The original disclosure in Japanese was released on May 12,2020 at 15:00

May 12, 2020

Consolidated Financial Results (Japanese Accounting Standards) for the FY2019 (Ended March 31, 2020)

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 of ordinary shareholders' meeting: June 25, 2020
Scheduled date of commencement of dividend payment: June 26, 2020
Scheduled date for filing of annual securities report: June 25, 2020
Supplementary documents for financial results: Yes
Financial results briefing: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(1) Consolidated Results of Operations (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	%
Year ended March 31, 2020	293,682	(1.0)	19,005	8.2	20,797	8.9	11,458	(16.8)
Year ended March 31, 2019	296,695	1.6	17,559	7.8	19,100	11.0	13,767	47.2

(Note) Comprehensive income: 7,981 million yen (-18.2%) for the fiscal year ended March 31, 2020
9,754 million yen (-54.7%) for the fiscal year ended March 31, 2019

	Profit per share (basic)	Profit per share (diluted)	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	113.73	–	4.6	5.6	6.5
Year ended March 31, 2019	134.32	–	5.5	5.1	5.9

(Reference) Share of profit of entities accounted for using equity method:
645 million yen for the fiscal year ended March 31, 2020
51 million yen for the fiscal year ended March 31, 2019

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	367,194	280,930	67.7	2,469.20
As of March 31, 2019	371,025	279,144	66.6	2,454.34

(Reference) Shareholders' equity: As of March 31, 2020: 248,770 million yen
As of March 31, 2019: 247,275 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of fiscal year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2020	24,218	(6,356)	(7,567)	69,870
Year ended March 31, 2019	20,913	(1,008)	(17,317)	62,495

2. Dividends

	Dividend per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2019	–	22.00	–	22.00	44.00	4,477	32.8	1.8
Year ended March 31, 2020	–	23.00	–	23.00	46.00	4,634	40.4	1.9
Year ending March 31, 2021 (forecasts)	–	23.00	–	23.00	46.00		48.3	

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

(Percentage figures for the fiscal year 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

* Notes

(1) Changes of important subsidiaries during the period (changes of specific subsidiaries in accordance with changes in the scope of consolidation): None

(2) 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

(3) Number of shares outstanding (common shares):

(i) Number of shares outstanding at end of period (including treasury shares)
As of March 31, 2020: 100,750,620 shares
As of March 31, 2019: 100,750,620 shares

(ii) Number of treasury shares at end of period
As of March 31, 2020: 1,367 shares
As of March 31, 2019: 337 shares

(iii) Average number of shares outstanding during the term
Year ended March 31, 2020: 100,749,643 shares
Year ended March 31, 2019: 102,491,395 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(1) Non-Consolidated Financial Results (Percentages show year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2020	20,990	2.4	9,570	4.1	10,264	0.2	10,988	(12.6)
Year ended March 31, 2019	20,493	3.9	9,196	4.9	10,243	9.4	12,569	29.1

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Year ended March 31, 2020	109.06	–
Year ended March 31, 2019	122.64	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	206,885	180,377	87.2	1,790.35
As of March 31, 2019	213,382	176,504	82.7	1,751.89

(Reference) Shareholders' equity: As of March 31, 2020: 180,377 million yen
As of March 31, 2019: 176,504 million yen

* These consolidated financial results are not included in the scope of audits by certified public accountants or the audit corporation.

* Explanations and other special notes concerning the appropriate use of business performance 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 relating to the forecasts, please refer to "1. Analysis of Operating Results and Financial Position, (4) Future Outlook" on page 9 of the accompanying materials.

Accompanying Materials – Contents

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

House Foods Group regards the theme of "striving to become a high quality company that provides 'Healthy Life Through Foods'" as a vision of the Group in the Sixth Medium-Term Business Plan, which commenced in April 2018. In the current fiscal year, the second year of the Sixth Medium-Term Business Plan, House Foods Group took 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.

- Key themes in the "three responsibilities"

For our customers	Creating innovation in the mature market in Japan and accelerating business development in overseas growth markets (value chain innovation, R&D innovation, the expansion of growth in overseas businesses and the strengthening of business base).
For our employees and their families	Achieving diversity and improving productivity (implementing work-style reforms, recruiting diverse human resources and creating a workplace where they can take an active role).
For society	Constructing a recycling-oriented model and achieving a society of healthy longevity through the CSR (Creating Smiles & Relationships) activities the Group conceives.

The Group implemented priority initiatives in all three of the responsibilities. On the theme of "For our customers," the Group took steps to strengthen the profitability and value creation capability of existing businesses, including expanding the retort pouched product manufacturing lines of House Foods Corporation, strengthening the production capacity of the tofu business in the United States, and strengthening R&D capabilities by integrating the research bases of House Wellness Foods Corporation into the research center in Chiba. On the theme of "For our employees and their families," the Group focused on creating an organizational climate which will help improve productivity through "workstyle reform," while on the theme of "For society," the Group established environmental investment standards for the establishment of a recycling-oriented model.

During the fiscal year under review, the net sales of the Group decreased 1.0% year on year, to 293,682 million yen, principally because of difficulties experienced by the Health Food Business and the impact of the spin-off of the major logistics business to F-LINE Corporation in the Other Food Related Business, although the Spice/Seasoning/Processed Food Business and the Restaurant Business showed a stronger performance than a year earlier, in addition to the expansion of the business scale of the International Food Business, primarily in Thailand. Operating profit rose 8.2% year on year, to 19,005 million yen, due to the increased contribution of the Spice/Seasoning/Processed Food Business, the International Food Business and the Restaurant Business to consolidated results, despite difficulties in the Health Food Business and the impact of the spin-off of the logistics business.

Ordinary profit increased 8.9% year on year, to 20,797 million yen, due to a rise in non-operating income mainly driven by an increase in the share of profit of entities accounted for using the equity method. Profit attributable to owners of parent declined 16.8% year on year, to 11,458 million yen, mainly due to the absence of a gain on sales of investment securities recorded the previous fiscal year.

As a result, the management indicators regarded as important by the Company are as follows.

	FY2018	FY2019
ATO (Asset Turnover)	0.79 times	0.80 times
ROS (Ratio of operating profit to net sales)	5.9%	6.5%
ROA (Ratio of operating profit to total assets)	4.7%	5.1%
ROE (Ratio of profit to equity)	5.5%	4.6%

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 (%)	Change from forecast (%)	Amount (million yen)	Year-on-year change (%)	Change from forecast (%)
Spice / Seasoning / Processed Food Business	144,996	102.7	99.2	14,111	111.4	106.1
Health Food Business	27,890	90.3	93.0	521	36.7	43.4
International Food Business	29,734	113.0	98.1	4,098	114.3	102.4
Restaurant Business	52,498	100.8	100.0	202	–	–
Other Food Related Business	46,296	74.8	102.2	1,791	87.6	99.5
Subtotal	301,415	96.5	99.1	20,723	108.2	104.1
Adjustment (elimination)	(7,733)	–	–	(1,717)	–	–
Total	293,682	99.0	98.9	19,005	108.2	102.7

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

Spice / Seasoning / Processed Food Business

House Foods Corporation focused on reforming the profit structure model and worked to strengthen existing businesses and to create new value given that the domestic market was maturing. In existing businesses, the Group put new manufacturing lines of retort pouched products into operation in August 2019, as part of moves to strengthen its response to the growing tendency for people to eat out or buy food to eat at home. The Group also focused on strengthening its ability to make proposals suited to customers’ changing lifestyles, including developing a series of spice pastes in large tubes and single-serving products, as well as increasing profitability. At the beginning of the second half, sales struggled partly due to the chilling impact of the consumption tax hike. However, from mid-February onwards, the effects of the Covid-19 coronavirus became evident, maximizing demand for home-cooked meals and, as a result, the Spice/Seasoning/Processed Food Business posted gains in sales and profits.

The performance of Gaban Co., Ltd., which belongs to this business segment, remained firm in Japan and overseas, particularly in the mainstay pepper business. The performance of Malony Co., Ltd. was weak, reflecting sluggish demand for nabe (hot pot) cooking due partly to the mild winter.

As a result of the above, sales in the Spice/Seasoning/Processed Food Business stood at 144,996 million yen, up 2.7% year on year. Operating profit was 14,111 million yen, up 11.4% year on year, despite the burden of increased depreciation associated with growth investments. As a result, the ratio of operating profit to net sales was 9.7%, rising 0.8 percentage point from the previous fiscal year.

Health Food Business

House Wellness Foods Corporation continued to face a very difficult sales environment for the *Ukon No Chikara* series, its main brand, reflecting changes in the drinking culture and the impact of the Covid-19 outbreak towards the end of the fiscal year, and its results worsened. In this market environment, the Group proceeded to rebuild its business base for the future, pushing ahead with shift towards in-house production of jelly products, which are expected to grow sustainably, and *Ichinichibun No Vitamin* whilst at the same time downscaling of the PET products business given the difficulty in maintaining competitiveness in this market. The Group also focused on the commercialization of *lactic acid bacterium L-137*, which is regarded as a strategic healthy ingredient, and worked to develop *Nerunoda*, a food with functional claims.

As a result of the above, sales in the Health Food Business declined 9.7% year on year, to 27,890 million yen. Operating profit decreased 63.3% year on year, to 521 million yen due to the large impact from the decline in sales of main brands. As a result, the ratio of operating profit to net sales was 1.9%, declining 2.7 percentage points from the previous fiscal year.

International Food Business

The Group sees the International Food Business as a core business which will drive the Group's growth and is focusing on business growth and strengthening the profit base in three priority areas (the United States, China, and ASEAN).

The tofu business in the United States increased sales but suffered a profit decrease due to rising labor costs associated with weekend operation and higher tariffs on certain ingredients, despite sustained growth in step with expansion in the plant-based protein market driven by recent health consciousness and environmental awareness. In the fiscal year under review, the Group was forced to put up with tight production capacity in face of increasing demand. However, new lines were completed at the Los Angeles Plant in January 2020, immediately after the end of the period, ready to take on growth opportunities.

The curry business in China achieved growth in both products for household use and products for food service use and Japanese curry also steadily increased in popularity. However, this was not enough to offset the higher costs associated with the operation of the Zhejiang Plant in the previous fiscal year due to delays in the hiring and training of sales personnel to support growth, and the business reported increased sales and decreased profits.

In the functional beverage business in Thailand, both sales and profits increased, reflecting continued growth in *C-vitt* in both modern trade such as convenience stores and the traditional market, supported by strong demand on the back of rising health consciousness. The Thai Government increased VAT to 10% tax from October 2019 and, although this increase was absorbed through price revisions for some products, the Group intends to take measures to improve profits.

