

February 3, 2021

Consolidated Financial Results (Japanese Accounting Standards) for the Nine Months Ended December 31, 2021 (Q3 FY2020)

Company name: House Foods Group Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 2810
 URL: <https://housefoods-group.com>
 Representative: Hiroshi Urakami, President
 Contact: Nobuhide Nakagawa, General Manager, Public & Investors Relations Division
 Tel. +81-3-5211-6039

Scheduled date for filing of securities report: February 12, 2021

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 Nine Months Ended December 31, 2020 (April 1, 2020 – December 31, 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	%
Nine months ended December 31, 2020	217,146	(2.5)	18,537	16.0	17,794	2.7	6,753	(33.2)
December 31, 2019	222,639	(1.3)	15,974	1.3	17,320	2.7	10,117	(1.3)

(Note) Comprehensive income: 7,442 million yen (-28.3%) for the nine months ended December 31, 2020
 10,385 million yen (27.8%) for the nine months ended December 31, 2019

	Profit per share (basic)	Profit per share (diluted)
	Yen	Yen
Nine months ended December 31, 2020	67.03	–
December 31, 2019	100.42	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Nine months ended December 31, 2020	363,958	282,468	69.6	2,514.12
Year ended March 31, 2020	367,194	280,930	67.7	2,469.20

(Reference) Shareholders' equity: As of December 31, 2020: 253,293 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	–	23.00	–		
Year ending March 31, 2021 (forecasts)				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	283,300	(3.5)	19,200	1.0	19,000	(8.6)	8,300	(27.6)	82.38

(Note) Revisions to financial forecasts published most recently: Yes

* 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 December 31, 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 December 31, 2020: | 2,395 shares |
| As of March 31, 2020: | 1,367 shares |
| (iii) Average number of shares outstanding during the term | |
| Nine months ended December 31, 2020: | 100,748,765 shares |
| Nine months ended December 31, 2019: | 100,749,762 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 Three Quarters Ended December 31, 2020” on page 5 of the accompanying materials.

Accompanying Materials – Contents

1. Qualitative Information on Results for the First Three Quarters Ended December 31, 2020.....	2
(1) Details of Operating Results	2
(2) Details of Financial Position	5
(3) Information on the Future Outlook, Including Consolidated Business Results Forecasts.....	5
2. Quarterly Consolidated Financial Statements and Key Notes	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
(3) Notes to Quarterly Consolidated Financial Statements	10
Notes Relating to Assumptions for the Going Concern	10
Notes for Case Where Shareholders' Equity underwent Significant Changes in Value	10
Application of Particular Accounts Procedures to the Preparation of	
Quarterly Consolidated Financial Statements	10
Additional Information.....	10
Segment Information.....	11
3. Supplementary Information	13
(1) Business Results.....	13
(2) Number of Group Companies	13
(3) Consolidated Statements of Income	14
(4) Consolidated Balance Sheets.....	17
(5) Capital Investment	18
(6) Depreciation	18
(7) Major Management Indicators, etc.....	18
(8) Reference Information.....	19

1. Qualitative Information on Results for the First Three Quarters Ended December 31, 2020

(1) Details of Operating Results

Surges in COVID-19 infections and containment measures have repeatedly occurred since the outbreak of the pandemic, and the establishment of a fundamental medical care system has been sought. The impact of COVID-19 on economic activities is still immense, and the future outlook remains uncertain. In this environment, House Foods Group has been taking steps to address changes in the business environment and endeavors to maintain the stable provision of products and services as a company that plays a part in supplying essential food that supports the lifeline.

At the same time, the Group took consistent steps in all three responsibilities (“For our customers,” “For our employees and their families,” and “For society”) it seeks to fulfill as a corporate citizen to realize the Group philosophy: “Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives.”

Looking at operating results for the nine-month period under review, changes in consumer behavior during the COVID-19 pandemic had a considerable impact on each business, and the situation continued where the results differed depending on the segment. While the Health Food Business and the Restaurant Business languished as people refrained from going out, the Spice/Seasoning/Processed Food Business and the International Food Business performed strongly on the back of growth in sales of products for household in Japan and overseas due to rising demand for home-cooked meals. Costs generated in each business were also curbed.

In response to the changes in the business environment caused by the COVID-19 pandemic, the Group recorded non-operating expenses (share of loss of entities accounted for using equity method) and extraordinary losses (impairment loss) for the second quarter of the current fiscal year.

