

August 2, 2021

Consolidated Financial Results (Japanese Accounting Standards) for the Three Months Ended June 30, 2021 (Q1 FY2021)

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

Scheduled date for filing of securities report: August 11, 2021

Scheduled date of commencement of dividend payment: –

Supplementary documents for quarterly results: Yes

Quarterly results briefing: None

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 1, 2021 – June 30, 2021)

(1) Consolidated Results of Operations (Accumulated Total)

(Percentages show year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2021	61,636	3.2	5,690	28.4	6,345	40.5	4,073	44.8
June 30, 2020	59,750	–	4,431	–	4,515	–	2,812	–

(Note) Comprehensive income: 5,032 million yen (69.1%) for the three months ended June 30, 2021
 2,976 million yen (–%) for the three months ended June 30, 2020

	Profit per share (basic)		Profit per share (diluted)	
	Yen	Yen	Yen	Yen
Three months ended June 30, 2021	40.57	–	–	–
June 30, 2020	27.91	–	–	–

(Note) The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), effective from beginning of the first quarter of the fiscal year under review and the figures for the three months ended June 30, 2020 are figures after retrospective application of the standard and guidance. Therefore, year-on-year changes are not shown.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Three months ended June 30, 2021	364,934	286,846	70.7	2,574.77
Year ended March 31, 2021	369,335	286,883	69.8	2,559.12

(Reference) Shareholders' equity: As of June 30, 2021: 257,840 million yen
 As of March 31, 2021: 257,825 million yen

(Note) The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), effective from beginning of the first quarter of the fiscal year under review and the figures for the year ending March 31, 2021 are figures after retrospective application of the standard and guidance.

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	–	23.00	–	23.00	46.00
Year ending March 31, 2022	–				
Year ending March 31, 2022 (forecasts)		23.00	–	23.00	46.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentage figures represent the changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2022	259,000	3.6	20,000	3.0	21,500	8.4	13,000	48.5	130.51

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

* Notes

- (1) Changes of important subsidiaries during the period
(changes of specific subsidiaries in accordance with changes in the scope of consolidation): None
- (2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies and changes or restatement of accounting estimates
- | | |
|--|------|
| (i) Changes in accounting policies caused by revision of accounting standards: | Yes |
| (ii) Changes in accounting policies other than (i): | None |
| (iii) Changes in accounting estimates: | None |
| (iv) Restatement: | None |
- (Note) Please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 10 of the Accompanying Materials for details.
- (4) Number of shares outstanding (common shares):
- | | |
|---|--------------------|
| (i) Number of shares outstanding at end of period (including treasury shares) | |
| As of June 30, 2021: | 100,750,620 shares |
| As of March 31, 2021: | 100,750,620 shares |
| (ii) Number of treasury shares at end of period | |
| As of June 30, 2021: | 609,800 shares |
| As of March 31, 2021: | 2,816 shares |
| (iii) Average number of shares outstanding during the term | |
| Three months ended June 30, 2021: | 100,401,313 shares |
| Three months ended June 30, 2020: | 100,749,138 shares |

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

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

- The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.
- For other matters related to the forecasts, please refer to “(3) Information on the Future Outlook, Including Consolidated Business Results Forecasts” under “1. Qualitative Information on Results for the First Quarter Ended June 30, 2021” on page 5 of the accompanying materials.

Accompanying Materials – Contents

1. Qualitative Information on Results for the First Quarter Ended June 30, 2021.....	2
(1) Details of Operating Results	2
(2) Details of Financial Position	4
(3) Information on the Future Outlook, Including Consolidated Business Results Forecasts.....	5
2. Quarterly Consolidated Financial Statements and Key Notes	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
(3) Notes to Quarterly Consolidated Financial Statements	10
Notes Relating to Assumptions for the Going Concern	10
Notes for Case Where Shareholders' Equity underwent Significant Changes in Value	10
Application of Particular Accounts Procedures to the Preparation of Quarterly Consolidated Financial Statements	10
Changes in Accounting Policies.....	10
Additional Information.....	11
Segment Information.....	11
3. Supplementary Information	13
(1) Business Results.....	13
(2) Number of Group Companies	13
(3) Consolidated Statements of Income	14
(4) Consolidated Balance Sheets.....	17
(5) Capital Investment	18
(6) Depreciation	18
(7) Major Management Indicators, etc.....	18
(8) Reference Information.....	19

1. Qualitative Information on Results for the First Quarter Ended June 30, 2021

(1) Details of Operating Results

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021), effective from beginning of the first quarter of the fiscal year under review. Regarding application of said accounting standard and implementation guidance, the Company applied the new policy retrospectively to all prior periods in accordance with the principle treatment set forth in Paragraph 84 of the Accounting Standard for Revenue Recognition. Comparative analysis with the first three months ended June 30, 2020 and the fiscal year ended March 31, 2021 are therefore based on figures after retrospective application of said standard and implementation guidance. Please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” for details.

