

August 2, 2023

Consolidated Financial Results (Japanese Accounting Standards) for the Three Months Ended June 30, 2023 (Q1 FY2023)

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 10, 2023

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, 2023 (April 1, 2023 – June 30, 2023)

(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, 2023	70,453	6.2	4,914	(1.1)	5,252	(6.1)	7,978	121.8
June 30, 2022	66,324	7.6	4,970	(12.7)	5,591	(11.9)	3,597	(11.7)

(Note) Comprehensive income: 10,701 million yen (167.6%) for the three months ended June 30, 2023
 3,999 million yen (-20.5%) for the three months ended June 30, 2022

	Profit per share (basic)		Profit per share (diluted)	
	Yen		Yen	
Three months ended				
June 30, 2023	81.79		–	
June 30, 2022	36.43		–	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of				
June 30, 2023	404,738	309,030	69.2	2,872.17
March 31, 2023	396,910	301,335	68.6	2,791.56

(Reference) Shareholders' equity: As of June 30, 2023: 280,146 million yen

As of March 31, 2023: 272,285 million yen

(Note) In the first quarter of the fiscal year under review, provisional accounting treatment related to business combinations was finalized. Accordingly, the figures for the previous fiscal year reflect the finalization of the provisional accounting treatment.

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, 2023	–	23.00	–	23.00	46.00
Year ending March 31, 2024	–				
Year ending March 31, 2024 (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, 2024 (April 1, 2023 – March 31, 2024)

(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, 2024	304,800	10.8	20,000	19.9	20,900	14.2	17,500	28.0	180.07

(Notes) 1. Revisions to financial forecasts published most recently: None

2. In the first quarter of the fiscal year under review, provisional accounting treatment related to business combinations was finalized. Accordingly, the figures for the previous fiscal year reflect the finalization of the provisional accounting treatment. The percentages showing year-on-year changes have also been calculated based on figures reflecting finalization of the provisional accounting treatment.

* Notes

- (1) Changes of important subsidiaries during the period
(changes of specific subsidiaries in accordance with changes in the scope of consolidation): None
- (2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies and changes or restatement of accounting estimates
- | | |
|--|------|
| (i) Changes in accounting policies caused by revision of accounting standards: | None |
| (ii) Changes in accounting policies other than (i): | None |
| (iii) Changes in accounting estimates: | None |
| (iv) Restatement: | None |
- (4) Number of shares outstanding (common shares):
- | | |
|---|--------------------|
| (i) Number of shares outstanding at end of period (including treasury shares) | |
| As of June 30, 2023: | 100,750,620 shares |
| As of March 31, 2023: | 100,750,620 shares |
| (ii) Number of treasury shares at end of period | |
| As of June 30, 2023: | 3,212,337 shares |
| As of March 31, 2023: | 3,212,078 shares |
| (iii) Average number of shares outstanding during the term | |
| Three months ended June 30, 2023: | 97,538,286 shares |
| Three months ended June 30, 2022: | 98,730,410 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, 2023” on page 4 of the accompanying materials.

Accompanying Materials – Contents

1. Qualitative Information on Results for the First Quarter Ended June 30, 2023.....	2
(1) Details of Operating Results	2
(2) Details of Financial Position	4
(3) Information on the Future Outlook, Including Consolidated Business Results Forecasts.....	4
2. Quarterly Consolidated Financial Statements and Key Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	9
Notes Relating to Assumptions for the Going Concern	9
Notes for Case Where Shareholders' Equity underwent Significant Changes in Value	9
Application of Particular Accounts Procedures to the Preparation of Quarterly Consolidated Financial Statements	9
Segment Information.....	9
Business Combination, etc.	11
3. Supplementary Information	12
(1) Business Results.....	12
(2) Number of Group Companies	12
(3) Consolidated Statements of Income	13
(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, 2023

(1) Details of Operating Results

During the first quarter of the fiscal year under review, moves toward normalization of economic activity picked up pace; however, the outlook remained uncertain amid increases in raw material prices, stubbornly high energy prices, and changes in consumer behavior associated with rising inflation.

Net sales for the three months ended June 30, 2023 increased, reflecting price revisions at Group companies in Japan and overseas and the inclusion of US-based Keystone Natural Holdings, LLC in the consolidated financial statements for the first time. Operating profit decreased but was still mostly unchanged year on year, with lower profit in the International Food Business and Spice/Seasoning/Processed Food Business offset by strong profitability in the Restaurant Business, Other Food Related Business and Health Food Business. While ordinary profit fell, profit attributable to owners of parent rose due to the recording of a gain on revision of retirement benefit plan associated with revision of the retirement benefit plan at House Foods Corporation, which is consolidated subsidiary of the Company.

