interest income	77	53
Dividend income	62	103
Share of profit of entities accounted for using equity method	402	—
Rental income from buildings	188	206
Other	131	114
Total non-operating income	861	477
Non-operating expenses		
Interest expenses	17	13
Rental expenses	154	164
Foreign exchange losses	270	81
Share of loss of entities accounted for using equity method	—	90
Other	55	44
Total non-operating expenses	496	393
Ordinary profit	5,002	4,491
Extraordinary income		
Gain on sales of non-current assets	3	0
Gain on sales of investment securities	—	33
Gain on sales of restaurants	4	44
Other	0	—
Total extraordinary income	8	77
Extraordinary losses		
Loss on sales of non-current assets	0	11
Loss on retirement of non-current assets	113	25
Loss on sales of investment securities	—	13
Loss on valuation of investment securities	—	3
Impairment loss	0	0
Loss on change in equity	212	—
Other	7	3
Total extraordinary losses	332	55
Profit before income taxes	4,678	4,514
Income taxes	1,584	1,620
Profit	3,094	2,893
Profit attributable to		
Profit attributable to owners of parent	2,488	2,789
Profit attributable to non-controlling interests	606	104

(Million yen)

	First three-month period of previous fiscal year (April 1, 2019 - June 30, 2019)	First three-month period of the fiscal year under review (April 1, 2020 - June 30, 2020)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,347)	874
Deferred gains or losses on hedges	(1)	(8)
Foreign currency translation adjustment	182	(753)
Remeasurements of defined benefit plans, net of tax	(105)	(22)
Share of other comprehensive income of entities accounted for using equity method	11	(31)
Total other comprehensive income	(1,260)	60
Comprehensive income	1,834	2,953
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,271	2,940
Comprehensive income attributable to non-controlling interests	563	13

(3) Notes to Quarterly Consolidated Financial Statements

Notes Relating to Assumptions for the Going Concern

Not applicable.

Notes for Case Where Shareholders' Equity underwent Significant Changes in Value

Not applicable.

Application of Particular Accounts Procedures to the Preparation of Quarterly Consolidated Financial Statements

(Calculation of tax expenses)

The Company calculates tax expenses by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year and multiplying profit before income taxes for the first quarter under review by the estimated effective tax rate.

However, if the calculation of tax expenses using the estimated effective tax rate results in a markedly unreasonable outcome, tax expenses are calculated by using the statutory effective tax rate after adding and subtracting important differences that do not fall under temporary differences to and from profit before income taxes.

Additional Information

The impact of the COVID-19 pandemic on the Group is as described in 1. Qualitative Information on Results for the First Quarter Ended June 30, 2020 (3) Information on the Future Outlook, Including Consolidated Business Results Forecasts. The Group currently believes there no need to significantly alter the assumptions of its accounting estimates made at the end of the previous fiscal year. However, the impact of the future spread of COVID-19 on economic activity involves many uncertainties and any changes in the Group's assumptions could affect the Group's financial standing and operating results.

Segment Information

I. First three-month period of previous fiscal year (April 1, 2019 - June 30, 2019)

1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments						Other	Total	Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total				
Net sales										
Sales – outside customers	32,380	7,449	7,374	13,176	11,956	72,336	–	72,336	6	72,341
Sales and transfer – inter-segment	1,025	71	16	10	721	1,843	–	1,843	(1,843)	–
Total	33,405	7,520	7,390	13,186	12,678	74,179	–	74,179	(1,838)	72,341
Segment profit (loss)	2,884	144	1,310	303	410	5,050	–	5,050	(413)	4,638

(Note) 1. The details of the adjustments listed are as follows:

(1) “Sales – outside customers” consist primarily of proceeds from the real estate leasing recorded by the Company.

(2) “Segment profit (loss)” includes a profit of -413 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments.

(Note) 2. “Segment profit” has been adjusted, with operating profit recorded in the consolidated financial statements.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

(Important impairment loss on non-current assets)

In the first quarter of the consolidated fiscal year under review, the Company recorded an impairment loss of 0 million yen associated with a fall in profitability of store assets, etc. in the Restaurant Business segment.