As a result of the above, sales in the International Food Business rose 13.0% year on year, to 29,734 million yen, and operating profit increased 14.3%, to 4,098 million yen. Consequently, the ratio of operating profit to net sales was 13.8%, rising 0.2 percentage point from a year earlier.

Restaurant Business

Ichibanya Co., Ltd. enjoyed higher sales and profits due to the effect of price revisions made at the start of the fiscal year in March 2019 and solid performances by overseas subsidiaries. While the number of customers at existing stores in Japan declined 1.5% year on year, mainly due to the impact of the consumption tax hike in October 2019, in addition to typhoons and heavy rainfalls from August 2019, average sales per customer rose 2.1% year on year due mainly to the impact of price revisions.

The Curry House restaurant business operated by House Foods America Corporation, which was included in this business segment, was transferred in June 2019 to concentrate the management resources of House Foods America Corporation on the tofu business.

As a result, sales in the Restaurant Business including Ichibanya Co., Ltd. and other restaurant subsidiaries increased 0.8% year on year, to 52,498 million yen. The business returned to the black, with an operating profit of 202 million yen, an increase of 763 million yen from a year earlier due to the effect of price revisions and growth in earnings of overseas subsidiaries, despite 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 0.4%, rising 1.5 percentage points from a year earlier.

Other Food Related Business

Delica Chef Corporation, a Group company that produces prepared food for convenience stores, improved profitability by focusing on strengthening its development capabilities and improving productivity, despite the impact of rising labor costs associated with deteriorated employment environment.

Vox Trading Co., Ltd., which imports, exports and sells agricultural products and food, continued to work on increasing the earnings strength of the core business and expanding sales of high value-added products and posted gains in sales and profits.

House Logistics Service Corporation (a subsidiary included in the scope of consolidation), which belongs to this business segment, span off its major logistics business, excluding orders received and yard handling business operations, to F-LINE Corporation (an affiliate under the equity method) in April 2019 and this significantly reduced the sales and operating profit of the Other Food Related Business during the fiscal year under review.

As a result of the above, sales in Other Food Related Business decreased 25.2% year on year, to 46,296 million yen, and operating profit fell 12.4% year on year, to 1,791 million yen. Consequently, the ratio of operating profit to net sales was 3.9%, improving 0.6 percentage point from a year ago.

(2) Analysis of Financial Position

Total assets at the end of the consolidated fiscal year under review fell 3,831 million yen from the end of the previous consolidated fiscal year, to 367,194 million yen.

Current assets stood at 149,653 million yen, an increase of 4,898 million yen compared to the end of the previous consolidated fiscal year. Non-current assets were 217,541 million yen, a year-on-year decrease of 8,729 million yen.

The primary factors for the increase in current assets include a 3,940 million yen increase in cash and deposits and a 3,810 million yen increase in securities, offsetting a 2,255 million yen decrease in merchandise and finished goods.

The main factors for the decrease in non-current assets include a 6,290 million yen decrease in investment securities and a 3,417 million yen decrease in goodwill.

Total liabilities at the end of the consolidated fiscal year under review were 86,264 million yen, a decrease of 5,617 million yen compared to the end of the previous consolidated fiscal year.

Current liabilities were down 2,170 million yen from the end of the previous consolidated fiscal year, to 53,138 million yen, and non-current liabilities were 33,126 million yen, a year-on-year decrease of 3,447 million yen.

The primary factors for the decrease in current liabilities include a 1,472 million yen decrease in notes and accounts payable – trade and a 409 million yen decrease in short-term borrowings.

The primary factors for the decrease in non-current liabilities include a 1,716 million yen decrease in deferred tax liabilities and a 1,319 million yen decrease in lease obligations.

Net assets at the end of the consolidated fiscal year under review stood at 280,930 million yen, an increase of 1,786 million yen from the end of the previous consolidated fiscal year, primarily reflecting an increase in retained earnings as a result of profit attributable to owners of parent, offsetting a decrease in valuation difference on available-for-sale securities due to the sale of investment securities held and falling market prices and a decrease in remeasurements of defined benefit plans.

As a result, the equity ratio at the end of the consolidated fiscal year under review stood at 67.7%, compared with 66.6% at the end of the previous consolidated fiscal year, and net assets per share were 2,469.20 yen, compared with 2,454.34 yen at the end of the previous consolidated fiscal year.

(3) Analysis of Cash Flows

With respect to cash flows for the consolidated fiscal year under review, net cash provided by operating activities amounted to 24,218 million yen, net cash used in investing activities, including the purchase of plant, property and equipment and sales of securities, amounted to 6,356 million yen, and net cash used in financing activities, including proceeds from short-term borrowings, repayments of short-term borrowings, and dividends paid was 7,567 million yen. As a result, cash and cash equivalents at the end of the consolidated fiscal year under review stood at 69,870 million yen, an increase of 7,375 million yen compared with the balance at the beginning of the year.

The status and primary contributing factors for each cash flows category were as follows:

(Cash flows from operating activities)

Cash provided by operating activities during the consolidated fiscal year under review was 24,218 million yen, an increase of 3,306 million yen from the previous consolidated fiscal year. Key factors included 20,682 million yen in profit before income taxes.

The primary factors for the increase compared with the previous consolidated fiscal year were a decrease in decrease (increase) of inventories (a year-on-year increase of 4,567 million yen), a decrease in loss (gain) on sales of investment securities (a year-on-year gain of 2,195 million yen), a decrease in increase (decrease) in trade payables (a year-on-year decrease of 1,625 million yen) and a decrease in profit before income taxes (a year-on-year decrease of 1,615 million yen).

(Cash flows from investing activities)

Cash used by investing activities during the consolidated fiscal year under review was 6,356 million yen, which was 5,348 million yen less than cash used in the previous consolidated fiscal year. Key factors included the purchase of property, plant and equipment of 14,916 million yen, the purchase of investment securities of 3,162 million yen, the purchase of securities of 2,000 million yen, proceeds from sales of securities of 8,549 million yen, and proceeds from sales of investment securities of 5,991 million yen.

The primary factors for the decrease compared with the previous consolidated fiscal year were an increase in purchase of property, plant and equipment (a year-on-year decrease of 5,373 million yen), a decrease in proceeds from sales of investment securities (a year-on-year decrease of 1,367 million yen), an increase in payments into time deposits (a year-on-year decrease of 1,136 million yen), and a decrease in the purchase of investment securities (a year-on-year increase of 2,933 million yen).

(Cash flows from financing activities)

Cash used by financing activities during the consolidated fiscal year under review was 7,567 million yen, which was 9,750 million yen more than cash used in the previous consolidated fiscal year. Key factors included repayments of short-term borrowings of 35,382 million yen, dividends paid of 4,532 million yen, and proceeds from short-term borrowings of 34,846 million yen.

The primary factors for the increase compared with the previous consolidated fiscal year were a decrease in repayments of short-term borrowings (a year-on-year increase of 26,192 million yen), a decrease in purchase of treasury shares (a year-on-year increase of 8,768 million yen), a decrease in proceeds from short-term borrowings (a year-on-year decrease of 24,502 million yen).

(Million yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Year-on-year change
Cash flows from operating activities	20,913	24,218	3,306
Cash flows from investing activities	(1,008)	(6,356)	(5,348)
Cash flows from financing activities	(17,317)	(7,567)	9,750
Effect of exchange rate changes on cash and cash equivalents	(295)	(192)	104
Net increase (decrease) in cash and cash equivalents	2,293	10,104	7,811
Cash and cash equivalents at beginning of period	60,202	62,495	2,293
Decrease in cash and cash equivalents resulting from corporate division	–	(2,729)	(2,729)
Cash and cash equivalents at end of period	62,495	69,870	7,375

Cash flow indicators for the Group are as follows:

	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Equity ratio (%)	65.5	66.5	66.5	66.6	67.7
Equity ratio (market value basis) (%)	61.7	70.5	95.9	120.8	96.7
Cash flow/interest bearing liabilities ratio (%)	117.3	64.9	62.6	63.7	45.9
Interest coverage ratio (times)	122.7	252.8	263.5	256.0	383.1

(Notes)
1. Equity ratio: Shareholders' equity / Total assets
   Equity ratio (market value basis): Market capitalization / Total assets
   Cash flow / interest bearing liabilities ratio: Interest-bearing debt / Operating cash flow
   Interest coverage ratio: Operating cash flow / Interest payments
2. Each indicator is calculated based on consolidated financial figures.
3. Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year with the number of outstanding shares (excluding treasury shares) as of that date.
4. Operating cash flow uses net cash provided by operating activities on the consolidated cash flow statements.
5. Interest-bearing debt includes all liabilities requiring the payment of interest under the liabilities section of the consolidated balance sheet. Interest payments equal the amount of interest paid on the consolidated cash flow statements.

(4) Future Outlook

	Year ended March 31, 2020 (Million yen)	Year ending March 31, 2021 (forecasts) (Million yen)	Increase/ Decrease (Million yen)	Increase/ Decrease (%)	Target for final fiscal year of Sixth Medium-term Business Plan (Million yen)	Versus final fiscal year target (Million yen)
Net sales	293,682	290,000	(3,682)	(1.3)	310,000	(20,000)
Operating profit	19,005	15,500	(3,505)	(18.4)	22,000	(6,500)
Ordinary profit	20,797	16,900	(3,897)	(18.7)		
Profit attributable to owners of parent	11,458	9,600	(1,858)	(16.2)		

- By segment

		Year ended March 31, 2020 (Million yen)	Year ending March 31, 2021 (forecasts) (Million yen)	Increase/ Decrease (Million yen)	Increase/ Decrease (%)	Target for final fiscal year of Sixth Medium-term Business Plan (Million yen)	Versus final fiscal year target (Million yen)
Spice / Seasoning / Processed Food Business							
	Net sales	144,996	149,000	4,004	2.8	154,000	(5,000)
	Operating profit	14,111	13,700	(411)	(2.9)	14,000	(300)
Health Food Business							
	Net sales	27,890	25,000	(2,890)	(10.4)	36,000	(11,000)
	Operating profit	521	0	(521)	–	2,000	(2,000)
International Food Business							
	Net sales	29,734	35,000	5,266	17.7	34,000	1,000
	Operating profit	4,098	4,000	(98)	(2.4)	4,600	(600)
Restaurant Business							
	Net sales	52,498	45,400	(7,098)	(13.5)	56,000	(10,600)
	Operating profit	202	(1,900)	(2,102)	–	1,100	(3,000)
Other Food Related Business							
	Net sales	46,296	43,800	(2,496)	(5.4)	43,000	800
	Operating profit	1,791	1,600	(191)	(10.7)	1,800	(200)
Adjustment							
	Net sales	(7,733)	(8,200)	(467)	–	(13,000)	4,800
	Operating profit	(1,717)	(1,900)	(183)	–	(1,500)	(400)

Consolidated Forecasts for the Fiscal Year Ending March 31, 2021

It is feared that, in the fiscal year ending March 31, 2021 the Covid-19 pandemic will trigger a sharp global downturn, disrupting supply chains and causing decline in consumer spending. The pandemic will also likely affect all the Group’s businesses both in Japan and overseas and, although growth in demand for home-cooked meals can be expected, changes in consumer behavior are expected to have far-reaching effects, including fewer opportunities to sell products for food service use and functional beverages and decline in sales in the Restaurant Business as people refrain from going out. Although the severity of these impacts will vary depending on the business segment, the consolidated forecasts have been calculated on the assumption that first-half results will be significantly impacted and the outbreak will gradually end through the second half.

