October 30, 2020

Consolidated Financial Results (Japanese Accounting Standards) for the Six Months Ended September 30, 2020 (Q2 FY2020)

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Stock exchange listing: Tokyo Stock Exchange
Stock code: 2810
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Scheduled date for filing of securities report: November 13, 2020
Scheduled date of commencement of dividend payment: December 4, 2020
Supplementary documents for quarterly results: Yes
Quarterly 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 Six Months Ended September 30, 2020 (April 1, 2020 – September 30, 2020)

(1) Consolidated Results of Operations (Accumulated Total) (Percentages show year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2020	140,090	(3.1)	9,877	8.4	8,810	(11.9)	971	(81.4)
September 30, 2019	144,634	(0.8)	9,113	6.3	9,997	6.1	5,207	(6.4)

(Note) Comprehensive income: 48 million yen (-99.2%) for the six months ended September 30, 2020
5,851 million yen (-22.7%) for the six months ended September 30, 2019

	Profit per share (basic)	Profit per share (diluted)
Six months ended	Yen	Yen
September 30, 2020	9.63	–
September 30, 2019	51.68	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Six months ended September 30, 2020	356,592	278,022	69.8	2,470.12
Year ended March 31, 2020	367,194	280,930	67.7	2,469.20

(Reference) Shareholders' equity: As of September 30, 2020: 248,861 million yen
As of March 31, 2020: 248,770 million yen

2. Dividends

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

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

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

(Percentage figures represent the changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2021	285,000	(3.0)	18,500	(2.7)	18,300	(12.0)	6,300	(45.0)	62.53

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

* Notes

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

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies caused by revision of accounting standards:	None
(ii) Changes in accounting policies other than (i):	None
(iii) Changes in accounting estimates:	None
(iv) Restatement:	None

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

(i) Number of shares outstanding at end of period (including treasury shares)

As of September 30, 2020:	100,750,620 shares
As of March 31, 2020:	100,750,620 shares

(ii) Number of treasury shares at end of period

As of September 30, 2020:	1,909 shares
As of March 31, 2020:	1,367 shares

(iii) Average number of shares outstanding during the term

Six months ended September 30, 2020:	100,748,979 shares
Six months ended September 30, 2019:	100,749,910 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 Half Ended September 30, 2020" on page 5 of the accompanying materials.

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1. Qualitative Information on Results for the First Half Ended September 30, 2020

(1) Details of Operating Results

With the global COVID-19 pandemic having an enormous impact on economic activity, House Foods Group took a thorough approach to ensuring the safety of its employees and their families and reducing the risk of transmission, whilst also endeavoring to maintain stable provision of products and services as a company that plays a part in supplying essential "food" to customers.

At the same time, the Group took consistent steps 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, aiming to realize the Group philosophy: "Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives."

Looking at operating results for the first six months under review, changes in consumer behavior during the COVID-19 crisis had a considerable impact on each business. Whilst the Health Food Business and the Restaurant Business languished as people refrained from going out, the Spice/Seasoning/Processed Food Business and the International Food Business performed strongly on the back of growth in sales of products for household in Japan and overseas owing to more home-cooked meal demand.

In response to the changes in the business environment caused by COVID-19, the Group recorded non-operating expenses (share of loss of entities accounted for using equity method) and extraordinary losses (impairment loss) for the second quarter of the fiscal year under review. Please refer to "Notice Regarding Recording of Non-operating Expenses and Extraordinary Losses and Revision of Consolidated Business Results Forecasts" released today for further details.

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

	Six months ended September 30, 2020	
	Amount (million yen)	Year-on-year change (%)
Net sales	140,090	96.9
Operating profit	9,877	108.4
Ordinary profit	8,810	88.1
Profit attributable to owners of parent	971	18.6

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 (%)	Amount (million yen)	Year-on-year change (%)
Spice / Seasoning / Processed Food Business	71,746	103.8	7,942	134.8
Health Food Business	10,666	71.2	(58)	–
International Food Business	18,796	132.7	2,973	138.9
Restaurant Business	21,616	81.6	(1,450)	–
Other Food Related Business	21,569	91.4	921	96.6
Subtotal	144,394	97.3	10,327	103.4
Adjustment (elimination)	(4,304)	–	(450)	–
Total	140,090	96.9	9,877	108.4

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

Spice / Seasoning / Processed Food Business

In the products for household use business of House Foods Corporation, sales grew across a wide range of product categories, including curry products and spices, due to growing demand for home-cooked meals amid the COVID-19 outbreak and changes in customer needs as the effects of the outbreak dragged on. Meanwhile, the business of products for food service use conducted by House Foods Corporation and Gaban Co., Ltd. reported decreased sales as people refrained from going out and the market for food service products slumped, despite a modest upturn after the lifting of the state of emergency.

As a result of the above, net sales in the Spice/Seasoning/Processed Food Business stood at 71,746 million yen, up 3.8% year on year, and operating profit was 7,942 million yen, up 34.8% year on year, thanks to the effect of increased sales and cost reductions. Consequently, the ratio of operating profit to net sales was 11.1%, improving 2.5 percentage point from a year earlier.