With the COVID-19 pandemic dragging on, the outlook remains extremely uncertain. Under such conditions, House Foods Group launched its Seventh Medium-term Business Plan from April 2021. Under this Medium-term Business Plan, the Group has defined four value chains or VCs (the Spice VC, the Functional Ingredients VC, the Soybean VC and the Value Added Vegetable VC) as domains in which it will provide “Healthy Life Through Foods” and it will accelerate its transformation into a high quality company in terms of all three responsibilities” (“For our customers“, “For our employees and their families“, and “For society”). As part of this plan, the Group integrated House Wellness Foods Corporation’s sales capabilities for products for household use in Japan into House Foods Corporation in April 2021. This restructuring will strengthen the business foundations for the realization of strategies through increased focus on the improvement of productivity in existing domains and the priority allocation of management resources to growing domains.

Net sales for the first three months ended June 30, 2021 increased reflecting growth in the International Food Business, Other Food Related Business and the Restaurant Business, which offset year-on-year declines in the Spice/Seasoning/Processed Food Business and the Health Food Business. Operating profit increased due to the effect of higher sales in the International Food Business and also because the goodwill which arose in the Restaurant Business when Ichibanya Co., Ltd. was made into a consolidated subsidiary was fully amortized the previous fiscal year.

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

	Three months ended June 30, 2021	
	Amount (million yen)	Year-on-year change (%)
Net sales	61,636	103.2
Operating profit	5,690	128.4
Ordinary profit	6,345	140.5
Profit attributable to owners of parent	4,073	144.8

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

Segment	Consolidated net sales		Consolidated operating profit Segment profit (loss)	
	Amount (million yen)	Year-on-year change (%)	Amount (million yen)	Year-on-year change (%)
Spice / Seasoning / Processed Food Business	27,631	94.2	3,075	71.9
Health Food Business	3,351	89.6	(163)	–
International Food Business	9,813	121.2	1,983	196.3
Restaurant Business	11,126	106.7	350	–
Other Food Related Business	11,675	109.4	471	92.8
Subtotal	63,596	102.1	5,717	123.1
Adjustment (elimination)	(1,960)	–	(27)	–
Total	61,636	103.2	5,690	128.4

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

Spice / Seasoning / Processed Food Business

The Spice/Seasoning/Processed Food Business segment was affected by the absence of special demand arising from at-home consumption in the same period a year earlier and posted declines in sales and profit.

In the products for household use business of House Foods Corporation, as the COVID-19 pandemic dragged on and consumers grew tired of home cooking or found it a strain, efforts were made to offer more household product options including the promotion of microwaveable retort pouched products to increase convenience and reduce environmental impact, in addition to enhancement of menu varieties and a review of product promotions.

Meanwhile, the business of products for food service use conducted by House Foods Corporation and Gaban Co., Ltd. posted higher net sales than a year earlier despite continued challenging conditions as people refrained from going out and restaurants closed or shortened their operating hours due to COVID-19.

As a result of the above, sales in the Spice/Seasoning/Processed Food Business stood at 27,631 million yen, down 5.8% year on year, and operating profit was 3,075 million yen, down 28.1% year on year. Consequently, the ratio of operating profit to net sales was 11.1%, falling 3.4 percentage points from a year earlier.

Health Food Business

Still facing a challenging business environment due to the effects of the COVID-19 pandemic, the Health Food Business continued to focus on the restructuring of business in Japan.

With fewer selling opportunities, the Ukon No Chikara series failed to make a full-scale recovery after plunging sharply the year before. Under such conditions, the segment as a whole reported decreased sales as a result of withdrawal from unprofitable business the previous fiscal year. However, segment operating loss shrank from the same period a year earlier due to cost reductions and the rollout of marketing strategies flexibly adapted to the current circumstances.

As a result of the above, sales in the Health Food Business declined 10.4% year on year, to 3,351 million yen. The segment reported an operating loss of 163 million yen, an improvement of 60 million yen from the same period a year earlier. Consequently, the ratio of operating profit to net sales was -4.9%, improving 1.1 percentage point from a year ago.