In addition, allocation of the purchase price paid for US-based Keystone Natural Holdings, LLC in the business combination effected on September 30, 2022 was completed during the first quarter of the fiscal year under review. Year-on-year comparison/analysis is based on amounts after allocation of the purchase price. Please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to Quarterly Consolidated Financial Statements (Business Combination, etc.)” for details.

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

	Three months ended June 30, 2023	
	Amount (million yen)	Year-on-year change (%)
Net sales	70,453	106.2
Operating profit	4,914	98.9
Ordinary profit	5,252	93.9
Profit attributable to owners of parent	7,978	221.8

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	29,594	104.5	1,794	79.7
Health Food Business	4,136	100.6	589	126.7
International Food Business	13,441	124.5	1,175	67.3
Restaurant Business	12,897	113.8	930	482.8
Other Food Related Business	12,858	92.4	532	146.9
Subtotal	72,927	106.5	5,020	100.0
Adjustment (elimination)	(2,474)	–	(106)	–
Total	70,453	106.2	4,914	98.9

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

Spice / Seasoning / Processed Food Business

In the products for household use business, we continued gradually implementing price revisions from June onwards, while focusing on recovery of profitability as the most important theme. On the sales front, the surge in demand ahead of price revisions was bigger this time and was followed by a reactionary drop; however, the sales performance was solid, driven by curry roux products. In the food service business, we began operating as House Gaban Co., Ltd., a new company formed through the integration of the food service business of House Foods Corporation and Gaban Co., Ltd., and net

sales were solid, buoyed by a recovery in demand associated with the resumption of economic activity. In terms of profitability, the effects of price revisions implemented the previous fiscal year were not enough to absorb the higher costs resulting from rising raw material prices and profit fell.

As a result of the above, sales in the Spice/Seasoning/Processed Food Business stood at 29,594 million yen, up 4.5% year on year, and operating profit was 1,794 million yen, down 20.3% year on year. As a result, the ratio of operating profit to net sales was 6.1%, declining 1.9 percentage points from the same period of the previous fiscal year.

Health Food Business

In this business segment, we are focusing on creating sustainable revenue in the domestic business and building the Functional Ingredients Value Chain globally.

In the first quarter of the fiscal year under review, *Ukon No Chikara* and *Ichinichi-bun No Vitamin Jelly*, which has been a focus of our efforts, both performed strongly; however, some products such as *Marude Smoothie* fought an uphill battle, and net sales were mostly unchanged year on year. Profitability improved thanks to thoroughgoing implementation of cost control.

As a result of the above, sales in the Health Food Business rose 0.6% year on year, to 4,136 million yen, and operating profit increased 26.7%, to 589 million yen. Consequently, the ratio of operating profit to net sales was 14.2%, improving 2.9 percentage point from a year ago.

International Food Business Period covered by the consolidated financial statements: Mainly from January to March 2023

In the tofu business in the United States, House Foods America Corporation posted gains in sales and profit, thanks to the effects of price revisions and favorable exchange rates. Keystone Natural Holdings, LLC also achieved profitability as initially planned; however, the International Food Business as a whole reported an increase in sales and a decrease in profit, partly due to the amortization of goodwill and other intangible assets associated with the acquisition of Keystone Natural Holdings, LLC.

The results of the curry business in China reflect the impact of a COVID-19 resurgence after the lifting of COVID-19 restrictions. The household use business posted gains in sales and profit thanks to high demand for home-cooked meals especially in January this year and the effect of price revisions. The food service business hit bottom in January this year and then began to recover from February but nonetheless reported declines in sales and profit, reflecting fewer orders as a result of a surge in COVID-19 cases. As a result, the business as a whole reported increased sales and decreased profit. The functional drink business in Thailand registered sharp drops in sales and profit, with the distribution inventories built up to encourage sales during the fourth quarter of the previous fiscal year taking time to return to reasonable levels because of the slump in traditional trade channels due to the movement of people back into urban areas and withdrawal of government support measures in the wake of the COVID crisis as well as dramatic changes in the beverages market as a whole associated with the resumption of economic activity.

As a result of the above, sales in the International Food Business rose 24.5% year on year, to 13,441 million yen, and operating profit decreased 32.7%, to 1,175 million yen. As a result, the ratio of operating profit to net sales was 8.7%, declining 7.4 percentage point from the same period of the previous fiscal year.

Restaurant Business Periods covered by the consolidated financial statements: From March to May 2023 for Ichibanya Co., Ltd. and from January to March 2023 for overseas subsidiaries

This business segment is strengthening marketing measures at domestic stores and developing new business formats. Ichibanya Co., Ltd. saw a significant increase in average customer spend as a result of price revisions implemented the previous fiscal year and the number of customers also exceeded the level a year earlier, partly due to the implementation of menu measures intended to bring more customers into stores. Overseas stores performed strongly mainly due to the

lifting of COVID restrictions.