Health Food Business

The Health Food Business continued to face enormously challenging conditions. Progress was made with the downscaling of the PET products business, in which it is difficult to ensure continued competitiveness, as part of reorganization of the business base. Meanwhile, efforts were made to develop the vitamin and lactic acid bacterium businesses in order to help keep customers healthy. However, the COVID-19 crisis took a heavy toll and sales of the *Ukon No Chikara* series, which is a pillar of earnings in this segment, fell sharply due to plunging demand for drinking out, whilst sales of *C1000*, which is mainly sold at convenience stores, also struggled due to fewer selling opportunities, especially in urban areas.

As a result of the above, sales in the Health Food Business declined 28.8% year on year, to 10,666 million yen. On the profit front, efforts were made to drastically reduce costs. However, this was not enough to offset the impact of the sharp decline in sales and the segment reported an operating loss of 58 million yen, representing a decrease of 553 million yen year on year. As a result, the ratio of operating profit to net sales was -0.5%, declining 3.8 percentage points from the same period of the previous fiscal year.

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

The tofu business in the United States increased sales despite the COVID-19 crisis, due to growing demand in the plant-based protein market. However, profit was down, mainly due to higher initial costs associated with the start of operation of new lines at the Los Angeles Plant in January 2020.

The curry business in China posted gains in sales and profits because sales of products for household use grew due to the surge in at-home demand whilst sales promotions and business activities were restricted by COVID-19 and expenditures were also reduced. Meanwhile, food service products, which are still facing challenging market conditions, are gradually showing signs of recovery.

The functional beverage business in Thailand posted gains in sales and profits, reflecting increased deliveries to both modern trade and traditional trade following substantial expansion of production and supply to meet strong demand, offsetting the burden of higher costs associated with increased VAT since October 2019.

As a result of the above, sales in the International Food Business rose 32.7% year on year, to 18,796 million yen, and operating profit increased 38.9%, to 2,973 million yen. Consequently, the ratio of operating profit to net sales was 15.8%, improving 0.7 percentage point from a year earlier.

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

Ichibanya Co., Ltd. posted declines in sales and profits, reflecting decreased customer footfall both in Japan and overseas as people refrained from going out and restaurants were asked to close temporarily or shorten opening hours on a voluntary basis due to the COVID-19 crisis. In this challenging business environment, each restaurant focused on measures to prevent transmission and endeavored to operate in such a way that customers felt safe to eat out. As a result, customer footfall gradually started to recover and takeout and home delivery, which restaurants actively sought to incorporate into their operations, also contributed to improvement in average customer spend. Overseas, the first restaurant in India opened in August as an initial step towards tapping into India's huge market. Meanwhile, steps were taken to provide cash flow support for franchisees, including scrapping the franchise security deposit system and refunding security deposits in full.

As a result, sales in the Restaurant Business including Ichibanya Co., Ltd. and other restaurant subsidiaries decreased 18.4% year on year, to 21,616 million yen. Operating profit fell 1,957 million yen year on year, resulting in a loss of 1,450 million yen, partly due to the burden of the amortization of goodwill and intangible assets recognized upon making Ichibanya Co., Ltd. a subsidiary included in the scope of consolidation. Consequently, the ratio of operating profit to net sales was -6.7%, falling 8.6 percentage points from a year earlier.

Other Food Related Business

Delica Chef Corporation, a Group company that produces prepared food for convenience stores, achieved sales on a par with the same period a year ago. However, profits decreased mainly due to rising labor costs.

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

As a result of the above, sales in Other Food Related Business decreased 8.6% year on year, to 21,569 million yen, and operating profit declined 3.4% year on year, to 921 million yen. Consequently, the ratio of operating profit to net sales was 4.3%, improving 0.2 percentage points from a year earlier.

(2) Details of Financial Position

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

Total assets were 356,592 million yen, a decrease of 10,601 million yen from the end of the previous consolidated fiscal year.

Current assets stood at 152,941 million yen, an increase of 3,287 million yen mainly due to increases in merchandise and finished goods and securities, despite a decrease in notes and accounts receivable - trade. Non-current assets declined 13,889 million yen, to 203,652 million yen mainly due to decreases in contract-related intangible assets and trademark right despite an increase in buildings and structures, net.

Liabilities stood at 78,571 million yen, a decrease of 7,693 million yen from the end of the previous consolidated fiscal year.

Current liabilities were down 4,256 million yen, to 48,881 million yen mainly due to decreases in accounts payable - other and income taxes payable despite an increase in short-term borrowings. Non-current liabilities declined 3,437 million yen, to 29,689 million yen chiefly due to decreases in deferred tax liabilities and long-term guarantee deposits.