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

	Nine months ended December 31, 2020	
	Amount (million yen)	Year-on-year change (%)
Net sales	217,146	97.5
Operating profit	18,537	116.0
Ordinary profit	17,794	102.7
Profit attributable to owners of parent	6,753	66.8

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	112,612	103.0	13,672	128.7
Health Food Business	16,100	71.5	330	44.3
International Food Business	28,800	130.4	4,611	135.8
Restaurant Business	33,183	84.6	(887)	—
Other Food Related Business	32,639	92.9	1,447	92.0
Subtotal	223,334	97.8	19,173	114.1
Adjustment (elimination)	(6,189)	—	(636)	—
Total	217,146	97.5	18,537	116.0

(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 the household use business of House Foods Corporation, sales grew across a wide range of product categories, including curry products and spices, as a result of its efforts to stably supply products and enhance proposals to meet changing customer needs associated with growing demand for home-cooked meals amid the COVID-19 crisis and its dragging impact. Meanwhile, the business of products for food service use conducted by House Foods Corporation and Gaban Co., Ltd. reported decreased sales as the sluggish restaurant market had a significant impact, although the business showed a moderate recovery trend.

As a result of the above, net sales in the Spice/Seasoning/Processed Food Business stood at 112,612 million yen, up 3.0% year on year, and operating profit was 13,672 million yen, up 28.7% year on year, thanks to the effect of increased sales and market cost reductions. Consequently, the ratio of operating profit to net sales was 12.1%, improving 2.4 percentage point from a year earlier.

Health Food Business

The Health Food Business continued to face challenging conditions and to advance thorough cost reductions and structural reforms. The segment worked to downscale the PET products business as part of the reorganization of the business base and made efforts to develop the vitamin and lactic acid bacterium businesses to maintain customers' daily health. However, following the impact the COVID-19 pandemic, sales of the *Ukon No Chikara* series, which is a pillar of earnings in this segment, fell sharply due to plunging demand for drinking out, while *C1000* also saw a decline in selling opportunities, especially in urban areas.

As a result, sales in the Health Food Business declined 28.5% year on year, to 16,100 million yen. On the profit front, efforts were made to dramatically reduce costs. However, this was not enough to offset the impact of the sharp decline in sales, and operating profit decreased 55.7% year on year, to 330 million yen. As a result, the ratio of operating profit to net sales was 2.1%, declining 1.3 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 September 2020

The tofu business in the United States increased sales due to growing demand in the plant-based protein market and the contribution of the operation of new manufacturing lines at the Los Angeles Plant in January 2020. However, profit was down because those new lines were unable to secure initially expected stable operation.

The curry business in China posted gains in sales and profits because sales of products for household use surged in demand for home-cooked meals, while expenditures were reduced because sales promotions and business activities were restricted particularly in the first half. Food service products showed signs of gradual recovery after the resumption of economic activities.

The functional beverage business in Thailand posted gains in sales and profits, reflecting a more-than-expected increase in shipments amid the COVID-19 pandemic, although the introduction of VAT and increased marketing costs resulted in heavier burdens.

As a result of the above, sales in the International Food Business rose 30.4% year on year, to 28,800 million yen, and operating profit increased 35.8%, to 4,611 million yen. Consequently, the ratio of operating profit to net sales was 16.0%, improving 0.6 percentage point from a year earlier.

Restaurant Business Periods covered by the consolidated financial statements: From March to November 2020 for Ichibanya Co., Ltd. and from January to September 2020 for overseas subsidiaries

Ichibanya Co., Ltd. continued to face the challenging business environment due to requests made by local governments to restaurants for closing temporarily or shortening opening hours on a voluntary basis to prevent the spread of COVID-19 and amid the disappearance of inbound demand. In this environment, each restaurant actively worked on measures to prevent the spread of COVID-19 and endeavored to operate in such a way that customers felt safe to eat, as well as focusing on the expansion of sales from takeout and home delivery. As a result, existing store sales were gradually recovering in Japan and overseas. Meanwhile, steps were taken to provide cash flow support for franchisees, including scrapping the franchise security deposit system and refunding security deposits in full.

Taking into consideration the current business environment, in the second quarter of the fiscal year under review, the Company recognized impairment losses in relation to the goodwill and other intangible assets, which arose when the Company made Ichibanya Co., Ltd. into a consolidated subsidiary and recorded extraordinary losses.

As a result of the above, the Restaurant Business that includes Ichibanya Co., Ltd. and other restaurant subsidiaries recorded net sales of 33,183 million yen, a decrease of 15.4% year on year, and an operating loss of 887 million yen, with operating profit declining 1,357 million yen from a year ago. Consequently, the ratio of operating profit to net sales was -2.7%, falling 3.9 percentage points from a year earlier. Due to the posting of impairment losses, the amortization of goodwill and other intangible assets decreased 923 million yen in the nine-month period under review.