II. First three-month period of the fiscal year under review (April 1, 2020 - June 30, 2020)

1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments						Other	Total	Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total				
Net sales										
Sales – outside customers	33,807	4,827	8,305	10,402	10,102	67,442	–	67,442	6	67,448
Sales and transfer – inter-segment	1,543	94	36	18	830	2,520	–	2,520	(2,520)	–
Total	35,350	4,921	8,341	10,419	10,932	69,962	–	69,962	(2,514)	67,448
Segment profit (loss)	4,263	(235)	1,010	(927)	508	4,619	–	4,619	(212)	4,407

(Note) 1. The details of the adjustments listed are as follows:

(1) “Sales – outside customers” consist primarily of proceeds from the real estate leasing recorded by the Company.

(2) “Segment profit (loss)” includes a profit of -212 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments.

(Note) 2. “Segment profit” has been adjusted, with operating profit recorded in the consolidated financial statements.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

(Important impairment loss on non-current assets)

In the first quarter of the consolidated fiscal year under review, the Company recorded an impairment loss of 0 million yen associated with a fall in profitability of store assets, etc. in the Restaurant Business segment.

3. Supplementary Information

(1) Business Results

Consolidated

(Million yen)

	First quarter of FY2019		First quarter of FY2020		FY2019		FY2020 Forecast	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	72,341	101.5%	67,448	93.2%	293,682	99.0%	290,000	98.7%
Operating profit	4,638	107.6%	4,407	95.0%	19,005	108.2%	15,500	81.6%
Ordinary profit	5,002	107.3%	4,491	89.8%	20,797	108.9%	16,900	81.3%
Profit attributable to owners of parent	2,488	91.6%	2,789	112.1%	11,458	83.2%	9,600	83.8%
Comprehensive income	1,834	58.6%	2,953	161.0%	7,981	81.8%	—	—

Net sales by business segment

	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales								
Spice / Seasoning / Processed Food Business	33,405	101.4%	35,350	105.8%	144,996	102.7%	149,000	102.8%
Health Food Business	7,520	92.3%	4,921	65.4%	27,890	90.3%	25,000	89.6%
International Food Business	7,390	122.5%	8,341	112.9%	29,734	113.0%	35,000	117.7%
Restaurant Business	13,186	103.5%	10,419	79.0%	52,498	100.8%	45,400	86.5%
Other Food Related Business	12,678	82.5%	10,932	86.2%	46,296	74.8%	43,800	94.6%
Adjustment	(1,838)	—	(2,514)	—	(7,733)	—	(8,200)	—

Operating profit by business segment

	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Operating profit								
Spice / Seasoning / Processed Food Business	2,884	108.5%	4,263	147.8%	14,111	111.4%	13,700	97.1%
Health Food Business	144	21.7%	(235)	—	521	36.7%	0	—
International Food Business	1,310	136.3%	1,010	77.1%	4,098	114.3%	4,000	97.6%
Restaurant Business	303	—	(927)	—	202	—	(1,900)	—
Other Food Related Business	410	67.7%	508	124.0%	1,791	87.6%	1,600	89.3%
Adjustment	(413)	—	(212)	—	(1,717)	—	(1,900)	—

(2) Number of Group Companies

	First quarter of FY2019	First quarter of FY2020	FY2019
Consolidated subsidiaries	36	35	35
Japan	14	14	14
Overseas	22	21	21
Equity-method affiliate	4	5	5
Japan	2	2	2
Overseas	2	3	3

Financial results of major subsidiaries in the first quarter of the fiscal year ending March 31, 2021

(Million yen)

	Net sales		Operating profit		Profit	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
House Foods Corporation	33,313	107.3%	4,388	165.0%	3,188	160.3%
House Wellness Foods Corporation	4,921	65.4%	(236)	—	(142)	—
House Foods America Corporation (Consolidated)	3,560	96.9%	224	43.6%	158	42.0%
Ichibanya Co., Ltd. (Consolidated)	10,327	81.0%	330	21.5%	253	23.7%

* Period included in consolidated financial statements: House Foods America Corporation - from January to March 2020; Ichibanya Co., Ltd. - from March to May 2020

Average exchange rate during the period

	Currency unit	First quarter of FY2019	First quarter of FY2020	FY2019	FY2020 Forecast
United States	USD	110.27	109.11	109.24	109.00

(3) Consolidated Statements of Income

1. Consolidated Statements of Income

(Million yen)