Net assets stood at 278,022 million yen, a decrease of 2,908 million yen from the end of the previous consolidated fiscal year, reflecting a decrease in retained earnings due to profit attributable to owners of parent and dividends paid and a decrease in non-controlling interests, offsetting an increase in valuation difference on available-for-sale securities due to a rise in the market value of investment securities owned.

As a result, the equity ratio stood at 69.8% (compared with 67.7% at the end of the previous fiscal year), and net assets per share amounted to 2,470.12 yen (2,469.20 yen at the end of the previous fiscal year) at the end of the first half of the fiscal year under review.

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

In light of business progress during the first six months under review, the most recent operating environment and other factors, the Company revised its consolidated business results forecasts for the fiscal year ending March 31, 2021 announced on May 12, 2020. Please refer to “Notice Regarding Recording of Non-operating Expenses and Extraordinary Losses and Revision of Consolidated Business Results Forecasts” released today for further details.

The forecast above has been made based on information available on the date of publication of this document. Actual results may differ from the forecast. The Company shall make prompt disclosure if the need to revise the business results forecasts arises in the future.

2. Quarterly Consolidated Financial Statements and Key Notes
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	End of previous fiscal year (As of March 31, 2020)	End of first half of the fiscal year under review (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	66,424	67,424
Notes and accounts receivable - trade	47,774	46,900
Securities	10,893	12,418
Merchandise and finished goods	11,390	13,166
Work in process	1,979	2,320
Raw materials and supplies	5,128	5,127
Other	6,181	5,746
Allowance for doubtful accounts	(115)	(159)
Total current assets	149,653	152,941
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,327	33,900
Machinery, equipment and vehicles, net	17,229	17,460
Land	31,865	32,012
Leased assets, net	1,861	1,731
Construction in progress	4,589	1,132
Other, net	2,368	2,166
Total property, plant and equipment	90,239	88,401
Intangible assets		
Goodwill	2,562	–
Trademark right	24,024	19,634
Software	1,549	1,450
Contract-related intangible assets	24,887	20,202
Software in progress	731	1,574
Other	722	697
Total intangible assets	54,476	43,558
Investments and other assets		
Investment securities	60,182	58,624
Long-term loans receivable	3	2
Deferred tax assets	1,837	1,839
Long-term time deposits	1,000	1,000
Retirement benefit asset	3,162	3,660
Distressed receivables	659	654
Long-term deposits	1,088	1,058
Other	6,825	6,751
Allowance for doubtful accounts	(1,931)	(1,895)
Total investments and other assets	72,825	71,693
Total non-current assets	217,541	203,652
Total assets	367,194	356,592

(Million yen)

	End of previous fiscal year (As of March 31, 2020)	End of first half of the fiscal year under review (As of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,706	19,676
Electronically recorded obligations - operating	1,553	1,167
Short-term borrowings	3,340	4,263
Current portion of bonds payable	26	13
Lease obligations	491	511
Accounts payable - other	17,435	13,296
Income taxes payable	4,232	3,736
Provision for bonuses	636	491
Provision for bonuses for directors (and other officers)	85	45
Provision for shareholder benefit program	86	92
Asset retirement obligations	3	15
Other	5,543	5,578
Total current liabilities	53,138	48,881
Non-current liabilities		
Long-term borrowings	98	81
Lease obligations	1,451	1,302
Long-term accounts payable - other	250	223
Deferred tax liabilities	22,518	20,844
Retirement benefit liability	1,987	1,992
Asset retirement obligations	723	718
Long-term guarantee deposits	5,698	4,119
Other	400	410
Total non-current liabilities	33,126	29,689
Total liabilities	86,264	78,571
Net assets		
Shareholders' equity		
Share capital	9,948	9,948
Capital surplus	22,829	22,829
Retained earnings	195,844	194,498
Treasury shares	(6)	(8)
Total shareholders' equity	228,616	227,267
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	18,650	20,773
Deferred gains or losses on hedges	14	10
Foreign currency translation adjustment	292	(363)
Remeasurements of defined benefit plans	1,198	1,173
Total other accumulated comprehensive income	20,154	21,594
Non-controlling interests	32,160	29,160
Total net assets	280,930	278,022
Total liabilities and net assets	367,194	356,592

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(First six-month period)

(Million yen)

	First six-month period of previous fiscal year (April 1, 2019 - September 30, 2019)	First six-month period of the fiscal year under review (April 1, 2020 - September 30, 2020)
Net sales	144,634	140,090
Cost of sales	79,166	77,296
Gross profit	65,468	62,794
Selling, general and administrative expenses	56,355	52,917
Operating profit	9,113	9,877
Non-operating income		
Interest income	166	106
Dividend income	363	370
Share of profit of entities accounted for using equity method	431	–
Rental income from buildings	378	394
Other	225	244
Total non-operating income	1,562	1,114
Non-operating expenses		
Interest expenses	35	27
Rental expenses	311	317
Foreign exchange losses	268	265
Share of loss of entities accounted for using equity method	–	1,421
Other	65	152
Total non-operating expenses	678	2,182
Ordinary profit	9,997	8,810
Extraordinary income		
Gain on sales of non-current assets	30	0
Gain on sales of investment securities	–	33
Gain on sales of restaurants	9	50
Other	0	–
Total extraordinary income	38	83
Extraordinary losses		
Loss on sales of non-current assets	0	11
Loss on retirement of non-current assets	293	59
Loss on sales of investment securities	0	13
Loss on valuation of investment securities	–	3
Impairment loss	114	9,264
Loss on change in equity	212	–
Loss on sale of businesses	42	–
Other	21	4
Total extraordinary losses	682	9,354
Profit (loss) before income taxes	9,353	(462)
Income taxes	3,109	965
Profit (loss)	6,245	(1,427)
Profit attributable to		
Profit attributable to owners of parent	5,207	971
Profit (loss) attributable to non-controlling interests	1,038	(2,397)