Other Food Related Business

Delica Chef Corporation, a Group company that produces prepared food for convenience stores, recorded declines in sales and profits due to an increase in personnel expenses and other costs, in addition to the sluggish performance of baked bread.

Vox Trading Co., Ltd., which imports, exports and sells agricultural products and food, posted declines in sales and profits, reflecting slow sales of food service products, in addition to fewer successful MA rice (minimum access rice) tender bids than a year earlier.

As a result of the above, sales in Other Food Related Business decreased 7.1% year on year, to 32,639 million yen, and operating profit declined 8.0% year on year, to 1,447 million yen. As a result, the ratio of operating profit to net sales was 4.4%, declining 0.0 percentage point from the same period of the previous fiscal year.

(2) Details of Financial Position

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

Total assets were 363,958 million yen, a decrease of 3,236 million yen from the end of the previous consolidated fiscal year.

Current assets stood at 159,194 million yen, an increase of 9,541 million yen mainly due to increases in notes and accounts receivable - trade and cash and deposits, despite a decrease in securities. Non-current assets declined 12,777 million yen, to 204,764 million yen mainly due to decreases in contract-related intangible assets and trademark right despite an increase in buildings and structures, net.

Liabilities stood at 81,489 million yen, a decrease of 4,774 million yen from the end of the previous consolidated fiscal year.

Current liabilities were down 1,873 million yen, to 51,265 million yen mainly due to decreases in accounts payable - other and income taxes payable, despite an increase in notes and accounts payable - trade. Non-current liabilities declined 2,902 million yen, to 30,225 million yen chiefly due to decreases in long-term guarantee deposited and deferred tax liabilities.

Net assets stood at 282,468 million yen, an increase of 1,538 million yen from the end of the previous consolidated fiscal year, reflecting increases in valuation difference on available-for-sale securities due to a rise in the market value of investment securities owned and in retained earnings due to the posting of profit attributable to owners of parent, offsetting a decrease in non-controlling interests.

As a result, the equity ratio stood at 69.6% (compared with 67.7% at the end of the previous fiscal year), and net assets per share amounted to 2,514.12 yen (2,469.20 yen at the end of the previous fiscal year) at the end of the first nine months of the fiscal year under review.

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

In light of business progress during the nine-month period under review, the most recent operating environment and other factors, the Company revised its consolidated business results forecasts for the fiscal year ending March 31, 2021 announced on October 30, 2020. Refer to “Notice Regarding Revision of Consolidated Business Results Forecasts” released today for further details.

The forecast above has been made based on information available on the date of publication of this document. Actual results may differ from the forecast.

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 third quarter of the fiscal year under review (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	66,424	71,410
Notes and accounts receivable - trade	47,774	53,581
Securities	10,893	9,010
Merchandise and finished goods	11,390	12,347
Work in process	1,979	2,206
Raw materials and supplies	5,128	4,954
Other	6,181	5,855
Allowance for doubtful accounts	(115)	(169)
Total current assets	149,653	159,194
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,327	33,638
Machinery, equipment and vehicles, net	17,229	16,853
Land	31,865	31,976
Leased assets, net	1,861	1,699
Construction in progress	4,589	2,556
Other, net	2,368	2,158
Total property, plant and equipment	90,239	88,882
Intangible assets		
Goodwill	2,562	—
Trademark right	24,024	19,502
Software	1,549	1,556
Contract-related intangible assets	24,887	20,002
Software in progress	731	1,718
Other	722	700
Total intangible assets	54,476	43,478
Investments and other assets		
Investment securities	60,182	58,949
Long-term loans receivable	3	2
Deferred tax assets	1,837	1,836
Long-term time deposits	1,000	1,000
Retirement benefit asset	3,162	3,710
Distressed receivables	659	649
Long-term deposits	1,088	1,035
Other	6,825	7,092
Allowance for doubtful accounts	(1,931)	(1,868)
Total investments and other assets	72,825	72,405
Total non-current assets	217,541	204,764
Total assets	367,194	363,958

(Million yen)