As a result of the above, sales in the Restaurant Business increased 13.8% year on year, to 12,897 million yen, and operating profit increased 382.8% year on year, to 930 million yen. Consequently, the ratio of operating profit to net sales was 7.2%, rising 5.5 percentage points from a year earlier.

Other Food Related Business

Delica Chef Corporation struggled to sell prepared foods but achieved higher profit through efforts to reduce raw material costs, labor costs and other expenses.

Vox Trading Co., Ltd. posted decreased sales and increased profit, reflecting a reactionary drop after an increase in successful tenders for MA rice (minimum access rice) the previous fiscal year, partially offset by recovering food service demand and a strong performance for exported goods.

As a result of the above, sales in Other Food Related Business decreased 7.6% year on year, to 12,858 million yen, and operating profit increased 46.9% year on year, to 532 million yen. Consequently, the ratio of operating profit to net sales was 4.1%, rising 1.5 percentage points from a year earlier.

(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 404,738 million yen, an increase of 7,828 million yen from the end of the previous consolidated fiscal year.

Current assets fell 2,707 million yen, to 152,217 million yen mainly due to decreases in notes and accounts receivable-trade and securities, which offset increases in merchandise and finished goods. Non-current assets rose 10,536 million yen, to 252,522 million yen, mainly due to increases in investment securities, retirement benefit asset and construction in progress, and an increase in goodwill associated with the acquisition of shares of Takei Co., Ltd.

Liabilities stood at 95,708 million yen, an increase of 133 million yen from the end of the previous consolidated fiscal year.

Current liabilities declined 2,759 million yen, to 53,895 million yen, chiefly due to a decrease in accounts payable - other. Non-current liabilities increased 2,892 million yen, to 41,813 million yen, chiefly due to an increase in deferred tax liabilities.

Net assets stood at 309,030 million yen, climbing 7,695 million yen from the end of the previous consolidated fiscal year mainly because of an increase in valuation difference on available-for-sale securities due to a rise in the market value of investment securities owned in addition to an increase in retained earnings thanks to profit attributable to owners of parent, which offset a decrease in remeasurements of defined benefit plans.

As a result, the equity ratio stood at 69.2% (compared with 68.6% at the end of the previous fiscal year), and net assets per share amounted to 2,872.17 yen (2,791.56 yen at the end of the previous fiscal year) at the end of the first quarter of the fiscal year under review.

Figures for the previous fiscal year reflect a review of the initially allocated amounts of the purchase price as a result of finalization of provisional accounting treatment related to business combinations. Please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to Quarterly Consolidated Financial Statements (Business Combination, etc.)” for details.

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

There has been no change to the consolidated results forecasts announced on May 10, 2023, for the period ending March 31, 2024.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	End of previous fiscal year (As of March 31, 2023)	End of first quarter of the fiscal year under review (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	64,752	63,205
Notes and accounts receivable - trade	50,364	48,508
Securities	6,000	4,336
Merchandise and finished goods	17,006	18,239
Work in process	3,320	3,624
Raw materials and supplies	7,658	8,217
Other	5,908	6,167
Allowance for doubtful accounts	(83)	(79)
Total current assets	154,924	152,217
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,336	34,296
Machinery, equipment and vehicles, net	20,316	20,628
Land	30,334	30,374
Lease assets, net	1,222	1,106
Construction in progress	10,209	10,875
Other, net	5,951	5,806
Total property, plant and equipment	102,368	103,085
Intangible assets		
Goodwill	7,745	8,376
Trademark right	18,410	18,275
Software	3,935	4,044
Contract-related intangible assets	18,202	18,002
Customer-related intangible assets	4,609	4,562
Software in progress	502	298
Other	785	805
Total intangible assets	54,187	54,361
Investments and other assets		
Investment securities	59,108	64,115
Long-term loans receivable	8	7
Deferred tax assets	799	781
Long-term time deposits	1,000	1,000
Retirement benefit asset	18,200	22,627
Distressed receivables	214	176
Long-term deposits	1,065	1,065
Other	6,422	6,652
Allowance for doubtful accounts	(1,385)	(1,347)
Total investments and other assets	85,431	95,076
Total non-current assets	241,986	252,522
Total assets	396,910	404,738

(Million yen)

