May 11, 2021

# Consolidated Financial Results (Japanese Accounting Standards) for the FY2020 (Ended March 31, 2021)


Company name: House Foods Group Inc.
Stock exchange listing: Tokyo Stock Exchange
Stock code: 2810
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Scheduled date of ordinary shareholders' meeting: June 25, 2021
Scheduled date of commencement of dividend payment: June 28, 2021
Scheduled date for filing of annual securities report: June 25, 2021
Supplementary documents for financial results: Yes
Financial results briefing: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended March 31, 2021 | 283,754 | (3.4) | 19,397 | 2.1 | 19,820 | (4.7) | 8,733 | (23.8) |
| Year ended March 31, 2020 | 293,682 | (1.0) | 19,005 | 8.2 | 20,797 | 8.9 | 11,458 | (16.8) |

(Note) Comprehensive income: 12,264 million yen (53.7%) for the fiscal year ended March 31, 2021
7,981 million yen (-18.2%) for the fiscal year ended March 31, 2020

| | Profit per share (basic) | Profit per share (diluted) | Return on equity | Ratio of ordinary profit to total assets | Ratio of operating profit to net sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Year ended March 31, 2021 | 86.68 | – | 3.4 | 5.4 | 6.8 |
| Year ended March 31, 2020 | 113.73 | – | 4.6 | 5.6 | 6.5 |

(Reference) Share of profit (loss) of entities accounted for using equity method:
(1,230) million yen for the fiscal year ended March 31, 2021
645 million yen for the fiscal year ended March 31, 2020

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2021 | 369,150 | 287,291 | 69.9 | 2,562.29 |
| As of March 31, 2020 | 367,194 | 280,930 | 67.7 | 2,469.20 |

(Reference) Shareholders' equity: As of March 31, 2021: 258,145 million yen
As of March 31, 2020: 248,770 million yen

(3) Consolidated Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of fiscal year |
|---|---|---|---|---|
| | Million yen | Million yen | Million yen | Million yen |
| Year ended March 31, 2021 | 23,181 | (8,558) | (6,172) | 78,343 |
| Year ended March 31, 2020 | 24,218 | (6,356) | (7,567) | 69,870 |

2. Dividends

| | Dividend per share | | | | | Total dividends (annual) | Payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|---|---|---|---|---|---|---|---|---|
| | End of first quarter | End of second quarter | End of third quarter | Year-end | Annual | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Year ended March 31, 2020 | – | 23.00 | – | 23.00 | 46.00 | 4,634 | 40.4 | 1.9 |
| Year ended March 31, 2021 | – | 23.00 | – | 23.00 | 46.00 | 4,634 | 53.1 | 1.8 |
| Year ending March 31, 2022 (forecasts) | – | 23.00 | – | 23.00 | 46.00 | | 35.2 | |

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

(Percentage figures for the fiscal year represent the changes from the previous year)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Profit per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Year ending March 31, 2022 | 259,000 | 3.6 | 20,000 | 3.0 | 21,500 | 8.4 | 13,000 | 48.6 | 130.51 |

(Notes) 1. Since the Company will apply "Accounting Standard for Revenue Recognition" (ASBJ Japan Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30) from the beginning of the year ending March 31, 2022, the above consolidated forecasts reflect application of said standard and implementation guidance, and percentage changes from the previous year are calculated on the assumption of application of said accounting standard and implementation guidance in the year ended March 31, 2021.

2. At the meeting of the Board of Directors held on May 11, 2021, the Company adopted a resolution of the purchase of treasury shares. "Profit per share" in the consolidated forecasts for the year ending March 31, 2022 takes the impact of said purchase of treasury shares into consideration. For details of the purchase of treasury shares, please refer to "Notice of Determination of Matters Relating to Purchase of Treasury Shares" released today.

