October 30, 2020

Company Name: House Foods Group Inc.
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(Securities Code: 2810, First Section of the Tokyo Stock Exchange)
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Notice of Non-operating Expenses and Extraordinary Losses and Revision to Financial Forecast

House Foods Group Inc. (hereinafter the "Company") announces that it has posted non-operating expenses (share of loss of entities accounted for using equity method) and extraordinary losses (impairment loss) in the second quarter of the fiscal year ending March 31, 2021 and revises the financial forecast for the fiscal year ending March 31, 2021 announced on May 12, 2020. The details are as follows.

1. Posting non-operating expenses (share of loss of entities accounted for using equity method)

Himadri Foods Limited, an equity method affiliate of the Company that manufactures and sells spice products in India, does not expect to post forecast earnings due to the deterioration of the business environment as the COVID-19 pandemic is not expected to subside in India.

The Company thus posted a share of loss of entities accounted for using equity method of 1,365 million yen in non-operating expenses in the second quarter of the fiscal year under review.

2. Posting extraordinary losses (impairment loss)

The Company acquired additional shares in Ichibanya Co., Ltd. in December 2015 and made Ichibanya its consolidated subsidiary. Considering the present business environment, the Company posted impairment losses for goodwill and other intangible assets that occurred when Ichibanya become a consolidated subsidiary and posted extraordinary losses of 9,128 million yen in the second quarter of the fiscal year under review.

(Breakdown of impairment losses)

	Impairment losses	Balance after impairment losses
Goodwill	854 million yen	–
Trademark right	4,072 million yen	19,578 million yen
Contract-related intangible assets	4,202 million yen	20,202 million yen
Total	9,128 million yen	39,780 million yen

The impairment losses have been posted due to a fall in the future cash flow generated by the goodwill and other intangible assets that occurred when Ichibanya became a consolidated subsidiary from the initial forecast as a result of the revaluation of the future cash flow in consideration of changes in the business environment due to the COVID-19 pandemic. The impairment losses do not affect the current results of Ichibanya.

3. Revision to financial forecast

Revision to consolidated financial forecast for fiscal year ending March 2021 (April 1, 2020 to March 31, 2021)

	Sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	290,000	15,500	16,900	9,600	95.29
Revised forecast (B)	285,000	18,500	18,300	6,300	62.53
Change (B - A)	(5,000)	+3,000	+1,400	(3,300)	–
Percentage change (%)	(1.7)	+19.4	+8.3	(34.4)	–
(Reference) Results in previous fiscal year (ended Mar. 2020)	293,682	19,005	20,797	11,458	113.73

(Reason of revision)

As described in the Consolidated Financial Results (Japanese Accounting Standards) for the Six Months Ended September 30, 2020, which is published on October 30, 2020, changes in consumption behavior caused by the COVID-19 pandemic have significantly affected the Company's consolidated results. Due to stay-at-home requests, results in the Health Food Business and Restaurant Business were weak. Meanwhile, sales of products for household use increased both in Japan and overseas due to rising demand for home-cooked meals. As a result, the Spice/Seasoning/Processed Food Business and International Food Business performed well. Although sales fell from a year ago, operating profit rose year on year due to the strong performance of the two businesses and cost reductions in each business.

The effects of the COVID-19 pandemic on social and economic activities remain uncertain. In the latter half of the fiscal year under review, we expect a year-on-year fall in the fourth quarter, reflecting special demand in the same quarter of the previous fiscal year. We will assess changes in consumption behavior and quickly respond to them. The fiscal year under review is the final year of the Sixth Medium-term Business Plan, and we will make preparations steadily for the next medium-term business plan.

Considering the above results and forecast as well as the non-operating expenses and extraordinary losses, we forecast that in the fiscal year ending March 31, 2021, net sales and profit attributable to owners of parent will be lower than the previous forecast and operating profit and ordinary profit will be higher than the previous forecast.

There are no changes in the dividend forecast published on May 12, 2020 (an interim dividend of 23 yen, a year-end dividend of 23 yen, an annual dividend of 46 yen).

(Note) The information contained in this material, including the forecasts above, is based on information available as of October 30, 2020, and actual results may differ from the forecasts. If the need for revising forecasts arises, we will announce a revision promptly.