	End of previous fiscal year (As of March 31, 2020)	End of third quarter of the fiscal year under review (As of December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,706	20,980
Electronically recorded obligations - operating	1,553	1,287
Short-term borrowings	3,340	4,050
Current portion of bonds payable	26	—
Lease obligations	491	521
Accounts payable - other	17,435	15,093
Income taxes payable	4,232	3,084
Provision for bonuses	636	240
Provision for bonuses for directors (and other officers)	85	57
Provision for shareholder benefit program	86	74
Asset retirement obligations	3	14
Other	5,543	5,864
Total current liabilities	53,138	51,265
Non-current liabilities		
Long-term borrowings	98	76
Lease obligations	1,451	1,263
Long-term accounts payable - other	250	222
Deferred tax liabilities	22,518	21,356
Retirement benefit liability	1,987	2,010
Asset retirement obligations	723	748
Long-term guarantee deposits	5,698	4,130
Other	400	420
Total non-current liabilities	33,126	30,225
Total liabilities	86,264	81,489
Net assets		
Shareholders' equity		
Share capital	9,948	9,948
Capital surplus	22,829	22,829
Retained earnings	195,844	197,963
Treasury shares	(6)	(9)
Total shareholders' equity	228,616	230,731
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	18,650	21,872
Deferred gains or losses on hedges	14	(12)
Foreign currency translation adjustment	292	(452)
Remeasurements of defined benefit plans	1,198	1,154
Total other accumulated comprehensive income	20,154	22,562
Non-controlling interests	32,160	29,175
Total net assets	280,930	282,468
Total liabilities and net assets	367,194	363,958

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(First nine-month period)

(Million yen)

	First nine-month period of previous fiscal year (April 1, 2019 - December 31, 2019)	First nine-month period of the fiscal year under review (April 1, 2020 - December 31, 2020)
Net sales	222,639	217,146
Cost of sales	121,100	118,711
Gross profit	101,539	98,435
Selling, general and administrative expenses	85,565	79,898
Operating profit	15,974	18,537
Non-operating income		
Interest income	256	161
Dividend income	387	402
Share of profit of entities accounted for using equity method	561	—
Rental income from buildings	570	596
Other	284	554
Total non-operating income	2,058	1,713
Non-operating expenses		
Interest expenses	48	39
Rental expenses	466	474
Foreign exchange losses	108	450
Share of loss of entities accounted for using equity method	—	1,323
Other	91	169
Total non-operating expenses	712	2,455
Ordinary profit	17,320	17,794
Extraordinary income		
Gain on sales of non-current assets	32	2
Gain on sales of investment securities	612	33
Gain on sales of restaurants	37	84
Other	0	—
Total extraordinary income	682	118
Extraordinary losses		
Loss on sales of non-current assets	0	11
Loss on retirement of non-current assets	440	78
Loss on sales of investment securities	0	13
Loss on valuation of investment securities	—	3
Impairment loss	114	9,275
Loss on change in equity	212	—
Loss on sale of businesses	42	—
Other	24	13
Total extraordinary losses	831	9,394
Profit before income taxes	17,171	8,519
Income taxes	5,482	3,556
Profit	11,689	4,963
Profit attributable to		
Profit attributable to owners of parent	10,117	6,753
Profit (loss) attributable to non-controlling interests	1,572	(1,791)

(Million yen)

	First nine-month period of previous fiscal year (April 1, 2019 - December 31, 2019)	First nine-month period of the fiscal year under review (April 1, 2020 - December 31, 2020)
Other comprehensive income		
Valuation difference on available-for-sale securities	132	3,440
Deferred gains or losses on hedges	(10)	(29)
Foreign currency translation adjustment	(1,098)	(829)
Remeasurements of defined benefit plans, net of tax	(335)	(59)
Share of other comprehensive income of entities accounted for using equity method	7	(43)
Total other comprehensive income	(1,305)	2,479
Comprehensive income	10,385	7,442
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,885	9,161
Comprehensive income attributable to non-controlling interests	1,499	(1,720)

(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 third 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

(Share of loss of entities accounted for using equity method)

Himadri Foods Ltd., which is an equity-method affiliate of the Company and is mainly engaged in the manufacture and sale of spice products in India, is no longer expected to achieve the initially anticipated sales and profits as the business environment worsens, with no prospect for an end to the COVID-19 outbreak in India.

Accordingly, the Company recorded a share of loss of entities accounted for using equity method of 1,365 million yen (of which 796 million yen is the balance of unamortized goodwill) for the second quarter of this fiscal year, under non-operating expenses.

(Impairment loss)

In December 2015, the Company made Ichibanya Co., Ltd. into a consolidated subsidiary through the acquisition of additional shares. In light of the resurgence of COVID-19 during the second quarter of this fiscal year, the Company recognized impairment loss in relation to the goodwill and other intangible assets which arose when the Company made Ichibanya Co., Ltd. into a consolidated subsidiary and recorded extraordinary losses of 9,128 million yen. The Company recognized this impairment loss because, upon revaluation, the future cash flows expected to be derived from the goodwill and other intangible assets which arose when the Company made Ichibanya Co., Ltd. into a consolidated subsidiary were lower than initially anticipated.