- Assumptions by business segment

Spice / Seasoning / Processed Food Business	B to C business will benefit from an increase in home-cooked meal opportunities, while B to B business will be negatively impacted (growth in demand in home-use business, fewer selling opportunities in food service-use business)
Health Food Business	Fewer opportunities to sell functional beverages such as *Ukon No Chikara*
International Food Business	U.S.: Performance will be affected by the temporary suspension of operations at the NJ Plant (for around 2 weeks from April 30) and other measures to prevent the spread of the virus China: Growth in demand for home-use products and decline in demand for food service-use products due to "stay-at-home" economy Thailand: Fewer opportunities to sell functional beverages due to curfews, etc.
Restaurant Business	Decreased sales at stores in Japan and overseas as consumer spending slows and people refrain from going out
Other Food Related Business	Performance will be affected by weaker eating-out demand in the trading company business

Gap between current progress and final fiscal year target under the Sixth Medium-Term Business Plan

The fiscal year ending March 31, 2021 is the final fiscal year of the Group's Sixth Medium-Term Business Plan, which covers three years starting from April 2018. Although over the first two years of the medium-term business plan, the Group made progress as planned against profit targets, except in the Health Food Business, where issues with the development of the third business pillar remained, the Group does not expect to reach the final fiscal year targets owing to the severe impact of the Covid-19 pandemic described above.

Despite this environment, House Foods Group will continue striving to realize its vision under the Sixth Medium-Term Business Plan of "becoming a high quality company that provides 'Healthy Life Through Foods'" and will take 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") which it seeks to fulfill as a corporate citizen. The Group will also focus on strengthening profitability through improvement of productivity in its existing mature business domains and on priority allocation of management resources to growing business domains in Japan and overseas.

The forecasts above have been made based on information available on the date of publication of this document and assumptions. If any revision to the forecasts is required, it will be promptly disclosed.

(5) Basic Policy on the Payment of Dividends and Dividends for the Fiscal Year under Review and Next Fiscal Year

Recognizing that one of the key management issues is the return of profits to shareholders, the Group endeavors to increase its earnings power and improve its financial position. In addition, our basic policy on the payment of dividends is to "maintain stable dividends, with 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 as a standard," comprehensively considering the consolidated business results and the business plans, among other aspects.

In the fiscal year under review, the Group expects to pay a year-end dividend of 23.00 yen per share, which is an increase of 1.00 yen from the previous fiscal year. Combined with the interim dividend of 23.00 yen, the annual dividend is expected to be 46.00 yen per share, which is an increase of 2.00 yen from the previous fiscal year.

As a result, the consolidated dividend payout ratio will be 40.4%. However, excluding the effects of extraordinary income/losses arising from business combinations and the amortization of goodwill mentioned above, the dividend payout ratio will be 31.6% on a consolidated basis.
For the next fiscal year, the Group expects to pay an annual dividend of 46.00 yen (an interim dividend of 23.00 yen).
In terms of internal reserves, the Group seeks to use such reserves to fund investment in manufacturing equipment, research and development, and new businesses development, to prepare for future business.

(6) Business and Other Risks
To achieve the Group philosophy, "Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives," the Group is pursuing initiatives to become a high quality company based on the "three responsibilities" (for our customers, for our employees and their families, and for society) that the Group should fulfill as a corporate citizen by positioning the theme of "striving to become a high quality company that provides 'Healthy Life Through Foods'" as its aim in the Sixth Medium-Term Business Plan. Risks that could influence the Group's performance and financial position include the following. However, the statements below do not cover all the risks, and the Group may be subject to the impact of any risk in the future that cannot be foreseen or is not perceived as a problem at the present time. Recognizing the possibility of these risks occurring (being actualized), the Group will work to prevent or avoid them. The Group will also focus on minimizing risks to operations and business risks in the event of actualization of risks.
The forward-looking statements included in this document are judgments made by the Group as of the end of the fiscal year under review.

(i) Risks related to responsibility for our customers
1) Domestic market trends
Because domestic sales make up more than 80% of net sales of the Group, there is a risk that domestic economic trends and a fall in the population will lead to sluggish consumption, market shrinkage and intensified sales competition over the long term. In the Spice/Seasoning/Processed Food Business of the core businesses of the Group, products for cooking, such as curry roux, make up most of net sales, and there is a risk that the market will shrink in the medium to long term due to the advancement of the growing tendency for people to eat out or buy food to eat at home. In addition, regarding the *Ukon No Chikara* series, the main brand of the Health Food Business, there is a risk that the market will shrink due to changes in consumer lifestyles. There is also a risk that the value we provide will be damaged by delayed response to these changes.
<Main countermeasures>
The Group is working on the reinforcement of its earnings strength through improved productivity in existing mature business areas and the focused allocation of management resources to growth business areas in Japan and overseas.
- Enhancement of products and services and strengthening of the ability to make proposals in response to lifestyle changes, such as cooking in shorter periods
- Expansion of areas to develop value chains from the conventional area centered on B to C to a wider range covering upstream to downstream, with spices as the axis
- Acceleration of overseas business development with the United States, China and ASEAN as the key areas

- Creation of new businesses using the Group's unique technologies and outside co-creation with CVC and others

2) Business expansion

Since shifting to a holding company system in 2013, the Group has promoted the expansion of value chains by including Ichibanya Co., Ltd. and Gaban Co., Ltd. in the Group in 2015 and 2016, respectively, among other measures. In the Sixth Medium-Term Business Plan, the Group promotes business and capital alliances in Japan and overseas by setting an investment quota to create new businesses.

As a result, the Group has posted a substantial amount of goodwill and intangible assets associated with corporate acquisition, but there is a risk that the Group's performance and financial position will be affected by impairment losses if these assets are unable to generate the expected cash flows or create the initially assumed synergies due to a shortfall in the business plan and changes in the market environment.

<Main countermeasures>

- Examination of investment plans at the Management Committee (including reasonability from a financial perspective as well as profitability and growth potential risk from a business strategy perspective)
- Strengthening of competitiveness and improvement in the ability to provide value through sharing and greater efficiency of value chains by promoting Group-wide efforts (key areas: procurement, production and B to B) to achieve synergy from a Group optimization perspective
  Monitoring of the medium-term plans of business companies through the Group PDCA meeting and other measures

3) Delay in response to technological innovation

In the mature food industry, the competitive environment is diversified due to entries from other industries and the rise of new technologies, in addition to existing business competition. While the Group is working to strengthen its R&D functions that will lead to the resolution of issues facing customers and society and to respond to digitalization, there is a risk that existing businesses and value provided will become obsolete as a result of the declining competitive advantage of the Group if its response to these developments is delayed.

<Main countermeasures>

- Setting of key R&D areas and themes as well as the concentrated investment of management resources
- Awareness-raising and creation of a climate to improve the ability to create and achieve new innovations
- Enhancement of collaboration among value chains with the aim of creating businesses, in addition to solving technological issues among the Group companies
- Promotion of co-creation strategies through open innovation
- Creation of new value by constructing a digital value network

4) Overseas business development

While the Group develops curry products, tofu products, functional drink and other businesses in countries where the Group has advanced, there is a risk that a delay in the business plan and the generation of impairment losses will impact the Group's performance and financial position if the penetration and embedding of products and services provided by the Group into the food culture of the countries fall short of expectations, because food is essentially conservative. There is also a risk that the Group's performance and financial position will be affected by a decline in the ability to generate profit and incompetent governance if the construction and development of the management base commensurate with brands and business size do not progress, or if a country risk emerges.

<Main countermeasures>

- Concentration of management resources on three key areas of the United States, China and ASEAN, where the Group aims to instill Japanese food culture early
- Strengthening of the business base by securing global human resources and increasing local employment, as well as by enhancing the production and supply systems and strengthening collaboration with joint venture partners in areas where the Group has advanced
- Construction and development of a risk management system according to business size based on cooperation between House Foods Group and its overseas business companies

5) Safety and security of food

There is a risk that the Group's corporate brand will be damaged and its social credibility will be lost due to the occurrence of quality issues in its products and services, and costs to address these issues will increase.

<Main countermeasures>

- Strengthening and promotion of a quality assurance system as an overall Group centered on the Group Quality Assurance Committee and the Group Quality Assurance Executives Committee
- Acquisition of international certifications for quality and food safety management systems, such as ISO 9001 and FSSC 22000, according to the characteristics of the Group companies
- Management of quality risk information related to legal regulations and matters of concern from customers regarding food safety
- Cultivation of human resources and the creation of an organizational climate through study meetings on the subject of safety and security of food
- Improvement in quality assurance in each process, from product design to sales, through activities that reflect customers' comments
- Full enforcement of easy-to-understand information disclosure through product packages and the web

(ii) Risks related to responsibility for our employees and their families

1) Securing and cultivation of diverse human resources

For the medium- to long-term growth of the Group, the active participation of each employee with diverse values and expertise is essential. There is a risk that the ability to innovate will be damaged, business opportunities will be lost, and excellent human resources will leave the Group if human resources cannot be appropriately secured and trained according to the characteristics and growth stage of each Group company or if an organizational climate that respects diversity in terms of culture and values cannot be fostered.

<Main countermeasures>

- Development of a personnel system and change in workstyle for all employees with diverse individuality to be able to showcase their expertise (introduction of new workstyles)
- Creation of an organizational climate in which diverse human resources are able to actively participate, regardless of gender, nationality, career or disability
- Promotion of personnel exchanges inside and outside the Group and strengthening of the process to cultivate

human resources
- Development of a workplace environment that observes compliance without discrimination and harassment

(iii) Risks related to responsibility for society

1) Sustainable procurement of raw materials

The Group procures a variety of raw materials including spices from countries around the world. In the procurement of these raw materials, there is a risk that intensified competition in the procurement of food resources and changes in supply and demand associated with growing international demand, climate change, geopolitical risk and a delay in response to social and environmental issues in each stage of the value chain will lead to incompetence in stable procurement, higher costs and loss of social credibility.