	End of previous fiscal year (As of March 31, 2023)	End of first quarter of the fiscal year under review (As of June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,506	20,948
Electronically recorded obligations - operating	1,563	1,917
Short-term borrowings	5,452	5,055
Lease liabilities	959	929
Accounts payable - other	10,327	7,964
Income taxes payable	2,320	2,062
Provision for bonuses	490	256
Provision for bonuses for directors (and other officers)	61	15
Provision for shareholder benefit program	99	78
Asset retirement obligations	10	6
Other	14,867	14,663
Total current liabilities	56,654	53,895
Non-current liabilities		
Long-term borrowings	161	233
Lease liabilities	4,080	3,914
Long-term accounts payable - other	181	162
Deferred tax liabilities	22,539	25,475
Retirement benefit liability	6,074	5,703
Asset retirement obligations	1,128	1,146
Long-term guarantee deposits	3,771	3,754
Other	987	1,425
Total non-current liabilities	38,921	41,813
Total liabilities	95,575	95,708
Net assets		
Shareholders' equity		
Share capital	9,948	9,948
Capital surplus	22,829	22,829
Retained earnings	218,106	223,840
Treasury shares	(9,957)	(9,958)
Total shareholders' equity	240,925	246,659
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,907	25,003
Deferred gains or losses on hedges	(184)	(94)
Foreign currency translation adjustment	5,616	5,680
Remeasurements of defined benefit plans	5,021	2,898
Total accumulated other comprehensive income	31,359	33,487
Non-controlling interests	29,050	28,884
Total net assets	301,335	309,030
Total liabilities and net assets	396,910	404,738

(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, 2022 - June 30, 2022)	First three-month period of the fiscal year under review (April 1, 2023 - June 30, 2023)
Net sales	66,324	70,453
Cost of sales	42,529	44,587
Gross profit	23,794	25,866
Selling, general and administrative expenses	18,824	20,953
Operating profit	4,970	4,914
Non-operating income		
Interest income	51	58
Dividend income	99	92
Rental income from buildings	216	223
Foreign exchange gains	316	186
Subsidy income	121	–
Other	117	241
Total non-operating income	919	801
Non-operating expenses		
Interest expenses	46	97
Rental expenses	169	181
Share of loss of entities accounted for using equity method	50	126
Other	34	58
Total non-operating expenses	298	462
Ordinary profit	5,591	5,252
Extraordinary income		
Gain on sale of non-current assets	0	1
Gain on sale of investment securities	726	–
Gain on sale of restaurants	–	20
Gain on revision of retirement benefit plan	–	6,988
Other	3	–
Total extraordinary income	730	7,009
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	45	14
Loss on sale of investment securities	1	–
Impairment losses	10	6
Total extraordinary losses	55	20
Profit before income taxes	6,265	12,241
Income taxes	2,308	3,803
Profit	3,957	8,438
Profit attributable to		
Profit attributable to owners of parent	3,597	7,978
Profit attributable to non-controlling interests	361	460

(Million yen)

	First three-month period of previous fiscal year (April 1, 2022 - June 30, 2022)	First three-month period of the fiscal year under review (April 1, 2023 - June 30, 2023)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,199)	4,107
Deferred gains or losses on hedges	63	102
Foreign currency translation adjustment	2,388	175
Remeasurements of defined benefit plans, net of tax	(288)	(2,129)
Share of other comprehensive income of entities accounted for using equity method	78	8
Total other comprehensive income	42	2,263
Comprehensive income	3,999	10,701
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,346	10,129
Comprehensive income attributable to non-controlling interests	654	572

(3) Notes to Quarterly Consolidated Financial Statements

Notes Relating to Assumptions for the Going Concern

Not applicable.

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

Not applicable.

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

(Calculation of tax expenses)

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

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

Segment Information

I. First three-month period of previous fiscal year (April 1, 2022 - June 30, 2022)

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	27,195	4,016	10,750	11,315	13,024	66,300	–	66,300	24	66,324
Sales and transfer – inter-segment	1,131	94	47	19	896	2,187	–	2,187	(2,187)	–
Total	28,326	4,110	10,796	11,334	13,921	68,487	–	68,487	(2,163)	66,324
Segment profit (loss)	2,251	465	1,747	193	362	5,017	–	5,017	(47)	4,970

(Notes) 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 loss of 47 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments.
2. Segment profit was adjusted with operating profit on 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 impairment losses of 10 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, 2023 - June 30, 2023)

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	28,404	4,050	13,367	12,860	11,744	70,425	–	70,425	28	70,453
Sales and transfer – inter-segment	1,190	86	74	38	1,114	2,502	–	2,502	(2,502)	–
Total	29,594	4,136	13,441	12,897	12,858	72,927	–	72,927	(2,474)	70,453
Segment profit (loss)	1,794	589	1,175	930	532	5,020	–	5,020	(106)	4,914

(Notes) 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 loss of 106 million yen of the Company and House Business Partners Corporation, etc., which is not distributed to business segments.
2. Segment profit was adjusted with operating profit on 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 impairment losses of 6 million yen associated with a fall in profitability of store assets, etc. in the Restaurant Business segment.

(Significant fluctuation in the amount of goodwill)

In the previous fiscal year, the Company acquired the shares of Keystone Natural Holdings, LLC and included Keystone Natural Holdings, LLC in the scope of consolidation. The amount of goodwill resulting from this acquisition was determined provisionally but was finalized in the first quarter of the fiscal year under review. As a result, the amount of goodwill in the International Food Business segment decreased. The details are described in (3) Notes to Quarterly Consolidated Financial Statements (Business Combinations).