* Notes

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

(2) Changes in accounting policies and changes or restatement of accounting estimates
- (i) Changes in accounting policies caused by revision of accounting standards: None
- (ii) Changes in accounting policies other than (i): None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Number of shares outstanding (common shares):
- (i) Number of shares outstanding at end of period (including treasury shares)
  - As of March 31, 2021: 100,750,620 shares
  - As of March 31, 2020: 100,750,620 shares
- (ii) Number of treasury shares at end of period
  - As of March 31, 2021: 2,816 shares
  - As of March 31, 2020: 1,367 shares
- (iii) Average number of shares outstanding during the term
  - Year ended March 31, 2021: 100,748,551 shares
  - Year ended March 31, 2020: 100,749,643 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended March 31, 2021 | 21,061 | 0.3 | 10,083 | 5.4 | 10,963 | 6.8 | 10,645 | (3.1) |
| Year ended March 31, 2020 | 20,990 | 2.4 | 9,570 | 4.1 | 10,264 | 0.2 | 10,988 | (12.6) |

| | Net income per share (basic) | Net income per share (diluted) |
|---|---|---|
| | Yen | Yen |
| Year ended March 31, 2021 | 105.66 | – |
| Year ended March 31, 2020 | 109.06 | – |

(2) Non-Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2021 | 216,741 | 187,923 | 86.7 | 1,865.28 |
| As of March 31, 2020 | 206,885 | 180,377 | 87.2 | 1,790.35 |

(Reference) Shareholders' equity: As of March 31, 2021: 187,923 million yen
As of March 31, 2020: 180,377 million yen

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

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

- The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.
- For other matters relating to the forecasts, please refer to "1. Analysis of Operating Results and Financial Position, (4) Future Outlook" on page 8 of the accompanying materials.

Accompanying Materials – Contents


1. Analysis of Operating Results and Financial Position ..... 2
   (1) Analysis of Operating Results ..... 2
   (2) Analysis of Financial Position ..... 5
   (3) Analysis of Cash Flows ..... 5
   (4) Future Outlook ..... 8
   (5) Basic Policy on the Payment of Dividends and Dividends for the Fiscal Year under Review and Next Fiscal Year ..... 9
   (6) Business and Other Risks ..... 10

2. Basic Corporate Management Policy and Issues Facing the Group ..... 16
   (1) Basic Corporate Management Policy ..... 16
   (2) Business Environment ..... 16
   (3) The Company's Medium- to Long-term Management Strategy and the Issues that the Company Needs to Address ..... 16
   (4) Target Management Indicators ..... 20

3. Basic Concept concerning the Selection of Accounting Standards ..... 21

4. Consolidated Financial Statements and Key Notes ..... 22
   (1) Consolidated Balance Sheets ..... 22
   (2) Consolidated Statements of Income and Comprehensive Income ..... 24
   (3) Consolidated Statements of Changes in Equity ..... 26
   (4) Consolidated Statements of Cash Flows ..... 28
   (5) Notes to Consolidated Financial Statements ..... 30
   Notes Relating to Assumptions for the Going Concern ..... 30
   Additional Information ..... 30
   Segment Information ..... 31
   Per Share Information ..... 35
   Important Subsequent Events ..... 35

5. Other Information ..... 36
   (1) Transition to a Company with Audit & Supervisory Committee ..... 36
   (2) Senior Management Changes ..... 36

6. Supplementary Information ..... 37
   (1) Business Performance ..... 37
   (2) Number of Group Companies ..... 38
   (3) Consolidated Statements of Income (Current standard) ..... 39
   (4) Consolidated Balance Sheets ..... 42
   (5) Consolidated Statements of Cash Flows ..... 42
   (6) Capital Investment ..... 43
   (7) Depreciation ..... 43
   (8) Major Management Indicators, etc. ..... 43
   (9) Reference Information ..... 44

# 1. Analysis of Operating Results and Financial Position

## (1) Analysis of Operating Results

The impact of the COVID-19 pandemic on economic activities is still immense, and the future outlook remains uncertain as the pandemic drags on.