(Million yen)

	First six-month period of previous fiscal year (April 1, 2019 - September 30, 2019)	First six-month period of the fiscal year under review (April 1, 2020 - September 30, 2020)
Other comprehensive income		
Valuation difference on available-for-sale securities	671	2,242
Deferred gains or losses on hedges	(40)	(4)
Foreign currency translation adjustment	(806)	(679)
Remeasurements of defined benefit plans, net of tax	(220)	(44)
Share of other comprehensive income of entities accounted for using equity method	0	(41)
Total other comprehensive income	(394)	1,474
Comprehensive income	5,851	48
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,869	2,411
Comprehensive income attributable to non-controlling interests	981	(2,363)

(3) Consolidated Statements of Cash Flows

(Million yen)

	First six-month period of previous fiscal year (April 1, 2019 - September 30, 2019)	First six-month period of the fiscal year under review (April 1, 2020 - September 30, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	9,353	(462)
Depreciation	4,696	5,016
Amortization of goodwill	1,709	1,708
Impairment loss	114	9,264
Share of (profit) loss of entities accounted for using equity method	(431)	1,421
Loss (gain) on valuation of investment securities	–	3
Increase (decrease) in allowance for doubtful accounts	(123)	9
Increase (decrease) in provision for bonuses for directors (and other officers)	(56)	(40)
Increase (decrease) in provision for shareholder benefit program	0	5
Increase (decrease) in provision for loss on guarantees	(2)	―
Increase (decrease) in retirement benefit liability	(146)	35
Interest and dividend income	(529)	(476)
Interest expenses	35	27
Foreign exchange losses (gains)	192	195
Loss (gain) on sales of investment securities	0	(20)
Loss (gain) on sales of non-current assets	(29)	11
Loss on retirement of non-current assets	293	59
Loss (gain) on change in equity	212	–
Loss (gain) on sale of businesses	42	–
Loss (gain) on sales of restaurants	(9)	(50)
Decrease (increase) in trade receivables	1,812	771
Decrease (increase) in inventories	987	(2,147)
Increase (decrease) in trade payables	(1,700)	308
Increase (decrease) in accounts payable - bonuses	60	(146)
Increase (decrease) in long-term guarantee deposits	44	(1,571)
Decrease (increase) in other assets	(1,821)	(407)
Increase (decrease) in other liabilities	(2,883)	(2,187)
Subtotal	11,820	11,327
Interest and dividends received	551	469
Interest paid	(32)	(23)
Income taxes paid	(3,222)	(4,053)
Net cash provided by (used in) operating activities	9,116	7,721

(Million yen)

	First six-month period of previous fiscal year (April 1, 2019 - September 30, 2019)	First six-month period of the fiscal year under review (April 1, 2020 - September 30, 2020)
Cash flows from investing activities		
Payments into time deposits	(777)	(1,101)
Proceeds from withdrawal of time deposits	172	430
Purchase of securities	(1,000)	(1,000)
Proceeds from sales of securities	3,549	2,000
Purchase of property, plant and equipment	(7,927)	(4,802)
Proceeds from sales of property, plant and equipment	31	3
Gain on sales of restaurants	67	126
Purchase of intangible assets	(514)	(1,254)
Purchase of investment securities	(1,356)	(2,028)
Proceeds from sales of investment securities	598	2,000
Purchase of investments in capital of subsidiaries	(13)	–
Proceeds from sales of shares of subsidiaries and associates	99	–
Proceeds from sales of membership	0	–
Proceeds from sale of businesses	10	–
Proceeds from divestments	3	8
Net cash provided by (used in) investing activities	(7,057)	(5,617)
Cash flows from financing activities		
Repayments of short-term borrowings	(17,145)	(19,761)
Proceeds from short-term borrowings	16,875	20,646
Repayments of lease obligations	(318)	(259)
Repayments of long-term borrowings	(8)	–
Redemption of bonds	(13)	(13)
Purchase of treasury shares	(2)	(2)
Purchase of treasury shares of subsidiaries	(0)	(1)
Dividends paid	(2,216)	(2,317)
Dividends paid to non-controlling interests	(621)	(635)
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	(3,848)	(2,340)
Effect of exchange rate change on cash and cash equivalents	(425)	(433)
Net increase (decrease) in cash and cash equivalents	(2,215)	(669)
Cash and cash equivalents at beginning of period	62,495	69,870
Decrease in cash and cash equivalents resulting from corporate division	(2,729)	–
Cash and cash equivalents at end of period	57,552	69,201

(4) 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 half under review by the estimated effective tax rate.