(Impacts of COVID-19 on accounting estimates)

In the consolidated financial statements for the first nine months under review, the Company recorded a "Share of loss of entities accounted for using equity method" and an "Impairment loss" as described above because changes in consumer behavior caused by the COVID-19 pandemic significantly impacted the Company's consolidated business results and in turn its accounting estimates, as stated in "1. Qualitative Information on Results for the First Three Quarters Ended December 31, 2020 (1) Details of Operating Results."

The situation in which the impact of COVID-19 on social and economic activity remains unclear is likely to persist through the fourth quarter and beyond, and the Company assumes that the Health Food Business and the Restaurant

Business in particular will continue to be affected to some degree throughout next fiscal year and beyond. Any further significant changes to the Company's current assumptions could affect the Group's financial position and operating results.

Segment Information

I. First nine-month period of previous fiscal year (April 1, 2019 - December 31, 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	106,227	22,303	21,992	39,183	32,895	222,600	–	222,600	39	222,639
Sales and transfer – inter-segment	3,090	226	91	57	2,243	5,707	–	5,707	(5,707)	–
Total	109,317	22,529	22,083	39,240	35,138	228,307	–	228,307	(5,668)	222,639
Segment profit (loss)	10,625	745	3,396	469	1,573	16,809	–	16,809	(835)	15,974

(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 -835 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 three quarters of the consolidated fiscal year under review, the Company recorded an impairment loss of 114 million yen associated with a fall in profitability of store assets and assets for lease, etc. in the Restaurant Business segment.

II. First nine-month period of the fiscal year under review (April 1, 2020 - December 31, 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	109,332	15,854	28,718	33,147	30,052	217,102	–	217,102	44	217,146
Sales and transfer – inter-segment	3,280	246	83	36	2,587	6,232	–	6,232	(6,232)	–
Total	112,612	16,100	28,800	33,183	32,639	223,334	–	223,334	(6,189)	217,146
Segment profit (loss)	13,672	330	4,611	(887)	1,447	19,173	–	19,173	(636)	18,537

(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 -636 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 three quarters of the consolidated fiscal year under review, the Company recognized an impairment loss of 9,128 million yen relating to the goodwill and other intangible assets which arose when the Company made Ichibanya Co., Ltd. into a consolidated subsidiary, and an impairment loss of 147 million yen associated with decline in the profitability of restaurant assets, etc. in the Restaurant Business segment.

(Significant fluctuation in the amount of goodwill)

There was significant fluctuation in the amount of goodwill in the Restaurant Business segment due to the recognition of an impairment loss relating to goodwill. The decrease in goodwill as a result is 854 million yen. The amount stated in (Important impairment loss on non-current assets) above includes impairment loss relating to goodwill.

3. Supplementary Information

(1) Business Results

Consolidated

(Million yen)

	First three quarters of FY2019		First three quarters of FY2020		FY2019		FY2020 Revised forecast	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	222,639	98.7%	217,146	97.5%	293,682	99.0%	283,300	96.5%
Operating profit	15,974	101.3%	18,537	116.0%	19,005	108.2%	19,200	101.0%
Ordinary profit	17,320	102.7%	17,794	102.7%	20,797	108.9%	19,000	91.4%
Profit attributable to owners of parent	10,117	98.7%	6,753	66.8%	11,458	83.2%	8,300	72.4%
Comprehensive income	10,385	127.8%	7,442	71.7%	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	109,317	101.7%	112,612	103.0%	144,996	102.7%	145,800	100.6%
Health Food Business	22,529	89.2%	16,100	71.5%	27,890	90.3%	20,500	73.5%
International Food Business	22,083	114.2%	28,800	130.4%	29,734	113.0%	35,100	118.0%
Restaurant Business	39,240	101.1%	33,183	84.6%	52,498	100.8%	45,000	85.7%
Other Food Related Business	35,138	75.3%	32,639	92.9%	46,296	74.8%	45,100	97.4%
Adjustment	(5,668)	—	(6,189)	—	(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	10,625	99.8%	13,672	128.7%	14,111	111.4%	15,700	111.3%
Health Food Business	745	39.0%	330	44.3%	521	36.7%	(400)	—
International Food Business	3,396	124.3%	4,611	135.8%	4,098	114.3%	4,500	109.8%
Restaurant Business	469	—	(887)	—	202	—	(600)	—
Other Food Related Business	1,573	85.8%	1,447	92.0%	1,791	87.6%	1,700	94.9%
Adjustment	(835)	—	(636)	—	(1,717)	—	(1,700)	—

(2) Number of Group Companies

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

Financial results of major subsidiaries in the first third 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	104,885	103.9%	12,805	130.5%	9,144	130.1%
House Wellness Foods Corporation	16,100	71.5%	327	44.1%	212	40.8%
House Foods America Corporation (Consolidated)	10,216	98.1%	571	51.7%	409	50.4%
Ichibanya Co., Ltd. (Consolidated)	32,962	86.0%	1,971	46.5%	1,456	52.4%