	First quarter of FY2019		First quarter of FY2020		Year-on-year change	
	Amount	Percentage	Amount	Percentage	Amount	Rate of change
Net sales	72,341	100.0%	67,448	100.0%	(4,893)	(6.8%)
<By business segment>						
Spice / Seasoning / Processed Food Business	33,405	46.2%	35,350	52.4%	1,945	5.8%
Health Food Business	7,520	10.4%	4,921	7.3%	(2,600)	(34.6%)
International Food Business	7,390	10.2%	8,341	12.4%	951	12.9%
Restaurant Business	13,186	18.2%	10,419	15.4%	(2,767)	(21.0%)
Other Food Related Business	12,678	17.5%	10,932	16.2%	(1,746)	(13.8%)
Adjustment	(1,838)	(2.5%)	(2,514)	(3.7%)	(676)	—
Cost of sales	40,037	55.3%	37,077	55.0%	(2,960)	(7.4%)
Selling, general and administrative expenses	27,667	38.2%	25,964	38.5%	(1,703)	(6.2%)
Advertising expenses	2,179	3.0%	1,759	2.6%	(421)	(19.3%)
Transportation and storage costs	2,828	3.9%	2,710	4.0%	(118)	(4.2%)
Sales commission	403	0.6%	460	0.7%	57	14.3%
Promotion expenses	7,480	10.3%	7,216	10.7%	(264)	(3.5%)
Personnel expenses	7,253	10.0%	7,086	10.5%	(168)	(2.3%)
Research and development expenses	1,079	1.5%	1,017	1.5%	(62)	(5.7%)
Amortization of goodwill	854	1.2%	854	1.3%	(0)	(0.0%)
Other	5,590	7.7%	4,862	7.2%	(728)	(13.0%)
Operating profit	4,638	6.4%	4,407	6.5%	(230)	(5.0%)
Non-operating income	861	1.2%	477	0.7%	(384)	(44.6%)
Non-operating expenses	496	0.7%	393	0.6%	(103)	(20.8%)
Ordinary profit	5,002	6.9%	4,491	6.7%	(511)	(10.2%)
Extraordinary income	8	0.0%	77	0.1%	69	890.1%
Extraordinary losses	332	0.5%	55	0.1%	(277)	(83.6%)
Profit before income taxes	4,678	6.5%	4,514	6.7%	(164)	(3.5%)
Income taxes	1,584	2.2%	1,620	2.4%	36	2.3%
Profit	3,094	4.3%	2,893	4.3%	(200)	(6.5%)
Profit attributable to						
Profit attributable to owners of parent	2,488	3.4%	2,789	4.1%	301	12.1%
Profit attributable to non-controlling interests	606	0.8%	104	0.2%	(502)	(82.8%)
Comprehensive income	1,834	2.5%	2,953	4.4%	1,119	61.0%

2. Major Factors for Changes in Operating Profit (Year on Year)

(Million yen)

Decrease in gross profit	(1,933)
Decrease in marketing costs (sum of advertising expenses, sales commission and promotion expenses)	627
Decrease in personnel expenses	168
Decrease in transportation and storage costs	118
Decrease in research and development expenses	62
Decrease in other expenses	728

3. Non-Operating Income (Expenses)

(Million yen)

	First quarter of FY2019	First quarter of FY2020	Year-on-year change
Interest income	77	53	(24)
Dividend income	62	103	41
Share of profit of entities accounted for using equity method	402	—	(402)
Rental income from buildings	188	206	18
Other	131	114	(17)
Total non-operating income	861	477	(384)
Interest expenses	17	13	(4)
Rental expenses	154	164	10
Foreign exchange losses	270	81	(189)
Share of loss of entities accounted for using equity method	—	90	90
Other	55	44	(11)
Total non-operating expenses	496	393	(103)

4. Extraordinary Income (Losses)

(Million yen)

	First quarter of FY2019	First quarter of FY2020	Year-on-year change
Gain on sales of non-current assets	3	0	(3)
Gain on sales of investment securities	—	33	33
Gain on sales of restaurants	4	44	40
Other	0	—	(0)
Total extraordinary income	8	77	69
Loss on sales of non-current assets	0	11	10
Loss on retirement of non-current assets	113	25	(88)
Loss on sales of investment securities	—	13	13
Loss on valuation of investment securities	—	3	3
Impairment loss	0	0	0
Loss on change in equity	212	—	(212)
Other	7	3	(4)
Total extraordinary losses	332	55	(277)