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

Additional Information

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

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

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

(Impairment loss)

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

(Impacts of COVID-19 on accounting estimates)

In the consolidated financial statements for the first six months under review, the Company recorded a "Share of loss of entities accounted for using equity method" and an "Impairment loss" as described above because changes in consumer behavior caused by the COVID-19 pandemic significantly impacted the Company's consolidated business results and in turn its accounting estimates, as stated in "1. Qualitative Information on Results for the First Half Ended September 30, 2020 (1) Details of Operating Results."

The situation in which the impact of COVID-19 on social and economic activity remains unclear is likely to persist through the second half and beyond, and the Company assumes that the Restaurant Business in particular will continue

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

Segment Information

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

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

(Million yen)

	Reported segments						Other	Total	Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total				
Net sales										
Sales – outside customers	67,091	14,845	14,114	26,464	22,107	144,621	–	144,621	12	144,634
Sales and transfer – inter-segment	2,032	133	48	32	1,483	3,729	–	3,729	(3,729)	–
Total	69,123	14,978	14,162	26,497	23,590	148,351	–	148,351	(3,717)	144,634
Segment profit (loss)	5,890	495	2,141	507	954	9,985	–	9,985	(872)	9,113

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

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

(2) "Segment profit (loss)" includes a profit of -872 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments.

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

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

(Important impairment loss on non-current assets)

In the first half of the consolidated fiscal year under review, the Company recorded an impairment loss of 114 million yen associated with a fall in profitability of store assets, etc. in the Restaurant Business segment.

II. First six-month period of the fiscal year under review (April 1, 2020 - September 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	69,455	10,470	18,732	21,588	19,831	140,076	–	140,076	14	140,090
Sales and transfer – inter-segment	2,291	196	65	28	1,739	4,318	–	4,318	(4,318)	–
Total	71,746	10,666	18,796	21,616	21,569	144,394	–	144,394	(4,304)	140,090
Segment profit (loss)	7,942	(58)	2,973	(1,450)	921	10,327	–	10,327	(450)	9,877

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

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

(2) “Segment profit (loss)” includes a profit of -450 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments.

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

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

(Important impairment loss on non-current assets)

During the first six months under review, the Company recognized an impairment loss of 9,128 million yen relating to the goodwill and other intangible assets which arose when the Company made Ichibanya Co., Ltd. into a consolidated subsidiary, and an impairment loss of 136 million yen associated with decline in the profitability of restaurant assets, etc. in the Restaurant Business segment.

(Significant fluctuation in the amount of goodwill)

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

3. Supplementary Information

(1) Business Results

Consolidated (Million yen)

	First half of FY2019		First half of FY2020		FY2019		FY2020 Revised Forecast	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	144,634	99.2%	140,090	96.9%	293,682	99.0%	285,000	97.0%
Operating profit	9,113	106.3%	9,877	108.4%	19,005	108.2%	18,500	97.3%
Ordinary profit	9,997	106.1%	8,810	88.1%	20,797	108.9%	18,300	88.0%
Profit attributable to owners of parent	5,207	93.6%	971	18.6%	11,458	83.2%	6,300	55.0%
Comprehensive income	5,851	77.3%	48	0.8%	7,981	81.8%	–	–

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	69,123	101.8%	71,746	103.8%	144,996	102.7%	145,400	100.3%
Health Food Business	14,978	88.3%	10,666	71.2%	27,890	90.3%	21,900	78.5%
International Food Business	14,162	115.8%	18,796	132.7%	29,734	113.0%	36,700	123.4%
Restaurant Business	26,497	102.9%	21,616	81.6%	52,498	100.8%	45,000	85.7%
Other Food Related Business	23,590	76.7%	21,569	91.4%	46,296	74.8%	44,200	95.5%
Adjustment	(3,717)	–	(4,304)	–	(7,733)	–	(8,200)	–

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
Spice / Seasoning / Processed Food Business	5,890	106.3%	7,942	134.8%	14,111	111.4%	14,600	103.5%
Health Food Business	495	44.8%	(58)	–	521	36.7%	(100)	–
International Food Business	2,141	128.3%	2,973	138.9%	4,098	114.3%	5,000	122.0%
Restaurant Business	507	–	(1,450)	–	202	–	(600)	–
Other Food Related Business	954	80.1%	921	96.6%	1,791	87.6%	1,700	94.9%
Adjustment	(872)	–	(450)	–	(1,717)	–	(2,100)	–

(2) Number of Group Companies

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

Financial results of major subsidiaries in the first half of the fiscal year ending March 31, 2021 (Million yen)