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

Average exchange rate during the period

	Currency unit	First three quarters of FY2019	First three quarters of FY2020	FY2019	FY2020 Forecast
United States	USD	109.20	107.25	109.24	106.43

(3) Consolidated Statements of Income

1. Consolidated Statements of Income

(Million yen)

	First three quarters of FY2019		First three quarters of FY2020		Year-on-year change	
	Amount	Percentage	Amount	Percentage	Amount	Rate of change
Net sales	222,639	100.0%	217,146	100.0%	(5,493)	(2.5%)
<By business segment>						
Spice / Seasoning / Processed Food Business	109,317	49.1%	112,612	51.9%	3,295	3.0%
Health Food Business	22,529	10.1%	16,100	7.4%	(6,429)	(28.5%)
International Food Business	22,083	9.9%	28,800	13.3%	6,718	30.4%
Restaurant Business	39,240	17.6%	33,183	15.3%	(6,057)	(15.4%)
Other Food Related Business	35,138	15.8%	32,639	15.0%	(2,499)	(7.1%)
Adjustment	(5,668)	(2.5%)	(6,189)	(2.9%)	(521)	—
Cost of sales	121,100	54.4%	118,711	54.7%	(2,389)	(2.0%)
Selling, general and administrative expenses	85,565	38.4%	79,898	36.8%	(5,667)	(6.6%)
Advertising expenses	7,240	3.3%	5,438	2.5%	(1,802)	(24.9%)
Transportation and storage costs	8,780	3.9%	8,329	3.8%	(452)	(5.1%)
Sales commission	1,275	0.6%	1,331	0.6%	56	4.4%
Promotion expenses	24,500	11.0%	23,959	11.0%	(541)	(2.2%)
Personnel expenses	21,522	9.7%	21,201	9.8%	(321)	(1.5%)
Research and development expenses	3,281	1.5%	3,124	1.4%	(157)	(4.8%)
Amortization of goodwill	2,563	1.2%	1,708	0.8%	(855)	(33.3%)
Other	16,403	7.4%	14,808	6.8%	(1,595)	(9.7%)
Operating profit	15,974	7.2%	18,537	8.5%	2,562	16.0%
Non-operating income	2,058	0.9%	1,713	0.8%	(345)	(16.8%)
Non-operating expenses	712	0.3%	2,455	1.1%	1,744	245.0%
Ordinary profit	17,320	7.8%	17,794	8.2%	474	2.7%
Extraordinary income	682	0.3%	118	0.1%	(563)	(82.6%)
Extraordinary losses	831	0.4%	9,394	4.3%	8,562	1,030.3%
Profit before income taxes	17,171	7.7%	8,519	3.9%	(8,652)	(50.4%)
Income taxes	5,482	2.5%	3,556	1.6%	(1,926)	(35.1%)
Profit	11,689	5.3%	4,963	2.3%	(6,727)	(57.5%)
Profit attributable to						
Profit attributable to owners of parent	10,117	4.5%	6,753	3.1%	(3,363)	(33.2%)
Profit (loss) attributable to non-controlling interests	1,572	0.7%	(1,791)	(0.8%)	(3,363)	—
Comprehensive income	10,385	4.7%	7,442	3.4%	(2,943)	(28.3%)

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

(Million yen)

Decrease in gross profit	(3,104)
Decrease in marketing costs (sum of advertising expenses, sales commission and promotion expenses)	2,287
Decrease in amortization of goodwill	855
Decrease in transportation and storage costs	452
Decrease in personnel expenses	321
Decrease in research and development expenses	157
Decrease in other expenses	1,595

3. Non-Operating Income (Expenses)

(Million yen)

	First three quarters of FY2019	First three quarters of FY2020	Year-on-year change
Interest income	256	161	(95)
Dividend income	387	402	15
Share of profit of entities accounted for using equity method	561	—	(561)
Rental income from buildings	570	596	26
Other	284	554	270
Total non-operating income	2,058	1,713	(345)
Interest expenses	48	39	(9)
Rental expenses	466	474	8
Foreign exchange losses	108	450	343
Share of loss of entities accounted for using equity method	—	1,323	1,323
Other	91	169	78
Total non-operating expenses	712	2,455	1,744

4. Extraordinary Income (Losses)

(Million yen)