International Food Business Period covered by the consolidated financial statements: Mainly from January to March 2021

The International Food Business maintained business growth in the three priority areas (United States, China and ASEAN). With demand growing against a backdrop of growing health and environmental awareness, the tofu business in the United States posted gains in sales and profit due to expansion in supply capacity at the Los Angeles Plant the previous fiscal year which narrowed the supply-demand gap and improvement in production efficiency.

The curry business in China posted gains in sales and profit thanks to brisk sales of products for household use and products for food service use.

The functional beverage business in Thailand posted higher sales and profits, partly due to a lighter tax burden in addition to the encouragement of deliveries in the traditional market as a result of government sales support measures targeting distribution.

As a result of the above, sales in the International Food Business rose 21.2% year on year, to 9,813 million yen, and operating profit increased 96.3%, to 1,983 million yen. Consequently, the ratio of operating profit to net sales was 20.2%, rising 7.7 percentage points from a year earlier.

Restaurant Business Periods covered by the consolidated financial statements: From March to May 2021 for Ichibanya Co., Ltd. and from January to March 2021 for overseas subsidiaries

The Restaurant Business segment reported growth in sales and profit.

The business environment surrounding the restaurant industry in Japan remained challenging, with the declaration of a third state of emergency due to the COVID-19 pandemic and with national and local governments calling for restaurants to shorten their operating hours as a result.

Under such conditions, Ichibanya Co., Ltd. continued to make efforts to operate in such a way that made customers feel safe and actively focused on the expansion of delivery services and sales promotion activities using web advertising to tap into demand for home delivery and takeout. As a result, restaurant sales grew year on year, partly because sales had dropped so sharply in the same period a year earlier. Overseas, business improved from the same period a year earlier, although conditions varied from country to country.

As a result of the above, sales in the Restaurant Business amounted to 11,126 million yen, rising 6.7% year on year. Operating profit grew 1,277 million yen year on year, reaching 350 million yen. This was partly due to the effect of increased sales and partly because the goodwill which arose when Ichibanya Co., Ltd. was made into a consolidated subsidiary was fully amortized the previous fiscal year. Consequently, the ratio of operating profit to net sales was 3.1%, improving 12.0 percentage point from a year earlier.

Other Food Related Business

Delica Chef Corporation posted gains in sales and profit as productivity improved on the back of brisk sales of prepared food and baked bread.

Vox Trading Co., Ltd. posted higher sales due to an increase in successful tenders for MA rice (minimum access rice compared to the same period a year earlier. However, profit was lower, reflecting slower shipments of food service products.

As a result of the above, sales in Other Food Related Business increased 9.4% year on year, to 11,675 million yen, and operating profit declined 7.2% year on year, to 471 million yen. Consequently, the ratio of operating profit to net sales was 4.0%, declining 0.7 percentage point from a year ago.

(2) Details of Financial Position

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

Total assets were 364,934 million yen, a decrease of 4,401 million yen from the end of the previous consolidated fiscal year.

Current assets fell 5,238 million yen, to 151,701 million yen mainly due to decreases in cash and deposits and securities, which offset increases in merchandise and finished goods and raw materials and supplies. Non-current assets rose 837 million yen, to 213,233 million yen, with increases in software and retirement benefit asset offset by decreases in software in progress and investment securities.

Liabilities stood at 78,088 million yen, a decrease of 4,363 million yen from the end of the previous consolidated fiscal year.

Current liabilities were down 3,442 million yen, to 48,468 million yen mainly due to decreases in accounts payable - other and income taxes payable, despite an increase in notes and accounts payable - trade. Non-current liabilities declined 921 million yen, to 29,621 million yen, chiefly due to a decrease in deferred tax liabilities.

Net assets amounted to 286,846 million yen, dropping 37 million yen from the end of the previous fiscal year, largely due to a decrease in valuation difference on available-for-sale securities due to a fall in the market value of securities owned and an increase in treasury shares due to the purchase of treasury shares, offsetting an increase in retained earnings due to profit attributable to owners of parent and an increase in foreign currency translation adjustment.

As a result, the equity ratio stood at 70.7% (compared with 69.8% at the end of the previous fiscal year), and net assets per share amounted to 2,574.77 yen (2,559.12 yen at the end of the previous fiscal year) at the end of the first quarter of the fiscal year under review.

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), effective from beginning of the first quarter of the fiscal year under review and applied this accounting policy to all prior periods.