	Net sales		Operating profit		Profit	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
House Foods Corporation	67,434	104.9%	7,635	141.1%	5,479	141.4%
House Wellness Foods Corporation	10,666	71.2%	(60)	–	(23)	–
House Foods America Corporation (Consolidated)	6,815	95.5%	295	37.6%	211	37.1%
Ichibanya Co., Ltd. (Consolidated)	21,460	83.6%	1,070	35.7%	678	35.5%

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

Average exchange rate during the period

	Currency unit	First half of FY2019	First half of FY2020	FY2019	FY2020 Forecast
United States	USD	109.97	108.24	109.24	108.24

(3) Consolidated Statements of Income

1. Consolidated Statements of Income (Million yen)

	First half of FY2019		First half of FY2020		Year-on-year change	
	Amount	Percentage	Amount	Percentage	Amount	Rate of change
Net sales	**144,634**	**100.0%**	**140,090**	**100.0%**	**(4,544)**	**(3.1%)**
<By business segment>						
Spice / Seasoning / Processed Food Business	69,123	47.8%	71,746	51.2%	2,622	3.8%
Health Food Business	14,978	10.4%	10,666	7.6%	(4,312)	(28.8%)
International Food Business	14,162	9.8%	18,796	13.4%	4,634	32.7%
Restaurant Business	26,497	18.3%	21,616	15.4%	(4,881)	(18.4%)
Other Food Related Business	23,590	16.3%	21,569	15.4%	(2,021)	(8.6%)
Adjustment	(3,717)	(2.6%)	(4,304)	(3.1%)	(587)	–
Cost of sales	79,166	54.7%	77,296	55.2%	(1,870)	(2.4%)
Selling, general and administrative expenses	56,355	39.0%	52,917	37.8%	(3,438)	(6.1%)
Advertising expenses	4,431	3.1%	3,475	2.5%	(956)	(21.6%)
Transportation and storage costs	5,747	4.0%	5,450	3.9%	(297)	(5.2%)
Sales commission	826	0.6%	877	0.6%	51	6.2%
Promotion expenses	15,809	10.9%	15,319	10.9%	(490)	(3.1%)
Personnel expenses	14,461	10.0%	14,148	10.1%	(313)	(2.2%)
Research and development expenses	2,162	1.5%	2,039	1.5%	(123)	(5.7%)
Amortization of goodwill	1,709	1.2%	1,708	1.2%	(0)	(0.0%)
Other	11,209	7.8%	9,901	7.1%	(1,308)	(11.7%)
Operating profit	**9,113**	**6.3%**	**9,877**	**7.1%**	**764**	**8.4%**
Non-operating income	1,562	1.1%	1,114	0.8%	(448)	(28.7%)
Non-operating expenses	678	0.5%	2,182	1.6%	1,504	221.7%
Ordinary profit	**9,997**	**6.9%**	**8,810**	**6.3%**	**(1,187)**	**(11.9%)**
Extraordinary income	38	0.0%	83	0.1%	45	116.0%
Extraordinary losses	682	0.5%	9,354	6.7%	8,672	1,271.7%
Profit (loss) before income taxes	9,353	6.5%	(462)	(0.3%)	(9,815)	–
Income taxes	3,109	2.1%	965	0.7%	(2,144)	(69.0%)
Profit (loss)	6,245	4.3%	(1,427)	(1.0%)	(7,671)	–
Profit attributable to						
Profit attributable to owners of parent	**5,207**	**3.6%**	**971**	**0.7%**	**(4,236)**	**(81.4%)**
Profit (loss) attributable to non-controlling interests	1,038	0.7%	(2,397)	(1.7%)	(3,435)	–
Comprehensive income	**5,851**	**4.0%**	**48**	**0.0%**	**(5,803)**	**(99.2%)**

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

Decrease in gross profit	(2,673)
Decrease in marketing costs (sum of advertising expenses, sales commission and promotion expenses)	1,395
Decrease in personnel expenses	313
Decrease in transportation and storage costs	297
Decrease in research and development expenses	123
Decrease in other expenses	1,309

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

	First half of FY2019	First half of FY2020	Year-on-year change
Interest income	166	106	(60)
Dividend income	363	370	7
Share of profit of entities accounted for using equity method	431	–	(431)
Rental income from buildings	378	394	17
Other	225	244	19
Total non-operating income	1,562	1,114	(448)
Interest expenses	35	27	(8)
Rental expenses	311	317	7
Foreign exchange losses	268	265	(3)
Share of loss of entities accounted for using equity method	–	1,421	1,421
Other	65	152	87
Total non-operating expenses	678	2,182	1,504