Under such conditions, the Group endeavored to provide a stable supply of products and services as a corporate group which plays a role in the vital lifeline of "food," while taking consistent steps in all three responsibilities ("For our customers," "For our employees and their families," and "For society") it seeks to fulfill as a corporate citizen 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 fiscal year under review, changes in consumer behavior during the COVID-19 pandemic had a considerable impact on each business, separating the winners and losers in the COVID economy. Whilst the Health Food Business and the Restaurant Business languished, largely because 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 use in Japan and overseas owing to more home-cooked meal demand.

In view of the changes in the business environment caused by the COVID-19 pandemic, the Group recorded a share of loss of entities accounted for using equity method under non-operating expenses and an impairment loss under extraordinary losses in the second quarter of the fiscal year under review. In addition, the Group sold some of the investment securities it held and recorded a gain on sale of investment securities under extraordinary income in the fourth quarter of the fiscal year under review.

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

| | FY2020 | |
|---|---|---|
| | Amount (million yen) | Year-on-year change (%) |
| Net sales | 283,754 | 96.6 |
| Operating profit | 19,397 | 102.1 |
| Ordinary profit | 19,820 | 95.3 |
| Profit attributable to owners of parent | 8,733 | 76.2 |

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

| | FY2019 | FY2020 |
|---|---|---|
| ATO (Asset Turnover) | 0.80 times | 0.77 times |
| ROS (Ratio of operating profit to net sales) | 6.5% | 6.8% |
| ROA (Ratio of operating profit to total assets) | 5.1% | 5.3% |
| ROE (Ratio of profit to equity) | 4.6% | 3.4% |

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 | 146,340 | 100.9 | 15,614 | 110.7 |
| Health Food Business | 20,105 | 72.1 | (413) | – |
| International Food Business | 35,472 | 119.3 | 4,584 | 111.9 |
| Restaurant Business | 44,567 | 84.9 | (660) | – |
| Other Food Related Business | 45,542 | 98.4 | 1,770 | 98.8 |
| Subtotal | 292,025 | 96.9 | 20,895 | 100.8 |
| Adjustment (elimination) | (8,271) | – | (1,498) | – |
| Total | 283,754 | 96.6 | 19,397 | 102.1 |

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

**Spice / Seasoning / Processed Food Business**

The Spice/Seasoning/Processed Food Business posted gains in sales and profit, reflecting growth of products for the household use, notably spices, due to growing demand for home-cooked meals as well as general reduction in indirect fixed costs due to constraints on business activities.

House Foods Corporation tailored its offer to changing customer needs, simplifying products and increasing the variety of dishes offered. It also sought to make retort pouched products microwaveable, and endeavored to improve value provided both in terms of convenience and lower environmental impact. Meanwhile, the business of products for food service use conducted by House Foods Corporation and Gaban Co., Ltd. reported decreased sales due to the impact of the sluggish restaurant market, although the business showed a gradual recovery trend.

As a result of the above, sales in the Spice/Seasoning/Processed Food Business stood at 146,340 million yen, up 0.9% year on year, and operating profit was 15,614 million yen, up 10.7% year on year. As a result, the ratio of operating profit to net sales was 10.7%, rising 0.9 percentage point from the previous fiscal year.

**Health Food Business**

The Health Food Business gave a very poor performance in the fiscal year under review. 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, while *C1000*, which is sold mainly through convenience stores, also saw a decline in selling opportunities, especially in urban areas.

As a result, sales in the Health Food Business declined 27.9% year on year, to 20,105 million yen. The segment reported an operating loss of 413 million yen, representing a decrease of 934 million yen year on year, with efforts to drastically reduce costs proving insufficient to offset the impact of sharp decline in sales. As a consequence, the ratio of operating profit to net sales was -2.1%, falling 3.9 percentage point from a year earlier.

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

The tofu business in the United States increased sales despite the COVID-19 pandemic due to growing demand in the plant-based protein market driven by health awareness and environmental awareness. However, in addition to depreciation associated with the new manufacturing lines at the Los Angeles Plant which went into operation in January 2020, the business faced challenges when starting up the new lines and incurred mounting costs because of requiring the full year for stable operation. Accordingly, the tofu business in the United States reported increased sales and decreased profit.