Business Combination, etc.

Finalization of provisional accounting treatment for business combination

In the previous fiscal year, the Company used provisional accounting treatment for the business combination with Keystone Natural Holdings, LLC on September 30, 2022. The provisional figures were finalized in the first quarter of the fiscal year under review.

As a result of this finalization of the provisional accounting treatment, the comparative information in the quarterly consolidated financial statements for the first quarter of the fiscal year under review reflects a significant review of initial allocation of the purchase price paid.

Accordingly, the provisionally determined amount of goodwill of 13,766 million yen has been revised down 5,362 million yen as a result of finalization of the accounting treatment, to 8,404 million yen. The decrease in goodwill is due to increases of 12 million yen in products and merchandise, 374 million yen in property, plant and equipment, 5,097 million yen in customer-related intangible assets and 680 million yen in deferred tax assets and a decrease of 559 million yen in other non-current liabilities.

Adjustments to figures at the end of the previous fiscal year are decreases of 16 million yen in noncurrent assets, 4,742 million yen in goodwill, 501 million yen in other noncurrent liabilities, and 31 million yen in retained earnings and increases of 328 million yen in property, plant and equipment, 4,609 million yen in customer-related intangible assets, 687 million yen in deferred tax liabilities, and 23 million yen in foreign currency translation adjustment.

Goodwill will be amortized over 10 years and other allocated customer-related intangible assets will be amortized over 15 years.

3. Supplementary Information

Allocation of the purchase price paid for US-based Keystone Natural Holdings, LLC in the business combination effected on September 30, 2022 was completed during the first quarter of the fiscal year under review. Accordingly, figures for the previous fiscal year are amounts after the allocation of the purchase price.

(1) Business Results

Consolidated

(Million yen)

	First quarter of FY2022		First quarter of FY2023		FY2022		FY2023 Forecast	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	66,324	107.6%	70,453	106.2%	275,060	108.6%	304,800	110.8%
Operating profit	4,970	87.3%	4,914	98.9%	16,686	86.8%	20,000	119.9%
Ordinary profit	5,591	88.1%	5,252	93.9%	18,300	86.6%	20,900	114.2%
Profit attributable to owners of parent	3,597	88.3%	7,978	221.8%	13,672	98.0%	17,500	128.0%
Comprehensive income	3,999	79.5%	10,701	267.6%	15,942	73.9%	–	–

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	Amount	Year-on-year change	Amount	Year-on-year change
Spice / Seasoning / Processed Food Business	28,326	102.5%	29,594	104.5%	119,802	102.0%	130,700	109.1%
Health Food Business	4,110	122.7%	4,136	100.6%	16,520	114.5%	17,700	107.1%
International Food Business	10,796	110.0%	13,441	124.5%	48,875	125.0%	61,400	125.6%
Restaurant Business	11,334	101.9%	12,897	113.8%	48,371	106.5%	53,000	109.6%
Other Food Related Business	13,921	119.2%	12,858	92.4%	50,699	111.3%	52,200	103.0%
Adjustment	(2,163)	–	(2,474)	–	(9,206)	–	(10,200)	–

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	Amount	Year-on-year change	Amount	Year-on-year change
Spice / Seasoning / Processed Food Business	2,251	73.2%	1,794	79.7%	7,915	62.7%	10,700	135.2%
Health Food Business	465	–	589	126.7%	1,908	–	2,000	104.8%
International Food Business	1,747	88.1%	1,175	67.3%	5,424	103.3%	5,400	99.6%
Restaurant Business	193	55.0%	930	482.8%	2,268	151.0%	3,000	132.3%
Other Food Related Business	362	76.9%	532	146.9%	1,234	83.4%	1,500	121.5%
Adjustment	(47)	–	(106)	–	(2,062)	–	(2,600)	–