4. Extraordinary Income (Losses) (Million yen)

	First half of FY2019	First half of FY2020	Year-on-year change
Gain on sales of non-current assets	30	0	(29)
Gain on sales of investment securities	–	33	33
Gain on sales of restaurants	9	50	41
Other	0	–	(0)
Total extraordinary income	38	83	45
Loss on sales of non-current assets	0	11	11
Loss on retirement of non-current assets	293	59	(234)
Loss on sales of investment securities	0	13	13
Loss on valuation of investment securities	–	3	3
Impairment loss	114	9,264	9,150
Loss on change in equity	212	–	(212)
Loss on sale of businesses	42	–	(42)
Other	21	4	(17)
Total extraordinary losses	682	9,354	8,672

5. Quarterly Statements

Consolidated (Million yen)

	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Net sales	72,341	72,292	78,005	71,043	293,682	67,448	72,642			140,090
Year-on-year change	1,036	(2,168)	(1,847)	(34)	(3,014)	(4,893)	349			(4,544)
Operating profit	4,638	4,475	6,861	3,031	19,005	4,407	5,470			9,877
Year-on-year change	327	214	(332)	1,236	1,446	(230)	995			764
Ordinary profit	5,002	4,995	7,323	3,477	20,797	4,491	4,318			8,810
Year-on-year change	342	232	(117)	1,240	1,697	(511)	(676)			(1,187)
Profit (loss) attributable to owners of parent	2,488	2,719	4,910	1,341	11,458	2,789	(1,818)			971
Year-on-year change	(227)	(131)	222	(2,172)	(2,309)	301	(4,537)			(4,236)
Comprehensive income	1,834	4,017	4,534	(2,404)	7,981	2,953	(2,905)			48
Year-on-year change	(1,296)	(420)	3,973	(4,031)	(1,773)	1,119	(6,923)			(5,803)

Net sales by business segment

Net sales	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Spice / Seasoning / Processed Food Business	33,405	35,718	40,194	35,679	144,996	35,350	36,396			71,746
Year-on-year change	472	742	642	1,915	3,771	1,945	677			2,622
Health Food Business	7,520	7,458	7,550	5,361	27,890	4,921	5,746			10,666
Year-on-year change	(629)	(1,359)	(752)	(269)	(3,009)	(2,600)	(1,712)			(4,312)
International Food Business	7,390	6,772	7,920	7,652	29,734	8,341	10,456			18,796
Year-on-year change	1,357	573	815	673	3,418	951	3,683			4,634
Restaurant Business	13,186	13,310	12,743	13,258	52,498	10,419	11,197			21,616
Year-on-year change	442	316	(349)	6	415	(2,767)	(2,114)			(4,881)
Other Food Related Business	12,678	10,912	11,548	11,158	46,296	10,932	10,637			21,569
Year-on-year change	(2,693)	(4,474)	(4,349)	(4,071)	(15,586)	(1,746)	(275)			(2,021)
Adjustment	(1,838)	(1,879)	(1,951)	(2,065)	(7,733)	(2,514)	(1,790)			(4,304)
Year-on-year change	2,086	2,035	2,145	1,712	7,977	(676)	90			(587)

Operating profit by business segment

Operating profit	FY2019					FY2020				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Spice / Seasoning / Processed Food Business	2,884	3,006	4,736	3,485	14,111	4,263	3,678			7,942
Year-on-year change	227	124	(375)	1,466	1,442	1,380	672			2,052
ROS	8.6%	8.4%	11.8%	9.8%	9.7%	12.1%	10.1%			11.1%
Health Food Business	144	351	251	(224)	521	(235)	177			(58)
Year-on-year change	(519)	(90)	(556)	264	(900)	(379)	(173)			(553)
ROS	1.9%	4.7%	3.3%	(4.2%)	1.9%	(4.8%)	3.1%			(0.5%)
International Food Business	1,310	831	1,255	702	4,098	1,010	1,963			2,973
Year-on-year change	349	124	192	(151)	514	(300)	1,132			832
ROS	17.7%	12.3%	15.8%	9.2%	13.8%	12.1%	18.8%			15.8%
Restaurant Business	303	204	(37)	(267)	202	(927)	(523)			(1,450)
Year-on-year change	463	186	193	(78)	763	(1,230)	(727)			(1,957)
ROS	2.3%	1.5%	(0.3%)	(2.0%)	0.4%	(8.9%)	(4.7%)			(6.7%)
Other Food Related Business	410	544	620	218	1,791	508	413			921
Year-on-year change	(195)	(41)	(25)	8	(254)	98	(131)			(33)
ROS	3.2%	5.0%	5.4%	2.0%	3.9%	4.6%	3.9%			4.3%
Adjustment	(413)	(460)	37	(883)	(1,717)	(212)	(238)			(450)
Year-on-year change	4	(88)	240	(273)	(118)	201	222			423

(4) Consolidated Balance Sheets

Consolidated Balance Sheets (Million yen)