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

There has been no change to the consolidated results forecasts announced on May 11, 2021, for the period ending March 31, 2022.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	End of previous fiscal year (As of March 31, 2021)	End of first quarter of the fiscal year under review (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	78,905	71,192
Notes and accounts receivable - trade	43,104	42,652
Securities	9,515	8,009
Merchandise and finished goods	12,634	14,184
Work in process	2,301	2,543
Raw materials and supplies	5,185	5,539
Other	5,472	7,668
Allowance for doubtful accounts	(177)	(86)
Total current assets	156,939	151,701
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,504	33,920
Machinery, equipment and vehicles, net	17,639	17,377
Land	31,940	32,067
Lease assets, net	1,586	1,793
Construction in progress	3,138	3,228
Other, net	2,134	2,156
Total property, plant and equipment	89,942	90,542
Intangible assets		
Goodwill	312	301
Trademark right	19,370	19,242
Software	1,554	3,600
Contract-related intangible assets	19,802	19,602
Software in progress	2,268	825
Other	714	743
Total intangible assets	44,021	44,314
Investments and other assets		
Investment securities	60,268	59,819
Long-term loans receivable	1	1
Deferred tax assets	782	580
Long-term time deposits	1,000	1,000
Retirement benefit asset	9,947	10,409
Distressed receivables	638	638
Long-term deposits	1,080	1,077
Other	6,609	6,743
Allowance for doubtful accounts	(1,892)	(1,889)
Total investments and other assets	78,433	78,378
Total non-current assets	212,396	213,233
Total assets	369,335	364,934

(Million yen)

	End of previous fiscal year (As of March 31, 2021)	End of first quarter of the fiscal year under review (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,781	18,734
Electronically recorded obligations - operating	1,847	1,441
Short-term borrowings	3,650	3,699
Lease obligations	519	610
Accounts payable - other	11,403	7,717
Income taxes payable	3,814	2,458
Provision for bonuses	476	243
Provision for bonuses for directors (and other officers)	80	17
Provision for shareholder benefit program	92	75
Asset retirement obligations	12	10
Other	13,238	13,463
Total current liabilities	51,910	48,468
Non-current liabilities		
Long-term borrowings	96	64
Lease obligations	1,142	1,248
Long-term accounts payable - other	215	167
Deferred tax liabilities	21,976	21,025
Retirement benefit liability	1,948	1,984
Asset retirement obligations	738	738
Long-term guarantee deposits	3,984	3,937
Other	442	457
Total non-current liabilities	30,542	29,621
Total liabilities	82,452	78,088
Net assets		
Shareholders' equity		
Share capital	9,948	9,948
Capital surplus	22,829	22,829
Retained earnings	199,623	201,379
Treasury shares	(11)	(2,035)
Total shareholders' equity	232,389	232,120
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,364	18,968
Deferred gains or losses on hedges	(34)	79
Foreign currency translation adjustment	(356)	1,487
Remeasurements of defined benefit plans	5,462	5,184
Total accumulated other comprehensive income	25,437	25,719
Non-controlling interests	29,058	29,006
Total net assets	286,883	286,846
Total liabilities and net assets	369,335	364,934

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(First three-month period)

(Million yen)

	First three-month period of previous fiscal year (April 1, 2020 - June 30, 2020)	First three-month period of the fiscal year under review (April 1, 2021 - June 30, 2021)
Net sales	59,750	61,636
Cost of sales	36,537	37,926
Gross profit	23,213	23,710
Selling, general and administrative expenses	18,782	18,020
Operating profit	4,431	5,690
Non-operating income		
Interest income	53	45
Dividend income	103	110
Rental income from buildings	206	212
Foreign exchange gains	-	36
Subsidy income	-	345
Other	114	170
Total non-operating income	477	918
Non-operating expenses		
Interest expenses	13	12
Rental expenses	164	172
Foreign exchange losses	81	-
Share of loss of entities accounted for using equity method	90	44
Other	44	35
Total non-operating expenses	393	263
Ordinary profit	4,515	6,345
Extraordinary income		
Gain on sale of non-current assets	0	4
Gain on sale of investment securities	33	783
Gain on sale of restaurants	44	42
Other	-	3
Total extraordinary income	77	832
Extraordinary losses		
Loss on sale of non-current assets	11	0
Loss on retirement of non-current assets	25	13
Loss on sale of investment securities	13	-
Loss on valuation of investment securities	3	1
Impairment losses	0	3
Other	3	0
Total extraordinary losses	55	17
Profit before income taxes	4,537	7,160
Income taxes	1,620	2,356
Profit	2,917	4,804
Profit attributable to		
Profit attributable to owners of parent	2,812	4,073
Profit attributable to non-controlling interests	105	731

(Million yen)