(2) Number of Group Companies

	First quarter of FY2022		First quarter of FY2023		FY2022	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Consolidated subsidiaries	38		43		42	
Japan	15		17		16	
Overseas	23		26		26	
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 FY2022		First quarter of FY2023		Year-on-year change	
	Amount	Percentage	Amount	Percentage	Amount	Rate of change
Net sales	66,324	100.0%	70,453	100.0%	4,130	6.2%
<By business segment>						
Spice / Seasoning / Processed Food Business	28,326	42.7%	29,594	42.0%	1,269	4.5%
Health Food Business	4,110	6.2%	4,136	5.9%	26	0.6%
International Food Business	10,796	16.3%	13,441	19.1%	2,645	24.5%
Restaurant Business	11,334	17.1%	12,897	18.3%	1,563	13.8%
Other Food Related Business	13,921	21.0%	12,858	18.3%	(1,062)	(7.6%)
Adjustment	(2,163)	(3.3%)	(2,474)	(3.5%)	(311)	-
Cost of sales	42,529	64.1%	44,587	63.3%	2,057	4.8%
Selling, general and administrative expenses	18,824	28.4%	20,953	29.7%	2,129	11.3%
Operating profit	4,970	7.5%	4,914	7.0%	(56)	(1.1%)
<By business segment>						
Spice / Seasoning / Processed Food Business	2,251	3.4%	1,794	2.5%	(457)	(20.3%)
Health Food Business	465	0.7%	589	0.8%	124	26.7%
International Food Business	1,747	2.6%	1,175	1.7%	(572)	(32.7%)
Restaurant Business	193	0.3%	930	1.3%	737	382.8%
Other Food Related Business	362	0.5%	532	0.8%	170	46.9%
Adjustment	(47)	(0.1%)	(106)	(0.2%)	(59)	-
Non-operating income	919	1.4%	801	1.1%	(119)	(12.9%)
Non-operating expenses	298	0.4%	462	0.7%	164	55.0%
Ordinary profit	5,591	8.4%	5,252	7.5%	(339)	(6.1%)
Extraordinary income	730	1.1%	7,009	9.9%	6,279	860.6%
Extraordinary losses	55	0.1%	20	0.0%	(35)	(63.9%)
Profit before income taxes	6,265	9.4%	12,241	17.4%	5,976	95.4%
Income taxes	2,308	3.5%	3,803	5.4%	1,495	64.8%
Profit	3,957	6.0%	8,438	12.0%	4,481	113.2%
Profit attributable to						
Profit attributable to owners of parent	3,597	5.4%	7,978	11.3%	4,381	121.8%
Profit attributable to non-controlling interests	361	0.5%	460	0.7%	99	27.5%
Comprehensive income	3,999	6.0%	10,701	15.2%	6,702	167.6%

2. Major Changes in Selling, General and Administrative Expenses

(Million yen)

	First quarter of FY2022	First quarter of FY2023	Year-on-year change
Advertising expenses	1,693	1,702	9
Transportation and storage costs	2,884	3,163	279
Sales commission	33	32	(1)
Promotion expenses	640	755	115
Personnel expenses	6,987	7,785	798
Research and development expenses	1,043	1,075	32
Amortization of goodwill	11	205	194
Other	5,533	6,236	703
Total selling, general and administrative expenses	18,824	20,953	2,129

3. Non-Operating Income (Expenses)

(Million yen)

	First quarter of FY2022	First quarter of FY2023	Year-on-year change
Interest income	51	58	7
Dividend income	99	92	(6)
Rental income from buildings	216	223	7
Foreign exchange gains	316	186	(129)
Subsidy income	121	–	(121)
Other	117	241	124
Total non-operating income	919	801	(119)
Interest expenses	46	97	51
Rental expenses	169	181	12
Share of loss of entities accounted for using equity method	50	126	76
Other	34	58	24
Total non-operating expenses	298	462	164

4. Extraordinary Income (Losses)

(Million yen)

	First quarter of FY2022	First quarter of FY2023	Year-on-year change
Gain on sale of non-current assets	0	1	0
Gain on sale of investment securities	726	–	(726)
Gain on sale of restaurants	–	20	20
Gain on revision of retirement benefit plan	–	6,988	6,988
Other	3	–	(3)
Total extraordinary income	730	7,009	6,279
Loss on sale of non-current assets	0	0	(0)
Loss on retirement of non-current assets	45	14	(32)
Loss on sale of investment securities	1	–	(1)
Impairment losses	10	6	(3)
Total extraordinary losses	55	20	(35)

5. Quarterly Statements

Consolidated

(Million yen)

	FY2022					FY2023				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Net sales	66,324	67,507	71,988	69,242	275,060	70,453				
Year-on-year change	4,688	5,016	4,194	7,777	21,675	4,130				
Operating profit	4,970	2,662	6,692	2,363	16,686	4,914				
Year-on-year change	(720)	(680)	(1,163)	22	(2,541)	(56)				
Ordinary profit	5,591	3,373	6,578	2,758	18,300	5,252				
Year-on-year change	(754)	(618)	(1,604)	151	(2,825)	(339)				
Profit attributable to owners of parent	3,597	1,896	6,114	2,066	13,672	7,978				
Year-on-year change	(476)	(1,241)	(36)	1,470	(284)	4,381				
Comprehensive income	3,999	6,218	7,149	(1,424)	15,942	10,701				
Year-on-year change	(1,032)	1,484	1,861	(7,952)	(5,639)	6,702				