<Main countermeasures>
- Execution of a variety of measures to strengthen efforts in upstream areas (stable procurement through the diversification of production regions, the promotion of efforts to collaborate with procurement places in areas such as technological development and quality improvement, and the strengthened monitoring of suppliers)
- Promotion of procurement of raw materials in consideration of the environment, human rights and the economy in production regions (efforts begin with palm oil and paper)

2) Climate change

Recognizing that climate change is an issue that could have an impact on a global scale and is important for the Group, which has created value chains in Japan and overseas, the Group takes measures against it. However, there is a risk that incomplete procurement of raw materials, rising costs and the division of business activities, such as a halt in production, will occur due to a rise in temperature, abnormal weather and natural disasters. There is also a risk that higher production costs, restrictions on business activities and damage to corporate value will occur due to deficiency or delay in response to decarbonization.

<Main countermeasures>
- Promotion of investments to reduce environmental burdens by formulating judgment criteria for environmental investments
- Grasping of environmental burdens in the overall supply chains (response to Scope 3)
- Promotion of resource circulation and recycling through efforts to reduce food waste and process loss (conversion of feedstuff to fertilizer, food banks, disposal control and the establishment of technology to use up raw materials) and develop containers and packages in consideration of the environment
- Shift to renewable energy

3) Weather-related factors, large-scale natural disasters and widespread outbreak of serious diseases

Weather-related factors, such as relatively cold summers, heat waves and relatively mild winters, the occurrence of a large-scale natural disaster, or the widespread outbreak of serious infectious disease have the potential to become risks for the Group’s businesses and could affect the Group’s performance and financial position.

<Main countermeasures>
- Construction of a crisis management system including the development of production and supply systems to fulfill our responsibility for supplying products while securing the safety of human lives as the mission of a food

company when a large-scale disaster or the widespread outbreak of a serious infectious disease has occurred

- Formulation of a business continuity plan (BCP) according to the characteristics and size of business and implementation of a review through regular trainings and other means at the Group companies in Japan and overseas.

For the impact of the spread of the coronavirus on operating results for the next fiscal year, refer to “1. Analysis of Operating Results and Financial Position, (4) Future Outlook.”

(iv) Other common risks

1) Legal regulations and soft law

The Group is subject to a number of laws and regulations, including the Food Sanitation Act, the Product Liability Act, the Act against Unjustifiable Premiums and Misleading Representations, and local laws and regulations overseas. Each division in the Group collaborates with the legal division to take all possible measures to comply with relevant laws and regulations. However, if we are sanctioned or are subject to restrictions on our business activities for violation of the law or anti-social behavior, there is a risk that our corporate value will be damaged by an increase in costs to address these issues as well as the loss of social credibility, in addition to the possibility that our business activities will be restricted by the unexpected tightening of legal regulations or new regulations.

<Main countermeasures>

- Compliance with laws, regulations and international rules in the countries of each officer and employee and the maintenance and promotion of friendly relationships by respecting human rights and local cultures, traditions and customs based on the House Way, which contains values common to the Group, as well as the House Foods Group CSR Policy and the House Foods Group Action Guidelines, which outline the code of conduct for the Group.
- Implementation of monitoring and review of the status of efforts for important CSR-related subjects for the entire Group through the Group CSR Committee, which consists of directors, etc. in House Foods Group, and, with respect to compliance, which is regarded as an important CSR issue, the promotion of solving issues in each company by establishing the Compliance Promotion Committee
- Development and publication of the House Foods Group General Compliance Helpline to discover and solve compliance issues at an early stage

2) Exchange rate fluctuations

There is a possibility that raw materials procured overseas by the Group will be affected by exchange rate fluctuations in the medium to long term. In addition, while the overseas business makes up less than 20% of net sales in the Group on a consolidated basis, we expect that the overseas business will become increasingly important in the future, because we are working to accelerate its development by regarding it as a growth area. Because we convert local currencies in each area into yen to prepare the consolidated financial statements, the medium- to long-term fluctuations in exchange rates could impact the Group’s performance and financial position.

3) Information security

The Group manages data in computerized form about development, production, logistics, sales and other aspects, and the personal information of many customers associated with sales promotion campaigns and mail-order marketing. The Group prepares for unlikely events such as system failures by taking all possible maintenance and security measures, while developing a comprehensive data management system and fully enforcing data management rules. Nonetheless, systems could become inoperative, or sensitive information could be lost if software or equipment were to be damaged in a disaster. The potential for system failures, unauthorized disclosure, or falsification of data does exist, for instance from unauthorized access involving new technologies and the infection of computers with unknown viruses. In those cases, the Group's performance, financial position, and social trust could be influenced.

<Main countermeasures>

- Development and continuous strengthening of a system to comprehensively manage the information security of the Group
- Implementation of system security measures using software and equipment as well as employee trainings and exercises

2. Basic Corporate Management Policy and Issues Facing the Group

(1) Basic Corporate Management Policy

The Group positions the following three factors as the Group philosophy. According to the Group philosophy, the Group has been striving to expand its business through consistent business activities by clarifying the targets it aims to achieve.

"Our Founding philosophy"

In every happy home throughout Japan you will find the warm flavor of home cooking, House. The Symbol of a Happy Home

"Group philosophy"

Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives.

"House Ideals (Spirit)"

Consisting of the Company's motto (Sincerity, Originality and Enthusiasm) and the 10 House Values.

(2) Business Environment

In Japan, the growing tendency for people to eat out or buy food to eat at home is progressing noticeably, driven by a maturing of the market and changes in the household structure. Meanwhile, the employment and labor environments are undergoing major changes mainly due to falls in the total and working-age populations. Overseas, in contrast, further market growth is expected in the United States, where health consciousness is growing, and China and ASEAN, with the market potential is large. At the same time, companies are increasingly expected to contribute to solutions to global social issues, including global environmental concerns, for instance by reducing carbon dioxide and waste.

In addition, it is important to continue to pay close attention to the impact of the trade conflict between the United States and China and the coronavirus pandemic on social life and the economy.

Responding to this business environments, the Group will work on increasing its earnings strength in its existing mature business areas while investing in growth businesses in Japan and overseas. At the same time, it will make efforts to contribute to social issues. The Group will also work to maintain business activities as a corporate group that plays a role in food, a lifeline for consumers, by strengthening its business foundation in light of the current situation.

(3) Target Management Indicators

For the Group's target management indicators, please refer to "1. Analysis of Operating Results and Financial Position, (4) Future Outlook."

(4) The Company's Medium- to Long-term Management Strategy and the Issues that the Company Needs to Address

(i) Summary of the medium-term business plan

The Group develops a medium-term business plan every three years that clarifies the direction of each business, and formulates and implements specific action plans in accordance with this plan.

In the Sixth Medium-Term Business Plan, the Group is pursuing the initiatives described below to become a high quality company in all of the “three responsibilities” for our customers, for our employees and their families, and for society. These are initiatives the Group should achieve as a corporate citizen and should become the basis for the Group’s business as well as for its philosophy. We are positioning the theme of “striving to become a high quality company that provides ‘Healthy Life Through Foods’” as a vision for the Group, aiming to change our business structure so that we become a company able to provide new value through our own innovation.

1) Activities for customers

The Group recognizes that its responsibility is to deliver “Healthy Life Through Foods” to customers through its business. Under the two themes of “creation of innovation in the domestic mature market” and “acceleration of business expansion in the overseas growth market,” we will work on value chain and R&D reforms to increase the ability to create new value ourselves, as well as expand the growth of overseas business and strengthen our business foundations.

The Sixth Medium-term Business Plan specifies the following themes by business segment and for new business.

Segment	Main themes
Spice/Seasoning/ Processed Food Business	◇ Reform of the model to generate revenues – reducing the weighting of the roux business - - Response to the growing tendency for people to eat out or buy food to eat at home: increase the profitability of retort pouched curry products, increase the capability to propose the temperature range - Increase cost competitiveness, create new value and establish the foundation of the spice B to B business by implementing the three measures beyond the boundaries within the Group under the GOT initiative (reforms of procurement of spices, production optimization, establishment of B to B system for spices)
Health Food Business	◇ Structural reform through the selection and concentration of management resources and the commercialization of strategic healthy ingredients by taking advantage of the Group’s strengths - Increase earnings strength of the existing business: advancement of improvement of profit and loss structure and reconstruction of business strategies - Steady commercialization of the R&D themes handled under the Fifth Medium-Term Business Plan (strategic healthy ingredients)
International Food Business	◇ Promotion of both “acceleration of growth” and “securing of revenues” to lead the Group - The United States: improvement and expansion of the system for the production and supply of tofu and the creation of the new business of soybeans - China: expansion of the curry business by increasing the production capacity and construction of business infrastructure - ASEAN: expansion of functional drink and creation of demand for Japanese-style curry
Restaurant Business	◇ Building up the management foundation toward a growth path - Maintenance of revenues from the domestic business: increase of attractiveness of restaurants and reconstruction of the revenue base - Expansion of overseas business: leap as the driver for growth of the segment (toward the business with 300 restaurants)
Other Food Related Business	◇ Logistics business: construction of a sustainable logistics system by building common infrastructure in the industry through the advancement of F-LINE ◇ Prepared food business: increase of earnings strength mainly in the salad and prepared food business ◇ Trading company functions: strengthening of the revenue base by improving its own capabilities
New Business	◇ From the accumulation of tacit knowledge to the acquisition of explicit knowledge - Commercialization of “Smile Ball tear-less onions” and “lactic acid bacteria” - Promotion of collaboration with CVC

2) Activities for employees and their families

The Group recognizes that its responsibility is to work on the creation of a stage for each person to play an active role by making the best of their individualities, by accepting, making good use of and developing diversity. We will push forward with the "implementation of work style reforms" and the "securing of various human resources and creation of a place/occasion to do a great job" to achieve diversity.

3) Activities for the society

The Group recognizes that its responsibility is to contribute to the good health of people and the planet through the food business and achieve a sustainable society. We see CSR (corporate social responsibility) as an acronym for "Creating Smiles and Relationships" and will aim to achieve the "construction of the recycling-oriented model" and "a society of healthy longevity" through our CSR activities.

In the construction of the recycling-oriented model, we aim by 2030 to reduce carbon dioxide in Japan by 25% (from the level in 2013) and waste by 16.5% (from the level in 2013) through a focus on the effective utilization of limited resources.

(ii) Business investment plan

During the period of the Sixth Medium-term Business Plan, business investment of 60 billion yen in total is planned: 30 billion yen for investment in the Group's optimum production system to build up the profit base; 10 billion yen for investment in overseas business growth to stimulate the Group's growth; and 20 billion yen for investment in other new business.