	First three-month period of previous fiscal year (April 1, 2020 - June 30, 2020)	First three-month period of the fiscal year under review (April 1, 2021 - June 30, 2021)
Other comprehensive income		
Valuation difference on available-for-sale securities	874	(1,625)
Deferred gains or losses on hedges	(8)	131
Foreign currency translation adjustment	(753)	1,979
Remeasurements of defined benefit plans, net of tax	(22)	(221)
Share of other comprehensive income of entities accounted for using equity method	(31)	(36)
Total other comprehensive income	60	228
Comprehensive income	2,976	5,032
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,964	4,356
Comprehensive income attributable to non-controlling interests	13	676

(3) Notes to Quarterly Consolidated Financial Statements

Notes Relating to Assumptions for the Going Concern

Not applicable.

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

The Company completed the purchase of 606,900 treasury shares based on a resolution at the meeting of the Board of Directors held on May 11, 2021. As a result, treasury shares increased by 2,024 million yen during the first quarter under review, and treasury shares amounted to 2,035 million yen as of June 30, 2021.

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

(Calculation of tax expenses)

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

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

Changes in Accounting Policies

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), effective from the beginning of the first quarter under review and adopted the policy of recognizing as revenue the amount expected to be received upon exchange of goods or services when it transfers control of the promised goods or services to the customer.

As a result, in the case of sale with a right of return, revenue for goods expected to be returned is not recognized at the point of sale and instead revenue is reduced to reflect the expected value of returns and a refund liability is recognized in accordance with the provisions on variable consideration. In addition, the Company deducts from net sales a portion of sales promotion expenses which were previously recorded as selling, general and administrative expenses.

This change in accounting policy is applied retrospectively, in principle, and quarterly consolidated financial statements and consolidated financial statements for the previous year are after retrospective application.

A comparison of consolidated financial statements for the previous fiscal year after retrospective application compared with before shows that merchandise and finished goods increased by 30 million yen and deferred tax assets increased by 155 million yen, accounts payable-other decreased by 6,904 million yen, other current liabilities increased by 7,486 million yen, deferred tax liabilities increased by 10 million yen and the balance of retained earnings at the beginning of the previous period decreased by 340 million yen.

A comparison of financial statements for the first three-month period of the previous fiscal year after retrospective application compared with before shows that net sales decreased by 7,698 million yen, costs of sales decreased by 540 million yen, and selling, general administrative expenses decreased by 7,182 million yen, whilst operating profit, ordinary profit, profit before income taxes and profit each increased by 23 million yen.

Additional Information

(Impacts of COVID-19 on accounting estimates)

In the Company's judgment, the situation does not yet merit any significant change in the assumptions underlying accounting estimates made the previous fiscal year but that uncertainty surrounding the impact of COVID-19 on society and economic activity is likely to persist. When considering impairment losses in relation to the non-current assets pertaining to the Health Food Business and trademark right and contract-related intangible assets which arose on consolidation of Ichibanya Co., Ltd., the Company adopted certain assumptions about the impact of COVID-19. The Group's financial position and operating results may, therefore, be affected in the event of even greater changes than those currently assumed.

Segment Information

I. First three-month period of previous fiscal year (April 1, 2020 - June 30, 2020)

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

(Million yen)

	Reported segments						Other	Total	Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total				
Net sales										
Sales – outside customers	27,785	3,645	8,059	10,409	9,846	59,744	–	59,744	6	59,750
Sales and transfer – inter-segment	1,543	94	36	18	830	2,520	–	2,520	(2,520)	–
Total	29,328	3,739	8,095	10,426	10,676	62,264	–	62,264	(2,514)	59,750
Segment profit (loss)	4,275	(223)	1,010	(927)	508	4,643	–	4,643	(212)	4,431

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

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

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

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

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

(Important impairment losses on non-current assets)

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

II. First three-month period of the fiscal year under review (April 1, 2021 - June 30, 2021)

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

(Million yen)

	Reported segments						Other	Total	Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total				
Net sales										
Sales – outside customers	26,646	3,267	9,779	11,093	10,833	61,618	–	61,618	18	61,636
Sales and transfer – inter-segment	985	83	34	33	842	1,977	–	1,977	(1,977)	–
Total	27,631	3,351	9,813	11,126	11,675	63,596	–	63,596	(1,960)	61,636
Segment profit (loss)	3,075	(163)	1,983	350	471	5,717	–	5,717	(27)	5,690

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

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

(2) “Segment profit (loss)” includes a profit of -27 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments.