	FY2019		First half of FY2020		Increase/decrease from end of FY2019	Major factors for increase/ decrease	
	Amount	Percentage	Amount	Percentage	Amount		
Current assets	149,653	40.8%	152,941	42.9%	3,287	Increase in merchandise and finished goods	1,776
						Increase in securities	1,525
						Increase in cash and deposits	1,000
						Decrease in notes and accounts receivable - trade	(874)
Non-current assets	217,541	59.2%	203,652	57.1%	(13,889)	Decrease in contract-related intangible assets	(4,685)
						Decrease in trademark right	(4,390)
						Decrease in construction in progress	(3,458)
						Decrease in goodwill	(2,562)
						Increase in buildings and structures	1,573
Total assets	**367,194**	**100.0%**	**356,592**	**100.0%**	**(10,601)**		
Current liabilities	53,138	14.5%	48,881	13.7%	(4,256)	Decrease in accounts payable - other	(4,140)
						Decrease in income taxes payable	(496)
						Decrease in electronically recorded obligations - operating	(386)
						Increase in short-term borrowings	923
Non-current liabilities	33,126	9.0%	29,689	8.3%	(3,437)	Decease in deferred tax liabilities	(1,674)
						Decease in long-term guarantee deposits	(1,580)
						Decease in lease obligations	(148)
Total liabilities	**86,264**	**23.5%**	**78,571**	**22.0%**	**(7,693)**		
Total shareholders' equity	228,616	62.3%	227,267	63.7%	(1,349)	Decease in retained earnings	(1,347)
Total other accumulated comprehensive income	20,154	5.5%	21,594	6.1%	1,440	Increase in valuation difference on available-for-sale securities	2,123
						Decease in foreign currency translation adjustment	(654)
Non-controlling interests	32,160	8.8%	29,160	8.2%	(3,000)		
Total net assets	**280,930**	**76.5%**	**278,022**	**78.0%**	**(2,908)**		
Total liabilities and net assets	**367,194**	**100.0%**	**356,592**	**100.0%**	**(10,601)**		

(5) Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows (Million yen)

	First half of FY2019	First half of FY2020	Year-on-year change	Major factors for increase/ decrease	
Cash flows from operating activities	9,116	7,721	(1,395)	Decrease in profit before income taxes	(9,815)
				Decrease (increase) in inventories	(3,133)
				Increase in impairment loss	9,150
				Increase (decrease) in trade payables	2,008
Cash flows from investing activities	(7,057)	(5,617)	1,440	Purchase of property, plant and equipment	3,125
				Proceeds from sales of investment securities	1,403
				Proceeds from sales of securities	(1,549)
				Purchase of intangible assets	(741)
				Purchase of investment securities	(673)
Cash flows from financing activities	(3,848)	(2,340)	1,508	Proceeds from short-term borrowings	3,771
				Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	400
				Repayments of short-term borrowings	(2,616)
Cash and cash equivalents at end of period	57,552	69,201	11,649		

(6) Capital Investment

Consolidated (Million yen)

	First half of FY2019	First half of FY2020	FY2020 Forecast
Capital investment	8,097	3,546	11,800
Leases	1,579	184	400
Total	9,676	3,730	12,200

(7) Depreciation

Consolidated (Million yen)

	First half of FY2019	First half of FY2020	FY2020 Forecast
Depreciation	4,696	5,016	10,200
Lease payments	182	172	300
Total	4,878	5,188	10,500

* 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

	FY2019	First half of FY2020	FY2020 Revised Forecast
Profit per share	113.73 yen	9.63 yen	62.53 yen
Net assets per share	2,469.20 yen	2,470.12 yen	–
ATO	0.80 times	–	–
Ratio of operating profit to net sales	6.5%	7.1%	6.5%
Ratio of ordinary profit to net sales	7.1%	6.3%	6.4%
Ratio of operating profit to total assets	5.1%	–	–
ROE	4.6%	–	–
Equity ratio	67.7%	69.8%	–
Dividend per share	46.00 yen	23.00 yen	46.00 yen
Dividend payout ratio	40.4%	238.7%	73.6%
Dividend payout ratio according to the basic policy on the return of earnings to shareholders	31.6%	29.6%	35.2%

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

Number of employees	6,122 people	6,199 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)

FY2020		1Q	2Q	3Q	4Q	1H	2H	Full year
Overall market	Average selling price	197 yen	192 yen			195 yen		
	Change from the previous year	+9 yen	+2 yen			+5 yen		
House Foods	Average selling price	198 yen	191 yen			194 yen		
	Change from the previous year	+7 yen	+0 yen			+4 yen		
	Share of amount	61.6%	62.9%			62.2%		

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

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

FY2020	1Q	2Q	3Q	4Q	1H	2H	Full year
Spice / Seasoning / Processed Food Business							
Curry roux in total	108.7%	104.0%			106.3%		
Retort pouched curry in total	99.5%	109.3%			104.6%		
Stew roux in total	128.1%	93.8%			103.8%		
Hashed beef sauce roux in total	105.1%	120.5%			112.2%		
Spice in total	124.6%	115.9%			120.2%		
Health Food Business							
Ukon No Chikara	36.6%	56.9%			47.5%		
C1000	64.8%	75.6%			70.0%		
Ichinichibun No Vitamin	94.8%	104.4%			99.6%		