	First three quarters of FY2019	First three quarters of FY2020	Year-on-year change
Gain on sales of non-current assets	32	2	(30)
Gain on sales of investment securities	612	33	(579)
Gain on sales of restaurants	37	84	47
Other	0	—	(0)
Total extraordinary income	682	118	(563)
Loss on sales of non-current assets	0	11	11
Loss on retirement of non-current assets	440	78	(362)
Loss on sales of investment securities	0	13	13
Loss on valuation of investment securities	—	3	3
Impairment loss	114	9,275	9,161
Loss on change in equity	212	—	(212)
Loss on sale of businesses	42	—	(42)
Other	24	13	(11)
Total extraordinary losses	831	9,394	8,562

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	72,642	77,056		217,146
Year-on-year change	1,036	(2,168)	(1,847)	(34)	(3,014)	(4,893)	349	(950)		(5,493)
Operating profit	4,638	4,475	6,861	3,031	19,005	4,407	5,470	8,659		18,537
Year-on-year change	327	214	(332)	1,236	1,446	(230)	995	1,798		2,562
Ordinary profit	5,002	4,995	7,323	3,477	20,797	4,491	4,318	8,984		17,794
Year-on-year change	342	232	(117)	1,240	1,697	(511)	(676)	1,661		474
Profit (loss) attributable to owners of parent	2,488	2,719	4,910	1,341	11,458	2,789	(1,818)	5,783		6,753
Year-on-year change	(227)	(131)	222	(2,172)	(2,309)	301	(4,537)	872		(3,363)
Comprehensive income	1,834	4,017	4,534	(2,404)	7,981	2,953	(2,905)	7,394		7,442
Year-on-year change	(1,296)	(420)	3,973	(4,031)	(1,773)	1,119	(6,923)	2,860		(2,943)

Net sales by business segment

Net sales	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Spice / Seasoning / Processed Food Business	33,405	35,718	40,194	35,679	144,996	35,350	36,396	40,866		112,612
Year-on-year change	472	742	642	1,915	3,771	1,945	677	672		3,295
Health Food Business	7,520	7,458	7,550	5,361	27,890	4,921	5,746	5,434		16,100
Year-on-year change	(629)	(1,359)	(752)	(269)	(3,009)	(2,600)	(1,712)	(2,117)		(6,429)
International Food Business	7,390	6,772	7,920	7,652	29,734	8,341	10,456	10,004		28,800
Year-on-year change	1,357	573	815	673	3,418	951	3,683	2,084		6,718
Restaurant Business	13,186	13,310	12,743	13,258	52,498	10,419	11,197	11,567		33,183
Year-on-year change	442	316	(349)	6	415	(2,767)	(2,114)	(1,176)		(6,057)
Other Food Related Business	12,678	10,912	11,548	11,158	46,296	10,932	10,637	11,069		32,639
Year-on-year change	(2,693)	(4,474)	(4,349)	(4,071)	(15,586)	(1,746)	(275)	(479)		(2,499)
Adjustment	(1,838)	(1,879)	(1,951)	(2,065)	(7,733)	(2,514)	(1,790)	(1,885)		(6,189)
Year-on-year change	2,086	2,035	2,145	1,712	7,977	(676)	90	65		(521)

Operating profit by business segment

Operating profit	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Spice / Seasoning / Processed Food Business	2,884	3,006	4,736	3,485	14,111	4,263	3,678	5,731		13,672
Year-on-year change	227	124	(375)	1,466	1,442	1,380	672	995		3,047
ROS	8.6%	8.4%	11.8%	9.8%	9.7%	12.1%	10.1%	14.0%		12.1%
Health Food Business	144	351	251	(224)	521	(235)	177	388		330
Year-on-year change	(519)	(90)	(556)	264	(900)	(379)	(173)	137		(415)
ROS	1.9%	4.7%	3.3%	(4.2%)	1.9%	(4.8%)	3.1%	7.1%		2.1%
International Food Business	1,310	831	1,255	702	4,098	1,010	1,963	1,639		4,611
Year-on-year change	349	124	192	(151)	514	(300)	1,132	383		1,215
ROS	17.7%	12.3%	15.8%	9.2%	13.8%	12.1%	18.8%	16.4%		16.0%
Restaurant Business	303	204	(37)	(267)	202	(927)	(523)	563		(887)
Year-on-year change	463	186	193	(78)	763	(1,230)	(727)	600		(1,357)
ROS	2.3%	1.5%	(0.3%)	(2.0%)	0.4%	(8.9%)	(4.7%)	4.9%		(2.7%)
Other Food Related Business	410	544	620	218	1,791	508	413	526		1,447
Year-on-year change	(195)	(41)	(25)	8	(254)	98	(131)	(94)		(126)
ROS	3.2%	5.0%	5.4%	2.0%	3.9%	4.6%	3.9%	4.8%		4.4%
Adjustment	(413)	(460)	37	(883)	(1,717)	(212)	(238)	(187)		(636)
Year-on-year change	4	(88)	240	(273)	(118)	201	222	(224)		199