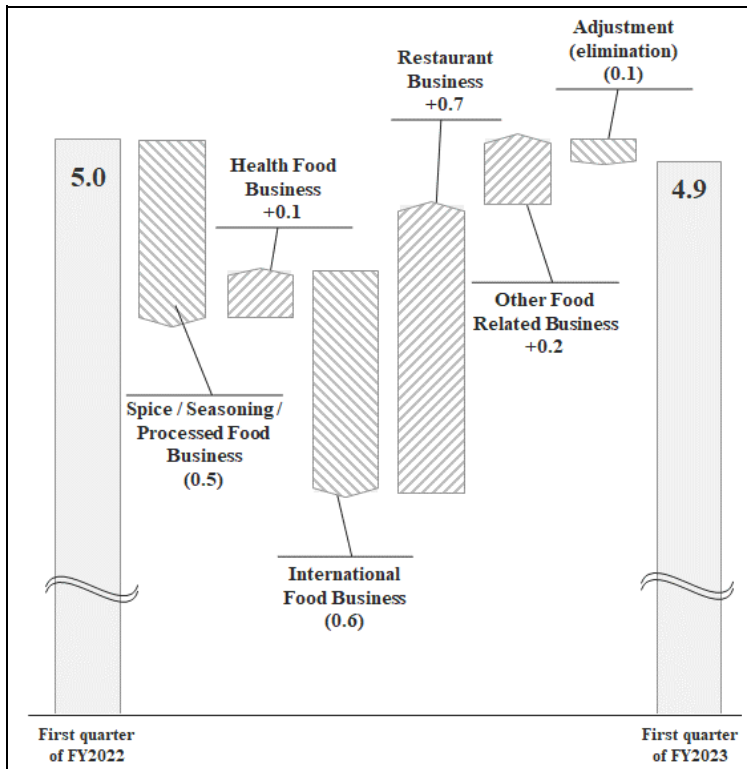
Net sales by business segment

Net sales	FY2022					FY2023				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Spice / Seasoning / Processed Food Business	28,326	29,688	33,027	28,762	119,802	29,594				
Year-on-year change	694	354	387	945	2,380	1,269				
Health Food Business	4,110	4,412	4,575	3,423	16,520	4,136				
Year-on-year change	759	723	270	335	2,087	26				
International Food Business	10,796	11,824	12,346	13,908	48,875	13,441				
Year-on-year change	984	2,197	2,105	4,479	9,764	2,645				
Restaurant Business	11,334	11,612	12,436	12,989	48,371	12,897				
Year-on-year change	208	633	1,194	915	2,950	1,563				
Other Food Related Business	13,921	12,466	11,983	12,329	50,699	12,858				
Year-on-year change	2,246	1,274	506	1,102	5,128	(1,062)				
Adjustment	(2,163)	(2,495)	(2,379)	(2,170)	(9,206)	(2,474)				
Year-on-year change	(204)	(165)	(268)	1	(635)	(311)				

Operating profit by business segment

Operating profit	FY2022					FY2023				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Spice / Seasoning / Processed Food Business	2,251	955	3,564	1,145	7,915	1,794				
Year-on-year change	(824)	(1,372)	(1,253)	(1,264)	(4,713)	(457)				
ROS	7.9%	3.2%	10.8%	4.0%	6.6%	6.1%				
Health Food Business	465	611	824	8	1,908	589				
Year-on-year change	627	781	220	417	2,046	124				
ROS	11.3%	13.9%	18.0%	0.2%	11.5%	14.2%				
International Food Business	1,747	1,359	1,361	957	5,424	1,175				
Year-on-year change	(236)	115	(146)	441	174	(572)				
ROS	16.2%	11.5%	11.0%	6.9%	11.1%	8.7%				
Restaurant Business	193	454	673	948	2,268	930				
Year-on-year change	(158)	278	253	392	766	737				
ROS	1.7%	3.9%	5.4%	7.3%	4.7%	7.2%				
Other Food Related Business	362	158	297	416	1,234	532				
Year-on-year change	(109)	(170)	(182)	215	(245)	170				
ROS	2.6%	1.3%	2.5%	3.4%	2.4%	4.1%				
Adjustment	(47)	(876)	(27)	(1,112)	(2,062)	(106)				
Year-on-year change	(21)	(313)	(55)	(179)	(568)	(59)				

6. Factors of changes in operating profit by business segment (Billion yen)



Billion yen	Year-on-year change
Spice / Seasoning / Processed Food Business	(0.5)
Health Food Business	+0.1
International Food Business	(0.6)
Business in the United States (Amortization of goodwill)	(0.0)
Business in China	(0.0)
Businesses in Southeast Asia	(0.5)
Restaurant Business	+0.7
Ichibanya Co., Ltd. (non-consolidated)	+0.6
Ichibanya Co., Ltd. (overseas, other)	+0.2
Other Food Related Business	+0.2
Delica Chef Corporation	+0.1
Vox Trading Co., Ltd. (Consolidated)	+0.1
Adjustment (elimination)	(0.1)
Changes in operating profit	(0.1)

(4) Consolidated Balance Sheets

Consolidated Balance Sheets

(Million yen)