The curry business in China posted increased sales, as COVID-driven demand for home-cooked meals increased, reflecting expansion of the market for products for household use to include China's inland regions. The business also achieved higher profit, mostly due to the effect of increased sales and reduced expenditures amid restrictions on business activities in the first half. Food service products have also been recovering since the resumption of economic activities.

The functional beverage business in Thailand posted gains in sales and profits, reflecting market expansion after production and supply were significantly ramped up, eliminating the gap between demand and supply, despite an increase in costs due to the introduction of VAT. However, results for the fourth quarter of the fiscal year under review were below the level a year earlier due to slow-moving inventory towards the end of the fiscal year.

As a result of the above, sales in the International Food Business rose 19.3% year on year, to 35,472 million yen, and operating profit increased 11.9%, to 4,584 million yen. As a consequence, the ratio of operating profit to net sales was 12.9%, falling 0.9 percentage point from a year earlier.

**Restaurant Business** Periods covered by the consolidated financial statements: From March 2020 to February 2021 for Ichibanya Co., Ltd. and from January to December 2020 for overseas subsidiaries

The Restaurant Business faced an extremely difficult environment due to the COVID-19 pandemic, with restaurants asked to close temporarily or shorten their operating hours by local authorities and with inbound demand drying up. Ichibanya Co., Ltd. reported declines in sales and profit, reflecting store sales far below the level a year earlier, despite the active incorporation of measures to prevent the spread of COVID-19 and efforts to operate in such a way that made customers feel safe, as well as efforts to expand takeout and home delivery. Under such conditions, Ichibanya Co., Ltd. pushed ahead with initiatives for growth, including opening a first restaurant in India in August 2020 and making DAIKOKU SHOJI Ltd. (now DAIKOKU SHOJI Co., Ltd.), which operates the Jingisukan restaurant chain in Hokkaido, into a consolidated subsidiary in December 2020. 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 of the above, the Restaurant Business that includes Ichibanya Co., Ltd. and other restaurant subsidiaries recorded net sales of 44,567 million yen, a decrease of 15.1% year on year, and an operating loss of 660 million yen, with operating profit declining 862 million yen from a year ago. As a consequence, the ratio of operating profit to net sales was -1.5%, falling 1.9 percentage point from a year earlier.

Taking into consideration the deterioration of the business environment due to COVID-19, in the second quarter of the fiscal year under review, the Company recognized impairment losses 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. As a result, the Company completed amortization of such goodwill in the fiscal year under review.

**Other Food Related Business**

Delica Chef Corporation recorded declines in sales and profits, reflecting the impact of fewer production items for prepared food, in addition to the sluggish performance of baked bread.

Vox Trading Co., Ltd. posted lower sales and higher profits, reflecting a reduction in fixed costs such as travel expenses, which offset slow shipments of food service products.

As a result of the above, sales in Other Food Related Business decreased 1.6% year on year, to 45,542 million yen, and operating profit fell 1.2% year on year, to 1,770 million yen. Consequently, the ratio of operating profit to net sales was 3.9%, mostly unchanged from a year earlier.

### (2) Analysis of Financial Position

Total assets at the end of the consolidated fiscal year under review rose 1,956 million yen from the end of the previous consolidated fiscal year, to 369,150 million yen.

Current assets stood at 156,909 million yen, an increase of 7,256 million yen compared to the end of the previous consolidated fiscal year. Non-current assets were 212,241 million yen, a year-on-year decrease of 5,300 million yen.

The primary factors for the increase in current assets include a 12,481 million yen increase in cash and deposits and a 1,214 million yen increase in merchandise and finished goods, offsetting a 4,670 million yen decrease in notes and accounts receivable-trade and a 1,378 million yen decrease in securities.