(4) Consolidated Balance Sheets

Consolidated Balance Sheets

(Million yen)

	FY2019		First three quarters of FY2020		Increase/decrease from end of FY2019	Major factors for increase/ decrease
	Amount	Percentage	Amount	Percentage	Amount	
Current assets	149,653	40.8%	159,194	43.7%	9,541	Increase in notes and accounts receivable - trade 5,807 Increase in cash and deposits 4,987 Increase in merchandise and finished goods 957 Decrease in securities (1,882)
Non-current assets	217,541	59.2%	204,764	56.3%	(12,777)	Decrease in contract-related intangible assets (4,885) Decrease in trademark right (4,522) Decrease in goodwill (2,562) Decrease in construction in progress (2,033) Increase in buildings and structures 1,311
Total assets	367,194	100.0%	363,958	100.0%	(3,236)	
Current liabilities	53,138	14.5%	51,265	14.1%	(1,873)	Decrease in accounts payable - other (2,342) Decrease in income taxes payable (1,148) Increase in notes and accounts payable - trade 1,273 Increase in short-term borrowings 709
Non-current liabilities	33,126	9.0%	30,225	8.3%	(2,902)	Decrease in long-term guarantee deposits (1,569) Decrease in deferred tax liabilities (1,162) Decrease in lease obligations (188)
Total liabilities	86,264	23.5%	81,489	22.4%	(4,774)	
Total shareholders' equity	228,616	62.3%	230,731	63.4%	2,115	Decrease in retained earnings 2,119
Total other accumulated comprehensive income	20,154	5.5%	22,562	6.2%	2,408	Increase in valuation difference on available-for-sale securities 3,222 Decrease in foreign currency translation adjustment (744)
Non-controlling interests	32,160	8.8%	29,175	8.0%	(2,985)	
Total net assets	280,930	76.5%	282,468	77.6%	1,538	
Total liabilities and net assets	367,194	100.0%	363,958	100.0%	(3,236)	

(5) Capital Investment

Consolidated

(Million yen)

	First three quarters of FY2019	First three quarters of FY2020	FY2020 Forecast
Capital investment	12,341	6,476	11,800
Leases	1,638	344	400
Total	13,979	6,820	12,200

(6) Depreciation

Consolidated

(Million yen)

	First three quarters of FY2019	First three quarters of FY2020	FY2020 Forecast
Depreciation	7,198	7,500	10,200
Lease payments	268	257	300
Total	7,465	7,757	10,500

* 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 three quarters of FY2020	FY2020 Revised Forecast
Profit per share	113.73 yen	67.03 yen	82.38 yen
Net assets per share	2,469.20 yen	2,514.12 yen	—
ATO	0.80 times	—	—
Ratio of operating profit to net sales	6.5%	8.5%	6.8%
Ratio of ordinary profit to net sales	7.1%	8.2%	6.7%
Ratio of operating profit to total assets	5.1%	—	—
ROE	4.6%	—	—
Equity ratio	67.7%	69.6%	—
Dividend per share	46.00 yen	—	46.00 yen
Dividend payout ratio	40.4%	—	55.8%
Dividend payout ratio according to the basic policy on the return of earnings to shareholders	31.6%	—	30.5%

* 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	6,187 people	—
---------------------	--------------	--------------	---

* 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	192 yen	191 yen		195 yen		193 yen
	Change from the previous year	+9 yen	+2 yen	+1 yen		+5 yen		+4 yen
House Foods	Average selling price	198 yen	191 yen	191 yen		194 yen		193 yen
	Change from the previous year	+7 yen	+0 yen	+0 yen		+4 yen		+3 yen
	Share of amount	61.6%	62.9%	62.5%		62.2%		62.2%

Source: SRI monthly data of INTAGE Inc. (April 2020 – December 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%	104.0%	103.7%		106.3%			105.5%
Retort pouched curry in total	99.5%	109.3%	99.5%		104.6%			102.8%
Stew roux in total	128.1%	93.8%	108.3%		103.8%			106.3%
Hashed beef sauce roux in total	105.1%	120.5%	111.0%		112.2%			111.8%
Spice in total	124.6%	115.9%	112.4%		120.2%			117.4%
Health Food Business								
<i>Ukon No Chikara</i>	36.6%	56.9%	58.4%		47.5%			52.2%
<i>C1000</i>	64.8%	75.6%	69.8%		70.0%			69.9%
<i>Ichinichibun No Vitamin</i>	94.8%	104.4%	96.6%		99.6%			98.6%