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

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

(Important impairment losses on non-current assets)

In the first quarter of the consolidated fiscal year under review, the Company recorded an impairment losses of 3 million yen associated with a fall in profitability of store assets, etc. in the Restaurant Business segment.

3. Matters related to change in reporting segments

Since the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), effective from the beginning of the first quarter under review, and has changed its accounting procedures for revenue recognition as described in Changes in Accounting Policies, the Company has also changed its methods for measuring segment profit or loss accordingly.

Segment information for the first three-month period of the previous fiscal year has been restated to reflect the change in methods for measuring segment profit or loss.

3. Supplementary Information

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), effective from beginning of the first quarter of the fiscal year under review and the figures for the three months ended June 30, 2020 are figures after retrospective application of the standard and guidance. Therefore, year-on-year changes are not shown.

(1) Business Results

Consolidated

(Million yen)

	First quarter of FY2020		First quarter of FY2021		FY2020		FY2021 Forecast	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	59,750	–	61,636	103.2%	250,066	–	259,000	103.6%
Operating profit	4,431	–	5,690	128.4%	19,413	–	20,000	103.0%
Ordinary profit	4,515	–	6,345	140.5%	19,837	–	21,500	108.4%
Profit attributable to owners of parent	2,812	–	4,073	144.8%	8,752	–	13,000	148.5%
Comprehensive income	2,976	–	5,032	169.1%	–	–	–	–

Net sales by business segment

Net sales	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Spice / Seasoning / Processed Food Business	29,328	–	27,631	94.2%	120,380	–	121,700	101.1%
Health Food Business	3,739	–	3,351	89.6%	15,281	–	17,500	114.5%
International Food Business	8,095	–	9,813	121.2%	34,056	–	36,100	106.0%
Restaurant Business	10,426	–	11,126	106.7%	44,698	–	49,300	110.3%
Other Food Related Business	10,676	–	11,675	109.4%	43,922	–	42,400	96.5%
Adjustment	(2,514)	–	(1,960)	–	(8,271)	–	(8,000)	–

Operating profit by business segment

Operating profit	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Spice / Seasoning / Processed Food Business	4,275	–	3,075	71.9%	15,614	–	14,000	89.7%
Health Food Business	(223)	–	(163)	–	(396)	–	100	–
International Food Business	1,010	–	1,983	196.3%	4,584	–	4,700	102.5%
Restaurant Business	(927)	–	350	–	(660)	–	2,600	–
Other Food Related Business	508	–	471	92.8%	1,770	–	1,500	84.8%
Adjustment	(212)	–	(27)	–	(1,498)	–	(2,900)	–

(2) Number of Group Companies

	First quarter of FY2020	First quarter of FY2021	FY2020
Consolidated subsidiaries	35	37	37
Japan	14	15	15
Overseas	21	22	22
Equity-method affiliate	5	5	5
Japan	2	2	2
Overseas	3	3	3

(3) Consolidated Statements of Income

1. Consolidated Statements of Income

(Million yen)

	First quarter of FY2020		First quarter of FY2021		Year-on-year change	
	Amount	Percentage	Amount	Percentage	Amount	Rate of change
Net sales	59,750	100.0%	61,636	100.0%	1,886	3.2%
<By business segment>						
Spice / Seasoning / Processed Food Business	29,328	49.1%	27,631	44.8%	(1,696)	(5.8%)
Health Food Business	3,739	6.3%	3,351	5.4%	(389)	(10.4%)
International Food Business	8,095	13.5%	9,813	15.9%	1,718	21.2%
Restaurant Business	10,426	17.5%	11,126	18.1%	700	6.7%
Other Food Related Business	10,676	17.9%	11,675	18.9%	999	9.4%
Adjustment	(2,514)	(4.2%)	(1,960)	(3.2%)	554	—
Cost of sales	36,537	61.1%	37,926	61.5%	1,389	3.8%
Selling, general and administrative expenses	18,782	31.4%	18,020	29.2%	(762)	(4.1%)
Advertising expenses	1,764	3.0%	1,788	2.9%	24	1.4%
Transportation and storage costs	2,705	4.5%	2,606	4.2%	(99)	(3.7%)
Sales commission	30	0.0%	22	0.0%	(7)	(24.0%)
Promotion expenses	456	0.8%	685	1.1%	229	50.3%
Personnel expenses	7,087	11.9%	6,878	11.2%	(209)	(3.0%)
Research and development expenses	1,017	1.7%	1,042	1.7%	24	2.4%
Amortization of goodwill	854	1.4%	11	0.0%	(843)	(98.7%)
Other	4,869	8.1%	4,988	8.1%	119	2.4%
Operating profit	4,431	7.4%	5,690	9.2%	1,259	28.4%
Non-operating income	477	0.8%	918	1.5%	441	92.4%
Non-operating expenses	393	0.7%	263	0.4%	(130)	(33.1%)
Ordinary profit	4,515	7.6%	6,345	10.3%	1,830	40.5%
Extraordinary income	77	0.1%	832	1.4%	755	981.2%
Extraordinary losses	55	0.1%	17	0.0%	(37)	(68.0%)
Profit before income taxes	4,537	7.6%	7,160	11.6%	2,623	57.8%
Income taxes	1,620	2.7%	2,356	3.8%	735	45.4%
Profit	2,917	4.9%	4,804	7.8%	1,887	64.7%
Profit attributable to						
Profit attributable to owners of parent	2,812	4.7%	4,073	6.6%	1,261	44.8%
Profit attributable to non-controlling interests	105	0.2%	731	1.2%	626	599.3%
Comprehensive income	2,976	5.0%	5,032	8.2%	2,055	69.1%