5. Quarterly Statements

Consolidated

(Million yen)

	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Net sales	72,341	72,292	78,005	71,043	293,682	67,448				
Year-on-year change	1,036	(2,168)	(1,847)	(34)	(3,014)	(4,893)				
Operating profit	4,638	4,475	6,861	3,031	19,005	4,407				
Year-on-year change	327	214	(332)	1,236	1,446	(230)				
Ordinary profit	5,002	4,995	7,323	3,477	20,797	4,491				
Year-on-year change	342	232	(117)	1,240	1,697	(511)				
Profit attributable to owners of parent	2,488	2,719	4,910	1,341	11,458	2,789				
Year-on-year change	(227)	(131)	222	(2,172)	(2,309)	301				
Comprehensive income	1,834	4,017	4,534	(2,404)	7,981	2,953				
Year-on-year change	(1,296)	(420)	3,973	(4,031)	(1,773)	1,119				

Net sales by business segment

	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Net sales										
Spice / Seasoning / Processed Food Business	33,405	35,718	40,194	35,679	144,996	35,350				
Year-on-year change	472	742	642	1,915	3,771	1,945				
Health Food Business	7,520	7,458	7,550	5,361	27,890	4,921				
Year-on-year change	(629)	(1,359)	(752)	(269)	(3,009)	(2,600)				
International Food Business	7,390	6,772	7,920	7,652	29,734	8,341				
Year-on-year change	1,357	573	815	673	3,418	951				
Restaurant Business	13,186	13,310	12,743	13,258	52,498	10,419				
Year-on-year change	442	316	(349)	6	415	(2,767)				
Other Food Related Business	12,678	10,912	11,548	11,158	46,296	10,932				
Year-on-year change	(2,693)	(4,474)	(4,349)	(4,071)	(15,586)	(1,746)				
Adjustment	(1,838)	(1,879)	(1,951)	(2,065)	(7,733)	(2,514)				
Year-on-year change	2,086	2,035	2,145	1,712	7,977	(676)				

Operating profit by business segment

	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Operating profit										
Spice / Seasoning / Processed Food Business	2,884	3,006	4,736	3,485	14,111	4,263				
Year-on-year change	227	124	(375)	1,466	1,442	1,380				
ROS	8.6%	8.4%	11.8%	9.8%	9.7%	12.1%				
Health Food Business	144	351	251	(224)	521	(235)				
Year-on-year change	(519)	(90)	(556)	264	(900)	(379)				
ROS	1.9%	4.7%	3.3%	(4.2%)	1.9%	(4.8%)				
International Food Business	1,310	831	1,255	702	4,098	1,010				
Year-on-year change	349	124	192	(151)	514	(300)				
ROS	17.7%	12.3%	15.8%	9.2%	13.8%	12.1%				
Restaurant Business	303	204	(37)	(267)	202	(927)				
Year-on-year change	463	186	193	(78)	763	(1,230)				
ROS	2.3%	1.5%	(0.3%)	(2.0%)	0.4%	(8.9%)				
Other Food Related Business	410	544	620	218	1,791	508				
Year-on-year change	(195)	(41)	(25)	8	(254)	98				
ROS	3.2%	5.0%	5.4%	2.0%	3.9%	4.6%				
Adjustment	(413)	(460)	37	(883)	(1,717)	(212)				
Year-on-year change	4	(88)	240	(273)	(118)	201				

(4) Consolidated Balance Sheets

Consolidated Balance Sheets

(Million yen)