	FY2022		First quarter of FY2023		Increase/decrease from end of FY2022	Major factors for increase/decrease
	Amount	Percentage	Amount	Percentage	Amount	
Current assets	154,924	39.0%	152,217	37.6%	(2,707)	Decrease in notes and accounts receivable - trade (1,857) Decrease in securities (1,664) Increase in merchandise and finished goods 1,234
Non-current assets	241,986	61.0%	252,522	62.4%	10,536	Increase in investment securities 5,007 Increase in retirement benefit asset 4,427 Increase in construction in progress 666 Increase in goodwill 631 Decrease in software in progress (205)
Total assets	396,910	100.0%	404,738	100.0%	7,828	
Current liabilities	56,654	14.3%	53,895	13.3%	(2,759)	Decrease in accounts payable - other (2,363) Decrease in short-term loans payable (397)
Non-current liabilities	38,921	9.8%	41,813	10.3%	2,892	Increase in deferred tax liabilities 2,937
Total liabilities	95,575	24.1%	95,708	23.6%	133	
Total shareholders' equity	240,925	60.7%	246,659	60.9%	5,734	Increase in retained earnings 5,735
Total accumulated other comprehensive income	31,359	7.9%	33,487	8.3%	2,128	Increase in valuation difference on available-for-sale securities 4,096 Decrease in remeasurements of defined benefit plans (2,123)
Non-controlling interests	29,050	7.3%	28,884	7.1%	(166)	
Total net assets	301,335	75.9%	309,030	76.4%	7,695	
Total liabilities and net assets	396,910	100.0%	404,738	100.0%	7,828	

(5) Capital Investment

Consolidated

(Million yen)

	First quarter of FY2022	First quarter of FY2023	FY2023 Forecast
Capital investment	2,978	2,893	29,400
Leases	89	69	200
Total	3,067	2,962	29,600

(6) Depreciation

Consolidated

(Million yen)

	First quarter of FY2022	First quarter of FY2023	FY2023 Forecast
Depreciation	2,713	2,912	12,200
Lease payments	76	168	400
Total	2,789	3,080	12,600

* 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

	FY2022	First quarter of FY2023	FY2023 Forecast
Profit per share	139.63 yen	81.79 yen	180.07 yen
Net assets per share	2,791.56 yen	2,872.17 yen	2,896.40 yen
ATO	0.71 times	–	0.76 times
Ratio of operating profit to net sales	6.1%	7.0%	6.6%
EBITDA margin	10.4%	11.4%	11.0%
Ratio of ordinary profit to net sales	6.7%	7.5%	6.9%
Ratio of operating profit to total assets	4.3%	–	5.0%
ROE (Return on equity)	5.1%	–	6.3%
Equity ratio	68.6%	69.2%	69.2%
Dividend per share	46.00 yen	–	46.00 yen
Dividend payout ratio	32.9%	–	25.5%
Dividend payout ratio according to the basic policy on the return of earnings to shareholders	32.4%	–	23.6%

* 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

	FY2022	First quarter of FY2023	FY2023 Forecast
Number of employees	6,502 people	6,674 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	FY2021	FY2022
Curry roux	55.3	52.9	51.3	50.5	46.9	47.2
Stew roux	21.0	19.6	18.9	18.9	18.0	18.5
Hashed beef sauce roux	7.1	7.1	7.1	7.3	6.6	6.4
Retort pouched curry	67.1	70.7	75.3	78.9	78.7	81.9
Spice in total	82.3	85.9	88.4	100.6	97.0	93.4

2. Curry roux market trends (SRI+)

FY2023		1Q	2Q	3Q	4Q	1H	2H	Full year
Overall market	Average selling price	216 yen						
	Change from the previous year	+24 yen						
House Foods Corporation	Average selling price	222 yen						
	Change from the previous year	+32 yen						
	Share of amount	59.4%						

Source: SRI+ monthly data of INTAGE Inc. (April 2023 – June 2023)

3. Trends by Business (Net Sales – Year on Year)

FY2023		1Q	2Q	3Q	4Q	1H	2H	Full year
Spice / Seasoning / Processed Food Business (House Foods)								
Curry roux	*1	103.7%						
Retort pouched curry	*1	107.6%						
Stew roux	*1	102.8%						
Spice	*1	104.6%						
Health Food Business (House Wellness Foods)								
<i>Ukon No Chikara</i>	*1	114.4%						
<i>C1000</i>	*1	98.3%						
<i>Ichinichibun No Vitamin</i>	*1	106.2%						
International Food Business (Local currency basis)								
Business in the United States		158.4%						
Business in China		114.6%						
Functional drinks business in Thailand		54.2%						
Restaurant Business (Ichibanya)								
Net sales of all domestic restaurants		112.1%						
Net sales of existing domestic restaurants		112.9%						
Number of customers		101.1%						
Average sales per customer		111.7%						

*1: Results by product are based on shipments and are for reference only.