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

(Million yen)

Increase in gross profit	497
Decrease in amortization of goodwill	843
Decrease in personnel expenses	209
Decrease in transportation and storage costs	99
Increase in marketing costs (sum of advertising expenses, sales commission and promotion expenses)	(246)
Increase in other expenses	(143)

3. Non-Operating Income (Expenses)

(Million yen)

	First quarter of FY2020	First quarter of FY2021	Year-on-year change
Interest income / Interest income on securities	53	45	(9)
Dividend income	103	110	6
Rental income from buildings	206	212	6
Foreign exchange gains	–	36	36
Subsidy income	–	345	345
Other	114	170	56
Total non-operating income	477	918	441
Interest expenses	13	12	(1)
Rental expenses	164	172	8
Foreign exchange losses	81	–	(81)
Share of loss of entities accounted for using equity method	90	44	(47)
Other	44	35	(9)
Total non-operating expenses	393	263	(130)

4. Extraordinary Income (Losses)

(Million yen)

	First quarter of FY2020	First quarter of FY2021	Year-on-year change
Gain on sale of non-current assets	0	4	4
Gain on sale of investment securities	33	783	750
Gain on sale of restaurants	44	42	(2)
Other	–	3	3
Total extraordinary income	77	832	755
Loss on sale of non-current assets	11	0	(11)
Loss on retirement of non-current assets	25	13	(12)
Loss on sale of investment securities	13	–	(13)
Loss on valuation of investment securities	3	1	(2)
Impairment losses	0	3	3
Other	3	0	(3)
Total extraordinary losses	55	17	(37)

5. Quarterly Statements

Consolidated

(Million yen)

	FY2020					FY2021				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Net sales	59,750					61,636				
Year-on-year change	-					1,886				
Operating profit	4,431					5,690				
Year-on-year change	-					1,259				
Ordinary profit	4,515					6,345				
Year-on-year change	-					1,830				
Profit attributable to owners of parent	2,812					4,073				
Year-on-year change	-					1,261				
Comprehensive income	2,976					5,032				
Year-on-year change	-					2,055				

Net sales by business segment

Net sales	FY2020					FY2021				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Spice / Seasoning / Processed Food Business	29,328					27,631				
Year-on-year change	-					(1,696)				
Health Food Business	3,739					3,351				
Year-on-year change	-					(389)				
International Food Business	8,095					9,813				
Year-on-year change	-					1,718				
Restaurant Business	10,426					11,126				
Year-on-year change	-					700				
Other Food Related Business	10,676					11,675				
Year-on-year change	-					999				
Adjustment	(2,514)					(1,960)				
Year-on-year change	-					554				

Operating profit by business segment

Operating profit	FY2020					FY2021				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Spice / Seasoning / Processed Food Business	4,275					3,075				
Year-on-year change	-					(1,199)				
ROS	14.6%					11.1%				
Health Food Business	(223)					(163)				
Year-on-year change	-					60				
ROS	(6.0%)					(4.9%)				
International Food Business	1,010					1,983				
Year-on-year change	-					973				
ROS	12.5%					20.2%				
Restaurant Business	(927)					350				
Year-on-year change	-					1,277				
ROS	(8.9%)					3.1%				
Other Food Related Business	508					471				
Year-on-year change	-					(37)				
ROS	4.8%					4.0%				
Adjustment	(212)					(27)				
Year-on-year change	-					185				

(4) Consolidated Balance Sheets

Consolidated Balance Sheets

(Million yen)