	FY2019		First quarter of FY2020		Increase/decrease from end of FY2019	Major factors for increase/ decrease
	Amount	Percentage	Amount	Percentage	Amount	
Current assets	149,653	40.8%	144,361	40.2%	(5,292)	Decrease in notes and accounts receivable - trade (6,569) Decrease in securities (3,490) Increase in merchandise and finished goods 2,582 Increase in cash and deposits 493
Non-current assets	217,541	59.2%	214,854	59.8%	(2,687)	Decrease in construction in progress (3,398) Decrease in investment securities (1,333) Decrease in goodwill (854) Increase in buildings and structures 1,801 Increase in machinery, equipment and vehicles 852
Total assets	367,194	100.0%	359,215	100.0%	(7,979)	
Current liabilities	53,138	14.5%	46,377	12.9%	(6,760)	Decrease in accounts payable - other (5,784) Decrease in income taxes payable (2,468) Decrease in electronically recorded obligations - operating (451) Decrease in notes and accounts payable - trade (429)
Non-current liabilities	33,126	9.0%	31,911	8.9%	(1,215)	Decrease in long-term guarantee deposits (1,556) Decrease in lease obligations (90) Increase in deferred tax liabilities 452
Total liabilities	86,264	23.5%	78,288	21.8%	(7,975)	
Total shareholders' equity	228,616	62.3%	229,087	63.8%	471	Increase in retained earnings 472
Total other accumulated comprehensive income	20,154	5.5%	20,305	5.7%	151	Increase in valuation difference on available-for-sale securities 818 Decrease in foreign currency translation adjustment (660)
Non-controlling interests	32,160	8.8%	31,534	8.8%	(626)	
Total net assets	280,930	76.5%	280,926	78.2%	(4)	
Total liabilities and net assets	367,194	100.0%	359,215	100.0%	(7,979)	

(5) Capital Investment

Consolidated

(Million yen)

	First quarter of FY2019	First quarter of FY2020
Capital investment	3,863	1,819
Leases	774	65
Total	4,637	1,883

FY2020 Forecast
16,500
200
16,700

(6) Depreciation

Consolidated

(Million yen)

	First quarter of FY2019	First quarter of FY2020
Depreciation	2,279	2,497
Lease payments	92	87
Total	2,371	2,584

FY2020 Forecast
10,720
380
11,100

* Lease payments for leased property which is recorded as an asset according to the method for sales transactions are included in "depreciation."

(7) Major Management Indicators, etc.

Consolidated

	FY2019	First quarter of FY2020
Profit per share	113.73 yen	27.68 yen
Net assets per share	2,469.20 yen	2,475.38 yen
ATO	0.80 times	—
Ratio of operating profit to net sales	6.5%	6.5%
Ratio of ordinary profit to net sales	7.1%	6.7%
Ratio of operating profit to total assets	5.1%	—
ROE	4.6%	—
Equity ratio	67.7%	69.4%
Dividend per share	46.00 yen	—
Dividend payout ratio	40.4%	—
Dividend payout ratio according to the basic policy on the return of earnings to shareholders	31.6%	—

FY2020 Forecast
95.29 yen
—
—
5.3%
5.8%
—
—
—
46.00 yen
48.3%
38.1%

* Basic policy on the payment of dividends:

A dividend payout ratio of at least 30% on a consolidated basis excluding the effects of extraordinary income/losses arising from business combination and the amortization of goodwill

Number of employees	6,122 people	6,222 people
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* Excluding those on leave of absence and part-time workers

(8) Reference Information

1. Domestic market scale (according to the survey by House Foods)

(Billion yen)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Curry roux	48.5	51.9	50.3	47.4	45.0	44.2
Stew roux	18.1	18.7	18.0	18.1	17.0	16.6
Hashed beef sauce roux	6.1	6.5	6.3	6.1	6.0	6.2
Retort pouched curry	50.8	51.6	53.9	55.9	58.1	61.2
Spice in total	67.4	69.1	70.3	71.5	73.8	76.2

2. Curry roux market trends (SRI)

	FY2020	1Q	2Q	3Q	4Q	1H	2H	Full year
Overall market	Average selling price	197 yen						
	Change from the previous year	+9 yen						
House Foods	Average selling price	198 yen						
	Change from the previous year	+7 yen						
	Share of amount	61.6%						

Source: SRI monthly data of INTAGE Inc. (April 2020 – June 2020)

3. Year-on-year sales by major category (based on shipment amount)

	FY2020	1Q	2Q	3Q	4Q	1H	2H	Full year
Spice / Seasoning / Processed Food Business								
Curry roux in total	108.7%							
Retort pouched curry in total	99.5%							
Stew roux in total	128.1%							
Hashed beef sauce roux in total	105.1%							
Spice in total	124.6%							
Health Food Business								
Ukon No Chikara	36.6%							
C1000	64.8%							
Ichinichibun No Vitamin	94.8%							