(iii) Corporate Governance

The Company considers a system of internal controls to be a mechanism for strengthening its corporate governance system, embodying its corporate philosophy, and achieving its management goals. We plan to step up the construction and operation of governance systems for risk management, compliance, and other areas from the perspective of Group management, to improve our corporate value, and achieve sustainable development. In terms of corporate bodies, the Company has two Outside Directors and is focusing on reinforcing the supervisory function in relation to the management strategy body. Five audit & supervisory board members, including three outside audit & supervisory board members, inspect the directors' performance of their duties. Two standing audit & supervisory board members strive to ensure the effectiveness of auditors' auditing in the Group by concurrently becoming non-standing auditors of major Group companies. In addition, the Company establishes the Compensation Advisory Committee chaired by an Independent Director and of which more than half of the members are Independent Directors and ensures the objectivity and transparency of the procedure for determining the remuneration of directors and audit & supervisory board members.

We plan to make ongoing improvements to our system of internal controls so that it functions effectively for the entire Group.

3. Basic Concept concerning the Selection of Accounting Standards

To sustain comparability of consolidated financial statements between periods as well as between companies, the Group prepares consolidated financial statements under Japanese GAAP. With regard to the International Financial Reporting Standards (IFRS), we will appropriately determine the timing for the application while considering various circumstances in Japan and overseas.

4. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2019)	Consolidated fiscal year under review (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	62,484	66,424
Notes and accounts receivable - trade	48,601	47,774
Securities	7,082	10,893
Merchandise and finished goods	13,645	11,390
Work in process	1,935	1,979
Raw materials and supplies	4,706	5,128
Other	6,315	6,181
Allowance for doubtful accounts	(12)	(115)
Total current assets	144,755	149,653
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,528	32,327
Machinery, equipment and vehicles, net	14,598	17,229
Land	32,212	31,865
Leased assets, net	3,278	1,861
Construction in progress	2,111	4,589
Other, net	2,216	2,368
Total property, plant and equipment	85,943	90,239
Intangible assets		
Goodwill	5,980	2,562
Trademark right	24,660	24,024
Software	1,474	1,549
Contract-related intangible assets	25,854	24,887
Software in progress	310	731
Other	960	722
Total intangible assets	59,238	54,476
Investments and other assets		
Investment securities	66,472	60,182
Long-term loans receivable	329	3
Deferred tax assets	1,609	1,837
Long-term time deposits	1,000	1,000
Retirement benefit asset	4,823	3,162
Claims provable in bankruptcy, claims provable in rehabilitation and other	788	659
Long-term deposits	–	1,088
Other	7,038	6,825
Allowance for doubtful accounts	(971)	(1,931)
Total investments and other assets	81,088	72,825
Total non-current assets	226,269	217,541
Total assets	371,025	367,194

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2019)	Consolidated fiscal year under review (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,178	19,706
Electronically recorded obligations - operating	1,562	1,553
Short-term borrowings	3,749	3,340
Current portion of bonds	26	26
Lease obligations	584	491
Accounts payable - other	16,657	17,435
Income taxes payable	3,504	4,232
Provision for bonuses	431	636
Provision for bonuses for directors (and other officers)	98	85
Provision for shareholder benefit program	90	86
Asset retirement obligations	1	3
Other	7,427	5,543
Total current liabilities	55,308	53,138
Non-current liabilities		
Bonds payable	26	–
Long-term borrowings	392	98
Lease obligations	2,770	1,451
Long-term accounts payable - other	219	250
Deferred tax liabilities	24,234	22,518
Provision for loss on guarantees	2	–
Retirement benefit liability	1,814	1,987
Asset retirement obligations	845	723
Long-term guarantee deposits	5,777	5,698
Other	495	400
Total non-current liabilities	36,573	33,126
Total liabilities	91,881	86,264
Net assets		
Shareholders' equity		
Share capital	9,948	9,948
Capital surplus	23,107	22,829
Retained earnings	188,920	195,844
Treasury shares	(1)	(6)
Total shareholders' equity	221,975	228,616
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	21,327	18,650
Deferred gains or losses on hedges	5	14
Foreign currency translation adjustment	756	292
Remeasurements of defined benefit plans	3,213	1,198
Total other accumulated comprehensive income	25,300	20,154
Non-controlling interests	31,869	32,160
Total net assets	279,144	280,930
Total liabilities and net assets	371,025	367,194

(2) Consolidated Statements of Income and Comprehensive Income

(Million yen)

	Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)	Consolidated fiscal year under review (April 1, 2019 – March 31, 2020)
Net sales	296,695	293,682
Cost of sales	165,068	159,910
Gross profit	131,628	133,772
Selling, general and administrative expenses	114,068	114,767
Operating profit	17,559	19,005
Non-operating income		
Interest income	329	353
Dividend income	679	658
Share of profit of entities accounted for using equity method	51	645
Rental income from buildings	757	806
Foreign exchange gains	154	–
Other	597	457
Total non-operating income	2,566	2,918
Non-operating expenses		
Interest expenses	80	62
Rental expenses	618	671
Foreign exchange losses	–	143
Other	327	251
Total non-operating expenses	1,026	1,127
Ordinary profit	19,100	20,797
Extraordinary income		
Gain on sales of non-current assets	6	198
Gain on sales of investment securities	4,284	2,100
Gain on sales of restaurants	129	61
Other	52	0
Total extraordinary income	4,470	2,359
Extraordinary losses		
Loss on sales of non-current assets	23	9
Loss on retirement of non-current assets	630	552
Loss on sales of investment securities	–	11
Loss on valuation of investment securities	2	145
Loss on valuation of membership	7	–
Impairment loss	579	387
Loss on change in equity	–	212
Loss on sale of businesses	–	42
Provision of allowance for doubtful accounts	–	1,088
Other	32	28
Total extraordinary losses	1,273	2,474
Profit before income taxes	22,297	20,682
Income taxes - current	7,384	7,482
Income taxes - deferred	(153)	28
Total income taxes	7,231	7,510
Profit	15,067	13,172
Profit attributable to		
Profit attributable to owners of parent	13,767	11,458
Profit attributable to non-controlling interests	1,300	1,714

(Million yen)

	Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)	Consolidated fiscal year under review (April 1, 2019 – March 31, 2020)
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,298)	(2,770)
Deferred gains or losses on hedges	3	13
Foreign currency translation adjustment	(1,092)	(428)
Remeasurements of defined benefit plans, net of tax	73	(2,034)
Share of other comprehensive income of entities accounted for using equity method	(0)	28
Total other comprehensive income	(5,313)	(5,191)
Comprehensive income	9,754	7,981
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,549	6,311
Comprehensive income attributable to non-controlling interests	1,205	1,669

(3) Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	9,948	23,107	188,258	(17)	221,296
Changes of items during the period					
Dividends of surplus			(4,316)		(4,316)
Profit attributable to owners of parent			13,767		13,767
Change in ownership interest of parent due to transactions with non-controlling interests					–
Purchase of treasury shares				(8,773)	(8,773)
Cancellation of treasury shares			(8,789)	8,789	–
Net changes of items other than shareholders' equity					–
Total changes of items during the period	–	–	663	16	679
Balance at the end of the period	9,948	23,107	188,920	(1)	221,975

	Other accumulated comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of the period	25,614	(5)	1,763	3,147	30,518	31,905	283,719
Changes of items during the period							
Dividends of surplus					–		(4,316)
Profit attributable to owners of parent					–		13,767
Change in ownership interest of parent due to transactions with non-controlling interests					–		–
Purchase of treasury shares					–		(8,773)
Cancellation of treasury shares					–		–
Net changes of items other than shareholders' equity	(4,287)	10	(1,007)	66	(5,218)	(36)	(5,254)
Total changes of items during the period	(4,287)	10	(1,007)	66	(5,218)	(36)	(4,575)
Balance at the end of the period	21,327	5	756	3,213	25,300	31,869	279,144

Consolidated fiscal year under review (April 1, 2019 – March 31, 2020)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	9,948	23,107	188,920	(1)	221,975
Changes of items during the period					
Dividends of surplus			(4,534)		(4,534)
Profit attributable to owners of parent			11,458		11,458
Change in ownership interest of parent due to transactions with non-controlling interests		(279)			(279)
Purchase of treasury shares				(4)	(4)
Cancellation of treasury shares					–
Net changes of items other than shareholders' equity					–
Total changes of items during the period	–	(279)	6,924	(4)	6,641
Balance at the end of the period	9,948	22,829	195,844	(6)	228,616

	Other accumulated comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of the period	21,327	5	756	3,213	25,300	31,869	279,144
Changes of items during the period							
Dividends of surplus					–		(4,534)
Profit attributable to owners of parent					–		11,458
Change in ownership interest of parent due to transactions with non-controlling interests					–		(279)
Purchase of treasury shares					–		(4)
Cancellation of treasury shares					–		–
Net changes of items other than shareholders' equity	(2,677)	9	(464)	(2,015)	(5,146)	291	(4,855)
Total changes of items during the period	(2,677)	9	(464)	(2,015)	(5,146)	291	1,786
Balance at the end of the period	18,650	14	292	1,198	20,154	32,160	280,930

(4) Consolidated Statements of Cash Flows

(Million yen)

	Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)	Consolidated fiscal year under review (April 1, 2019 – March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	22,297	20,682
Depreciation	9,262	9,862
Amortization of goodwill	3,420	3,417
Impairment loss	579	387
Share of loss (profit) of entities accounted for using equity method	(51)	(645)
Loss (gain) on valuation of investment securities	2	145
Loss on valuation of membership	7	–
Increase (decrease) in allowance for doubtful accounts	(114)	1,063
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(296)	–
Increase (decrease) in provision for bonuses for directors (and other officers)	3	(13)
Increase (decrease) in provision for shareholder benefit program	(1)	(3)
Increase (decrease) in provision for loss on guarantees	(0)	(2)
Increase (decrease) in other provisions	(15)	–
Increase (decrease) in retirement benefit liability	(596)	(142)
Interest and dividend income	(1,007)	(1,011)
Interest expenses	80	62
Foreign exchange losses (gains)	(137)	131
Loss (gain) on sales of investment securities	(4,284)	(2,089)
Loss (gain) on sales of non-current assets	16	(189)
Loss on retirement of non-current assets	630	552
Loss (gain) on change in equity	–	212
Loss (gain) on sale of businesses	–	42
Loss (gain) on sales of restaurants	(128)	(59)
Decrease (increase) in trade receivables	(137)	824
Decrease (increase) in inventories	(2,831)	1,736
Increase (decrease) in trade payables	277	(1,347)
Increase (decrease) in accounts payable - bonuses	22	205
Decrease (increase) in other assets	(1,330)	(2,438)
Increase (decrease) in other liabilities	2,486	(1,420)
Subtotal	28,156	29,962
Interest and dividends received	1,060	1,066
Interest paid	(82)	(63)
Income taxes paid	(8,221)	(6,746)
Net cash provided by (used in) operating activities	20,913	24,218