	FY2020		First quarter of FY2021		Increase/decrease from end of FY2020	Major factors for increase/ decrease
	Amount	Percentage	Amount	Percentage	Amount	
Current assets	156,939	42.5%	151,701	41.6%	(5,238)	Increase in cash and deposits (7,713) Decrease in securities (1,506) Increase in merchandise and finished goods 1,550 Increase in raw materials and supplies 354 Increase in work in process 242
Non-current assets	212,396	57.5%	213,233	58.4%	837	Increase in software 2,047 Increase in retirement benefit asset 462 Decrease in software in progress (1,444) Decrease in investment securities (449)
Total assets	369,335	100.0%	364,934	100.0%	(4,401)	
Current liabilities	51,910	14.1%	48,468	13.3%	(3,442)	Decrease in accounts payable - other (3,686) Decrease in income taxes payable (1,356) Decrease in electronically recorded obligations - operating (406) Increase in notes and accounts payable - trade 1,953
Non-current liabilities	30,542	8.3%	29,621	8.1%	(921)	Decrease in deferred tax liabilities (951) Increase in lease obligations 106
Total liabilities	82,452	22.3%	78,088	21.4%	(4,363)	
Total shareholders' equity	232,389	62.9%	232,120	63.6%	(268)	Increase in treasury shares (2,024) Increase in retained earnings 1,756
Total other accumulated comprehensive income	25,437	6.9%	25,719	7.0%	283	Increase in foreign currency translation adjustment 1,843 Decrease in valuation difference on available-for-sale securities (1,396)
Non-controlling interests	29,058	7.9%	29,006	7.9%	(51)	
Total net assets	286,883	77.7%	286,846	78.6%	(37)	
Total liabilities and net assets	369,335	100.0%	364,934	100.0%	(4,401)	

(5) Capital Investment

Consolidated

(Million yen)

	First quarter of FY2020	First quarter of FY2021	FY2021 Forecast
Capital investment	1,819	2,117	18,000
Leases	65	211	600
Total	1,883	2,328	18,600

(6) Depreciation

Consolidated

(Million yen)

	First quarter of FY2020	First quarter of FY2021	FY2021 Forecast
Depreciation	2,497	2,510	11,000
Lease payments	87	77	400
Total	2,584	2,587	11,400

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

(7) Major Management Indicators, etc.

Consolidated

	FY2020	First quarter of FY2021	FY2021 Forecast
Profit per share	86.87 yen	40.57 yen	130.51 yen
Net assets per share	2,559.12 yen	2,574.77 yen	–
ATO (Asset turnover)	0.68 times	–	–
Ratio of operating profit to net sales	7.8%	9.2%	7.7%
EBITDA margin	12.4%	13.3%	12.0%
Ratio of ordinary profit to net sales	7.9%	10.3%	8.3%
Ratio of operating profit to total assets	5.3%	–	–
ROE (Return on equity)	3.5%	–	–
Equity ratio	69.8%	70.7%	–
Dividend per share	46.00 yen	–	46.00 yen
Dividend payout ratio	53.0%	–	35.2%
Dividend payout ratio according to the basic policy on the return of earnings to shareholders	29.6%	–	34.9%

* 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	6,153 people	6,300 people	–
---------------------	--------------	--------------	---

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

(8) Reference Information

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

(Billion yen)

	FY2017	FY2018	FY2019	FY2020
Curry roux	56.3	53.9	52.2	51.3
Stew roux	21.5	20.1	19.3	19.4
Hashed beef sauce roux	7.2	7.2	7.2	7.4
Retort pouched curry	69.2	72.9	77.4	81.0
Spice in total	84.2	87.7	90.3	102.6

2. Curry roux market trends (SRI+)

FY2021		1Q	2Q	3Q	4Q	1H	2H	Full year
Overall market	Average selling price	192 yen						
	Change from the previous year	-4 yen						
House Foods	Average selling price	192 yen						
	Change from the previous year	-5 yen						
	Share of amount	62.0%						

Source: SRI+ monthly data of INTAGE Inc. (April 2021 – June 2021)

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

FY2021	1Q	2Q	3Q	4Q	1H	2H	Full year
Spice / Seasoning / Processed Food Business							
Curry roux in total	90.6%						
Retort pouched curry in total	99.1%						
Stew roux in total	86.0%						
Hashed beef sauce roux in total	103.6%						
Spice in total	91.8%						
Health Food Business							
<i>Ukon No Chikara</i>	107.8%						
<i>C1000</i>	74.2%						
<i>Ichinichibun No Vitamin</i>	98.2%						