(Million yen)

	Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)	Consolidated fiscal year under review (April 1, 2019 – March 31, 2020)
Cash flows from investing activities		
Payments into time deposits	(729)	(1,865)
Proceeds from withdrawal of time deposits	853	1,847
Purchase of securities	(1,000)	(2,000)
Proceeds from sales of securities	8,578	8,549
Purchase of property, plant and equipment	(9,543)	(14,916)
Proceeds from sales of property, plant and equipment	42	262
Gain on sales of restaurants	322	185
Purchase of intangible assets	(800)	(983)
Purchase of investment securities	(6,095)	(3,162)
Proceeds from sales of investment securities	7,358	5,991
Purchase of investments in capital of subsidiaries	–	(13)
Proceeds from sales of shares of subsidiaries and associates	–	99
Proceeds from sales of membership	–	7
Proceeds from sale of businesses	–	10
Payments for investments in capital	–	(390)
Proceeds from divestments	6	22
Net cash provided by (used in) investing activities	(1,008)	(6,356)
Cash flows from financing activities		
Repayments of short-term borrowings	(61,574)	(35,382)
Proceeds from short-term borrowings	59,348	34,846
Repayments of lease obligations	(681)	(620)
Repayments of long-term borrowings	(50)	(200)
Redemption of bonds	(26)	(26)
Purchase of treasury shares	(8,773)	(4)
Purchase of treasury shares of subsidiaries	–	(0)
Dividends paid	(4,316)	(4,532)
Dividends paid to non-controlling interests	(1,245)	(1,248)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(400)
Net cash provided by (used in) financing activities	(17,317)	(7,567)
Effect of exchange rate change on cash and cash equivalents	(295)	(192)
Net increase (decrease) in cash and cash equivalents	2,293	10,104
Cash and cash equivalents at beginning of period	60,202	62,495
Decrease in cash and cash equivalents resulting from corporate division	–	(2,729)
Cash and cash equivalents at end of period	62,495	69,870

(5) Notes to Consolidated Financial Statements

Notes Relating to Assumptions for the Going Concern

Not applicable.

Additional Information

The Company had previously paid to NIPPON AFFD COMPANY LIMITED a deposit of 10 million US dollars for investment in business expansion in China but subsequently backed out due to problems with local permits and licenses, etc. The agreement requires that the invested amount of 1,088 million yen, which was recorded as a long-term deposit, is returned in full to the Company. However, in light of current circumstances, recouping the investment is expected to take longer and, given the uncertainty involved, the Company recorded a provision of allowance for doubtful accounts of 1,088 million yen under extraordinary losses to cover the full amount.

Business Combinations

(Business divestiture)

(1) Outline of business divestiture

(i) Name of successor enterprise

Ajinomoto Logistics Corporation

(ii) Details of divested business

Freight forwarding business, etc.

(iii) Main reason for conducting business divestiture

The Group decided to spin off the business (excluding certain operations) of House Logistics Service Corporation to a company by integrating all the businesses of Kagome Distribution Service Co., Ltd., F-LINE Corporation, and Kyushu F-LINE Corporation into Ajinomoto Logistics Corporation (changed its name to F-LINE Corporation on April 1, 2019) for the purpose of realizing an efficient and stable logistics structure to address various food product distribution issues.

(iv) Date of business divestiture

April 1, 2019

(v) Outline of transaction, including its legal form

Absorption-type split in which House Logistics Service Corporation is the splitting company and Ajinomoto Logistics Corporation (now F-LINE Corporation) is the successor company.

(2) Details of accounting carried out

(i)

Share of profit of entities accounted for using equity method	407 million yen
Loss on change in equity	212 million yen

(Note) 1. Amount equivalent to negative goodwill was recorded as share of profit of entities accounted for using equity method.

(ii) Type of consideration received

Shares of common stock of Ajinomoto Logistics Corporation (now F-LINE Corporation)

(iii) Fair carrying values of the assets and liabilities pertaining to the transferred business and major components thereof

Current assets	2,761 million yen
Non-current assets	4,544 million yen
Total assets	7,305 million yen
Current liabilities	269 million yen
Non-current liabilities	2,249 million yen
Total liabilities	2,519 million yen

(iv) Accounting

The Group accounted for the transaction in accordance with “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and “Guidance for Accounting Standard for Business Combinations and Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).

(3) Name of the reportable segment in which the divested business is included

Other Food Related Business

(4) Outline of income of divested business recorded in the consolidated statements of income and comprehensive income for the consolidated fiscal year under review

No income was recorded as the company split was conducted at the beginning of the fiscal year.

Segment Information

[Segment Information]

1. Overview of Reported Segments

The reported segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Company and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

The Company's business strategy in the domestic Spice / Seasoning / Processed Food Business and the domestic Health Food Business is to strengthen the existing fields and develop new fields. The Company will also work to create new value in the mature market, while promoting partnerships with each reported segment including the Other Food Related Business.

In the International Food Business, the Company is working to increase the speed of business expansion and improve profitability in the United States, China and ASEAN with a view to business expansion.

In the Restaurant Business, the Company will work to make Japanese-style curry more available worldwide through the operation of curry restaurants both in Japan and overseas.

In the Other Food Related Business, which includes the business engaged in exports, imports and sales of foodstuffs and the transport business, the Company is working to increase the comprehensive strength of the Group by optimizing business and pursuing the strengthened capabilities of each company.

On the basis of these strategic business areas, the Company has decided to make the five units—Spice / Seasoning / Processed Food Business, Health Food Business, International Food Business, Restaurant Business, and Other Food Related Business—its reported segments.

2. Basis for Calculating Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

The accounting methods for reportable segments are mostly the same as the methods used in preparing the consolidated financial statements.

The income figures stated in the reportable segments are based on operating profit. The intersegment sales and transfers are based on actual market prices.

3. Information on Amounts of Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

Previous consolidated fiscal year (April 1, 2018 – March 31, 2019) (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	137,091	30,610	26,222	52,056	50,668	296,647	–	296,647	49	296,695
Sales and transfer – inter-segment	4,133	289	94	28	11,215	15,759	–	15,759	(15,759)	–
Total	141,225	30,899	26,317	52,083	61,882	312,406	–	312,406	(15,710)	296,695
Segment profit (loss)	12,669	1,421	3,584	(561)	2,045	19,159	–	19,159	(1,599)	17,559
Segment assets	76,241	19,289	27,191	96,304	27,496	246,521	–	246,521	124,504	371,025
Other items										
Depreciation	3,506	471	979	2,798	1,059	8,813	–	8,813	449	9,262
Amortization of goodwill	–	–	4	3,417	–	3,420	–	3,420	–	3,420
Increase in property, plant and equipment, and intangible assets	5,537	583	2,385	2,160	553	11,218	–	11,218	486	11,704

(Notes) 1. Details of adjustments are as follows.

(1) Sales-outside customers are mainly real estate rental revenues recorded by the Company.

(2) Segment profit (loss) includes profit of -1,599 million yen of the Company and House Business Partners Corporation which was not allocated to business segments and elimination of inter-segment transactions of -0 million yen.

(3) Segment assets include assets of 126,240 million yen of the Company and House Business Partners Corporation which were not allocated to business segments and elimination of inter-segment transactions of -1,736 million yen.

(4) Depreciation includes depreciation of 449 million yen of the Company and House Business Partners Corporation that was not allocated to business segments.

(5) Increase in property, plant and equipment and intangible assets includes equipment investment of 486 million yen of the Company and House Business Partners Corporation which was not allocated to business segments.

2. Segment profit was adjusted with operating profit on the consolidated financial statements.

Consolidated fiscal year under review (April 1, 2019 – March 31, 2020) (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	140,820	27,600	29,597	52,419	43,191	293,627	–	293,627	55	293,682
Sales and transfer – inter-segment	4,176	290	138	79	3,105	7,788	–	7,788	(7,788)	–
Total	144,996	27,890	29,734	52,498	46,296	301,415	–	301,415	(7,733)	293,682
Segment profit (loss)	14,111	521	4,098	202	1,791	20,723	–	20,723	(1,717)	19,005
Segment assets	79,304	20,047	31,476	93,421	19,537	243,785	–	243,785	123,409	367,194
Other items										
Depreciation	3,970	644	1,157	3,016	620	9,407	–	9,407	455	9,862
Amortization of goodwill	–	–	1	3,417	–	3,417	–	3,417	–	3,417
Increase in property, plant and equipment, and intangible assets	7,354	2,634	4,340	2,830	379	17,537	–	17,537	288	17,825

(Notes) 1. Details of adjustments are as follows.

(1) Sales-outside customers are mainly real estate rental revenues recorded by the Company.

(2) Segment profit (loss) includes profit of -1,719 million yen of the Company and House Business Partners Corporation which was not allocated to business segments and elimination of inter-segment transactions of 1 million yen.

(3) Segment assets include assets of 124,760 million yen of the Company and House Business Partners Corporation which were not allocated to business segments and elimination of inter-segment transactions of -1,351 million yen.

(4) Depreciation includes depreciation of 455 million yen of the Company and House Business Partners Corporation that was not allocated to business segments.

(5) Increase in property, plant and equipment and intangible assets includes equipment investment of 288 million yen of the Company and House Business Partners Corporation which was not allocated to business segments.

2. Segment profit was adjusted with operating profit on the consolidated financial statements.

[Related information]

Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)

1. Information by Product and Service

Since similar information is described in the segment information, this information is omitted.

2. Information by Area

(1) Net sales (Million yen)

Japan	East Asia	Southeast Asia	United States	Other	Total
258,565	14,841	7,297	14,886	1,106	296,695

(2) Property, plant and equipment (Million yen)

Japan	East Asia	Southeast Asia	United States	Other	Total
72,462	5,405	1,632	6,355	89	85,943

3. Information by Major Customer

(Million yen)

Customer	Sales	Related segments
KATOSANGYO Co., Ltd.	34,384	Spice / Seasoning / Processed Food Business Health Food Business
Mitsubishi Shokuhin Co., Ltd.	20,755	Spice / Seasoning / Processed Food Business Health Food Business

Consolidated fiscal year under review (April 1, 2019 – March 31, 2020)

1. Information by Product and Service

Since similar information is described in the segment information, this information is omitted.

2. Information by Area

(1) Net sales (Million yen)

Japan	East Asia	Southeast Asia	United States	Other	Total
252,776	14,921	9,387	15,246	1,353	293,682

(2) Property, plant and equipment (Million yen)

Japan	East Asia	Southeast Asia	United States	Other	Total
73,856	5,168	1,613	9,439	163	90,239

3. Information by Major Customer

(Million yen)

Customer	Sales	Related segments
KATOSANGYO Co., Ltd.	37,390	Spice / Seasoning / Processed Food Business Health Food Business
Mitsubishi Shokuhin Co., Ltd.	20,958	Spice / Seasoning / Processed Food Business Health Food Business

[Information on impairment loss in non-current assets by reported segment]

Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)

(Million yen)

	Reported segments						Other	Adjustment	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total			
Impairment loss	–	–	–	579	–	579	–	–	579

Consolidated fiscal year under review (April 1, 2019 – March 31, 2020)

(Million yen)

	Reported segments						Other	Adjustment	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total			
Impairment loss	–	–	–	387	–	387	–	–	387

[Information on amortization of goodwill and amortized balance by reported segment]

Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)

(Million yen)

	Reported segments						Other	Adjustment	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total			
Amortization in fiscal year under review	–	–	4	3,417	–	3,420	–	–	3,420
Balance at end of fiscal year under review	–	–	1	5,979	–	5,980	–	–	5,980

Consolidated fiscal year under review (April 1, 2019 – March 31, 2020)

(Million yen)

	Reported segments						Other	Adjustment	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total			
Amortization in fiscal year under review	–	–	1	3,417	–	3,417	–	–	3,417
Balance at end of fiscal year under review	–	–	–	2,562	–	2,562	–	–	2,562

[Information on gain on bargain purchase by reported segment]

Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)

Not applicable.

Consolidated fiscal year under review (April 1, 2019 – March 31, 2020)

Not applicable.

Per Share Information

(Yen)

	Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)	Consolidated fiscal year under review (April 1, 2019 – March 31, 2020)
Net assets per share	2,454.34	2,469.20
Profit per share	134.32	113.73

(Notes) 1. Since no residual securities exist, per-share profit after residual securities adjustments is omitted.

2. The basis for calculating profit per share is as follows.

	Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)	Consolidated fiscal year under review (April 1, 2019 – March 31, 2020)
	Million yen	Million yen
Profit attributable to owners of parent	13,767	11,458
Amount not allocable to common shareholders	–	–
Profit attributable to owners of parent available for common stock	13,767	11,458
	Thousand shares	Thousand shares
Average number of shares of common stock outstanding during the term	102,491	100,750

3. The basis for calculating net assets per share is as follows.

	Previous consolidated fiscal year (As of March 31, 2019)	Consolidated fiscal year under review (As of March 31, 2020)
	Million yen	Million yen
Total net assets	279,144	280,930
Amount deducted from total net assets	31,869	32,160
(Of which are non-controlling interests)	(31,869)	(32,160)
Net assets at end of year available for common stock	247,275	248,770
	Thousand shares	Thousand shares
Number of shares of common stock at end of year used for calculating net assets per share	100,750	100,749

Important Subsequent Events

Not applicable.

5. Other Information

(1) Senior Management Changes

1. Newly Appointed Director Candidates (as of June 25, 2020)

Director Tatsumi Yamaguchi (currently Executive Officer, General Manager of Global Headquarters, and President, House Foods Holding USA Inc.)

Director Kotaro Kawasaki (currently Executive Officer and General Manager of Corporate Communication Headquarters, and responsible for New Business Planning & Development Division)

Director Junsuke Fujii (currently Audit & Supervisory Board Member (Outside))

* Mr. Junsuke Fujii is a candidate for an Outside Director.

2. Newly Appointed Audit & Supervisory Board Member Candidates (as of June 25, 2020)

Standing Audit & Supervisory Board Member Akira Koike (currently Director supervising Global Headquarters)

Non-Standing Audit & Supervisory Board Member Atsuko Okajima (formerly member of Information Disclosure and Personal Information Protection Review Board of the Ministry of Internal Affairs and Communications)

* Ms. Atsuko Okajima is a candidate for Outside Audit & Supervisory Board Member.

3. Retiring Directors (as of June 25, 2020)

Director Toyoaki Fujii

Director Akira Koike (expected to become Standing Audit & Supervisory Board Member)

Director Kunikatsu Yamamoto

* Mr. Kunikatsu Yamamoto is an Outside Director.

4. Retiring Audit & Supervisory Board Members (as of June 25, 2020)

Standing Audit & Supervisory Board Member Hiroshi Kato

Non-Standing Audit & Supervisory Board Member Junsuke Fujii (expected to become Director)

* Mr. Junsuke Fujii is an Outside Audit & Supervisory Board Member.

6. Supplementary Information

(1) Business Performance

Consolidated (Million yen)

	FY2018		FY2019		FY2020 Forecast	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	296,695	101.6%	293,682	99.0%	290,000	98.7%
Operating profit	17,559	107.8%	19,005	108.2%	15,500	81.6%
Ordinary profit	19,100	111.0%	20,797	108.9%	16,900	81.3%
Profit attributable to owners of parent	13,767	147.2%	11,458	83.2%	9,600	83.8%
Comprehensive income	9,754	45.3%	7,981	81.8%	–	–

By Business Segment

Net sales	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Spice / Seasoning / Processed Food Business	141,225	100.9%	144,996	102.7%	149,000	102.8%
Health Food Business	30,899	97.8%	27,890	90.3%	25,000	89.6%
International Food Business	26,317	115.1%	29,734	113.0%	35,000	117.7%
Restaurant Business	52,083	100.2%	52,498	100.8%	45,400	86.5%
Other Food Related Business	61,882	101.4%	46,296	74.8%	43,800	94.6%
Adjustment	(15,710)	–	(7,733)	–	(8,200)	–

Operating profit	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Spice / Seasoning / Processed Food Business	12,669	104.9%	14,111	111.4%	13,700	97.1%
Health Food Business	1,421	156.6%	521	36.7%	0	–
International Food Business	3,584	125.9%	4,098	114.3%	4,000	97.6%
Restaurant Business	(561)	–	202	–	(1,900)	–
Other Food Related Business	2,045	109.6%	1,791	87.6%	1,600	89.3%
Adjustment	(1,599)	–	(1,717)	–	(1,900)	–

(2) Number of Group Companies

	FY2018	FY2019
Consolidated subsidiaries	36	35
Japan	14	14
Overseas	22	21
Equity-method affiliate	4	5
Japan	2	2
Overseas	2	3

FY2019 Business Results of Major Subsidiaries (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	134,385	103.2%	13,121	114.1%	9,331	116.6%
House Wellness Foods Corporation	27,890	90.3%	518	36.5%	19	1.7%
House Foods America Corporation (Consolidated)	13,676	100.5%	1,209	83.4%	910	84.3%
Ichibanya Co., Ltd. (Consolidated)	51,496	102.6%	5,205	117.2%	3,258	116.8%

* Period included in consolidated financial statements: House Foods America Corporation - from January to December 2019; Ichibanya Co., Ltd. - from March 2019 to February 2020

Average exchange rate during the period

	Currency unit	FY2018	FY2019	FY2020 Forecast
United States	USD	110.36	109.24	109.00

(3) Consolidated Statements of Income

1. Consolidated Statements of Income (Million yen)

	FY2018		FY2019		Year-on-year change	
	Amount	Percentage	Amount	Percentage	Amount	Rate of change
Net sales	**296,695**	**100.0%**	**293,682**	**100.0%**	**(3,014)**	**(1.0%)**
<By business segment>						
Spice / Seasoning / Processed Food Business	141,225	47.6%	144,996	49.4%	3,771	2.7%
Health Food Business	30,899	10.4%	27,890	9.5%	(3,009)	(9.7%)
International Food Business	26,317	8.9%	29,734	10.1%	3,418	13.0%
Restaurant Business	52,083	17.5%	52,498	17.9%	415	0.8%
Other Food Related Business	61,882	20.9%	46,296	15.8%	(15,586)	(25.2%)
Adjustment	(15,710)	(5.3%)	(7,733)	(2.6%)	7,977	–
Cost of sales	165,068	55.6%	159,910	54.5%	(5,158)	(3.1%)
Selling, general and administrative expenses	114,068	38.4%	114,767	39.1%	698	0.6%
Advertising expenses	9,739	3.3%	9,436	3.2%	(303)	(3.1%)
Transportation and storage costs	10,278	3.5%	11,635	4.0%	1,357	13.2%
Sales commission	1,669	0.6%	1,691	0.6%	22	1.3%
Promotion expenses	32,571	11.0%	32,589	11.1%	18	0.1%
Personnel expenses	29,614	10.0%	28,992	9.9%	(622)	(2.1%)
Research and development expenses	4,212	1.4%	4,465	1.5%	253	6.0%
Amortization of goodwill	3,420	1.2%	3,417	1.2%	(3)	(0.1%)
Other	22,564	7.6%	22,541	7.7%	(23)	(0.1%)
Operating profit	**17,559**	**5.9%**	**19,005**	**6.5%**	**1,446**	**8.2%**
Non-operating income	2,566	0.9%	2,918	1.0%	352	13.7%
Non-operating expenses	1,026	0.3%	1,127	0.4%	101	9.8%
Ordinary profit	**19,100**	**6.4%**	**20,797**	**7.1%**	**1,697**	**8.9%**
Extraordinary income	4,470	1.5%	2,359	0.8%	(2,111)	(47.2%)
Extraordinary losses	1,273	0.4%	2,474	0.8%	1,201	94.3%
Profit before income taxes	22,297	7.5%	20,682	7.0%	(1,615)	(7.2%)
Income taxes	7,231	2.4%	7,510	2.6%	279	3.9%
Profit	15,067	5.1%	13,172	4.5%	(1,894)	(12.6%)
Profit attributable to						
Profit attributable to owners of parent	**13,767**	**4.6%**	**11,458**	**3.9%**	**(2,309)**	**(16.8%)**
Profit attributable to non-controlling interests	1,300	0.4%	1,714	0.6%	415	31.9%
Comprehensive income	**9,754**	**3.3%**	**7,981**	**2.7%**	**(1,773)**	**(18.2%)**

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

Increase in gross profit	2,144
Decrease in personnel expenses	622
Decrease in marketing costs (sum of advertising expenses, sales commission and promotion expenses)	263
Increase in transportation and storage costs	(1,357)
Increase in research and development expenses	(253)
Decrease in other expenses	27

3. Non-Operating Income (Expenses) (Million yen)

	FY2018	FY2019	Year-on-year change
Interest income	329	353	24
Dividend income	679	658	(21)
Share of profit of entities accounted for using equity method	51	645	595
Foreign exchange gains	154	–	(154)
Rental income from buildings	757	806	49
Other	597	457	(140)
Total non-operating income	2,566	2,918	352
Interest expenses	80	62	(18)
Foreign exchange losses	–	143	143
Rental expenses	618	671	53
Other	327	251	(76)
Total non-operating expenses	1,026	1,127	101

4. Extraordinary Income (Losses) (Million yen)

	FY2018	FY2019	Year-on-year change
Gain on sales of non-current assets	6	198	192
Gain on sales of investment securities	4,284	2,100	(2,183)
Gain on sales of restaurants	129	61	(68)
Other	52	0	(52)
Total extraordinary income	4,470	2,359	(2,111)
Loss on sales of non-current assets	23	9	(14)
Loss on retirement of non-current assets	630	552	(78)
Loss on sales of investment securities	–	11	11
Loss on valuation of investment securities	2	35	33
Loss on valuation of membership	7	–	(7)
Impairment loss	579	387	(192)
Loss on change in equity	–	212	212
Loss on sale of businesses	–	42	42
Provision of allowance for doubtful accounts	–	1,088	1,088
Other	32	139	106
Total extraordinary losses	1,273	2,474	1,201

5. Quarterly Statements

Consolidated (Million yen)

	FY2018 1Q	FY2018 2Q	FY2018 3Q	FY2018 4Q	FY2018 Cumulative total	FY2019 1Q	FY2019 2Q	FY2019 3Q	FY2019 4Q	FY2019 Cumulative total
Net sales	71,305	74,461	79,853	71,077	296,695	72,341	72,292	78,005	71,043	293,682
Operating profit	4,310	4,261	7,193	1,795	17,559	4,638	4,475	6,861	3,031	19,005
Ordinary profit	4,660	4,762	7,440	2,237	19,100	5,002	4,995	7,323	3,477	20,797
Profit attributable to owners of parent	2,715	2,850	4,689	3,513	13,767	2,488	2,719	4,910	1,341	11,458
Comprehensive income	3,129	4,437	560	1,627	9,754	1,834	4,017	4,534	(2,404)	7,981

Net sales by business segment

Net sales	FY2018 1Q	FY2018 2Q	FY2018 3Q	FY2018 4Q	FY2018 Cumulative total	FY2019 1Q	FY2019 2Q	FY2019 3Q	FY2019 4Q	FY2019 Cumulative total
Spice / Seasoning / Processed Food Business	32,932	34,976	39,552	33,764	141,225	33,405	35,718	40,194	35,679	144,996
Health Food Business	8,149	8,817	8,303	5,630	30,899	7,520	7,458	7,550	5,361	27,890
International Food Business	6,033	6,200	7,105	6,979	26,317	7,390	6,772	7,920	7,652	29,734
Restaurant Business	12,744	12,995	13,092	13,252	52,083	13,186	13,310	12,743	13,258	52,498
Other Food Related Business	15,371	15,387	15,897	15,229	61,882	12,678	10,912	11,548	11,158	46,296
Adjustment	(3,923)	(3,914)	(4,096)	(3,777)	(15,710)	(1,838)	(1,879)	(1,951)	(2,065)	(7,733)

Operating profit by business segment

Operating profit	FY2018 1Q	FY2018 2Q	FY2018 3Q	FY2018 4Q	FY2018 Cumulative total	FY2019 1Q	FY2019 2Q	FY2019 3Q	FY2019 4Q	FY2019 Cumulative total
Spice / Seasoning / Processed Food Business	2,657	2,882	5,111	2,019	12,669	2,884	3,006	4,736	3,485	14,111
ROS	8.1%	8.2%	12.9%	6.0%	9.0%	8.6%	8.4%	11.8%	9.8%	9.7%
Health Food Business	663	441	806	(488)	1,421	144	351	251	(224)	521
ROS	8.1%	5.0%	9.7%	(8.7%)	4.6%	1.9%	4.7%	3.3%	(4.2%)	1.9%
International Food Business	961	707	1,063	853	3,584	1,310	831	1,255	702	4,098
ROS	15.9%	11.4%	15.0%	12.2%	13.6%	17.7%	12.3%	15.8%	9.2%	13.8%
Restaurant Business	(160)	18	(230)	(189)	(561)	303	204	(37)	(267)	202
ROS	(1.3%)	0.1%	(1.8%)	(1.4%)	(1.1%)	2.3%	1.5%	(0.3%)	(2.0%)	0.4%
Other Food Related Business	605	585	645	210	2,045	410	544	620	218	1,791
ROS	3.9%	3.8%	4.1%	1.4%	3.3%	3.2%	5.0%	5.4%	2.0%	3.9%
Adjustment	(416)	(371)	(202)	(609)	(1,599)	(413)	(460)	37	(883)	(1,717)

(4) Consolidated Balance Sheets

Consolidated Balance Sheets (Million yen)

	FY2018		FY2019		Year-on-year change	Major factors for increase/ decrease	
	Amount	Percentage	Amount	Percentage	Amount		
Current assets	144,755	39.0%	149,653	40.8%	4,898	Increase in cash and deposits	3,940
						Increase in securities	3,810
						Decrease in merchandise and finished goods	(2,255)
						Decrease in notes and accounts receivable - trade	(827)
Non-current assets	226,269	61.0%	217,541	59.2%	(8,729)	Decrease in investment securities	(6,290)
						Decrease in goodwill	(3,417)
						Decrease in retirement benefit asset	(1,660)
						Decrease in leased assets	(1,417)
						Increase in machinery, equipment and vehicles	2,631
						Increase in construction in progress	2,479
Total assets	**371,025**	**100.0%**	**367,194**	**100.0%**	**(3,831)**		
Current liabilities	55,308	14.9%	53,138	14.5%	(2,170)	Decrease in notes and accounts payable - trade	(1,472)
						Decrease in short-term borrowings	(409)
Non-current liabilities	36,573	9.9%	33,126	9.0%	(3,447)	Decrease in deferred tax liabilities	(1,716)
						Decease in lease obligations	(1,319)
Total liabilities	**91,881**	**24.8%**	**86,264**	**23.5%**	**(5,617)**		
Total shareholders' equity	221,975	59.8%	228,616	62.3%	6,641	Increase in retained earnings	6,924
						Decrease in capital surplus	(279)
Total other accumulated comprehensive income	25,300	6.8%	20,154	5.5%	(5,146)	Decrease in valuation difference on available-for-sale securities	(2,677)
						Decrease in remeasurements of defined benefit plans	(2,015)
Non-controlling interests	31,869	8.6%	32,160	8.8%	291		
Total net assets	**279,144**	**75.2%**	**280,930**	**76.5%**	**1,786**		
Total liabilities and net assets	**371,025**	**100.0%**	**367,194**	**100.0%**	**(3,831)**		

(5) Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows (Million yen)

	FY2018	FY2019	Year-on-year change	Major factors for increase/ decrease	
Cash flows from operating activities	20,913	24,218	3,306	Decrease (increase) in inventories	4,567
				Decrease in loss (gain) on sales of investment securities	2,195
				Increase (decrease) in trade payables	(1,625)
				Decrease in profit before income taxes	(1,615)
Cash flows from investing activities	(1,008)	(6,356)	(5,348)	Purchase of property, plant and equipment	(5,373)
				Proceeds from sales of investment securities	(1,367)
				Payments into time deposits	(1,136)
				Purchase of investment securities	2,933
Cash flows from financing activities	(17,317)	(7,567)	9,750	Repayments of short-term borrowings	26,192
				Purchase of treasury shares	8,768
				Proceeds from short-term borrowings	(24,502)
Cash and cash equivalents at end of period	62,495	69,870	7,375		

(6) Capital Investment

Consolidated (Million yen)

	FY2018	FY2019	FY2020 Forecast
Capital investment	11,320	16,253	16,500
Leases	544	1,719	200
Total	11,864	17,971	16,700

(7) Depreciation

Consolidated (Million yen)

	FY2018	FY2019	FY2020 Forecast
Depreciation	9,262	9,862	10,720
Lease payments	398	355	380
Total	9,661	10,217	11,100

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

(8) Major Management Indicators, etc.

Consolidated

	FY2018	FY2019	FY2020 Forecast
Profit per share	134.32 yen	113.73 yen	95.29 yen
Net assets per share	2,454.34 yen	2,469.20 yen	–
ATO	0.79 times	0.80 times	–
Ratio of operating profit to net sales	5.9%	6.5%	5.3%
Ratio of ordinary profit to net sales	6.4%	7.1%	5.8%
Ratio of operating profit to total assets	4.7%	5.1%	–
ROE	5.5%	4.6%	–
Equity ratio	66.6%	67.7%	–
Dividend per share	44.00 yen	46.00 yen	46.00 yen
Dividend payout ratio	32.8%	40.4%	48.3%
Dividend payout ratio according to the basic policy on the return of earnings to shareholders	26.2%	31.6%	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	6,066 people	6,122 people	–

* Excluding those on leave of absence and part-time workers

(9) 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)

FY2019		1Q	2Q	3Q	4Q	1H	2H	Full year
Overall market	Average selling price	189 yen	190 yen	190 yen	189 yen	189 yen	190 yen	189 yen
	Change from the previous year	-1 yen	+0 yen	+1 yen	+1 yen	+0 yen	+1 yen	+1 yen
House Foods	Average selling price	190 yen	191 yen	191 yen	191 yen	191 yen	191 yen	191 yen
	Change from the previous year	-1 yen	+0 yen	+1 yen	+1 yen	-1 yen	+1 yen	+0 yen
	Share of amount	61.8%	61.8%	62.1%	61.8%	61.8%	61.9%	61.9%

Source: SRI monthly data of INTAGE Inc. (April 2019 – March 2020)

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

FY2019	1Q	2Q	3Q	4Q	1H	2H	Full year
Spice / Seasoning / Processed Food Business							
Curry roux in total	99.8%	105.0%	94.9%	107.7%	102.3%	101.2%	101.8%
Retort pouched curry in total	103.2%	97.9%	102.2%	121.8%	100.4%	111.4%	105.8%
Stew roux in total	99.9%	100.6%	97.6%	99.7%	100.4%	98.2%	99.0%
Hashed beef sauce roux in total	105.7%	106.0%	102.0%	97.4%	105.8%	99.4%	102.5%
Spice in total	102.2%	102.3%	102.8%	116.1%	102.2%	108.4%	105.3%
Health Food Business							
Ukon No Chikara	86.0%	97.0%	87.5%	89.2%	91.6%	88.1%	89.7%
C1000	81.4%	67.1%	77.1%	86.3%	73.8%	81.1%	76.4%
Ichinichibun No Vitamin	82.3%	80.5%	94.3%	109.2%	81.4%	100.8%	89.8%