The primary factors for the decrease in non-current assets include a 5,085 million yen decrease in contract-related intangible assets, a 4,654 million yen decrease in trademark right and a 2,250 million yen decrease in goodwill, offsetting a 6,785 million yen increase in retirement benefit asset.

Total liabilities at the end of the consolidated fiscal year under review were 81,859 million yen, a decrease of 4,405 million yen compared to the end of the previous consolidated fiscal year.

Current liabilities were down 1,810 million yen from the end of the previous consolidated fiscal year, to 51,327 million yen, and non-current liabilities were 30,532 million yen, a year-on-year decrease of 2,594 million yen.

The primary factors for the decrease in current liabilities include a 2,925 million yen decrease in notes and accounts payable-trade, offsetting an 871 million yen increase in accounts payable-other.

The main factors for the decrease in non-current liabilities include a 1, 714 million yen decrease in long-term guarantee deposits.

Net assets stood at 287,291 million yen, an increase of 6,361 million yen from the end of the previous consolidated fiscal year, reflecting increases in remeasurements of defined benefit plans and in retained earnings due to the posting of profit attributable to owners of parent, offsetting a decrease in non-controlling interests.

As a result, the equity ratio at the end of the consolidated fiscal year under review stood at 69.9%, compared with 67.7% at the end of the previous consolidated fiscal year, and net assets per share were 2,562.29 yen, compared with 2,469.20 yen at the end of the previous consolidated fiscal year.

### (3) Analysis of Cash Flows

With respect to cash flows for the consolidated fiscal year under review, net cash provided by operating activities amounted to 23,181 million yen, net cash used in investing activities, including the purchase of plant, property and equipment and purchase of securities, amounted to 8,558 million yen, and net cash used in financing activities, including proceeds from short-term borrowings, repayments of short-term borrowings, and dividends paid, was 6,172 million yen. As a result, cash and cash equivalents at the end of the consolidated fiscal year under review stood at 78,343 million yen, an increase of 8,473 million yen compared with the balance at the beginning of the year.

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

(Cash flows from operating activities)

Cash provided by operating activities during the consolidated fiscal year under review was 23,181 million yen, a decrease of 1,037 million yen from the previous consolidated fiscal year. Key factors included 12,049 million yen in profit before income taxes, impairment loss of 10,075 million yen, depreciation of 10,035 million yen, and income taxes paid of 7,548 million yen.

The decrease in comparison to the previous consolidated fiscal year is mainly attributable to a decrease in profit before income taxes (a year-on-year decrease of 8,633 million yen), an increase in decrease (increase) of inventories (a

year-on-year decrease of 3,333 million yen), and an increase in impairment loss (a year-on-year increase of 9,688 million yen).

(Cash flows from investing activities)

Cash used in investing activities during the consolidated fiscal year under review was 8,558 million yen, which was 2,202 million yen more than cash used in the previous consolidated fiscal year. Key factors included the purchase of property, plant and equipment of 8,819 million yen, the purchase of securities of 4,508 million yen, the purchase of investment securities of 4,459 million yen, proceeds from sale of securities of 6,902 million yen, and proceeds from sale of investment securities of 4,534 million yen.

The primary factors for the decrease compared with the previous consolidated fiscal year were an increase in purchase of securities (a year-on-year decrease of 2,508 million yen), a decrease in proceeds from the sale of securities (a year-on-year decrease of 1,647 million yen), a decrease in proceeds from the sale of investment securities (a year-on-year decrease of 1,457 million yen), an increase in purchase of investment securities (a year-on-year decrease of 1,297 million yen), an increase in purchase of intangible assets (a year-on-year decrease of 1,192 million yen) and a decrease in purchase of property, plant and equipment (a year-on-year increase of 6,097 million yen).

(Cash flows from financing activities)

Cash used in financing activities during the consolidated fiscal year under review was 6,172 million yen, which was 1, 394 million yen less than cash used in the previous consolidated fiscal year. Key factors included repayments of short-term borrowings of 47,663 million yen, dividends paid of 4,634 million yen, and proceeds from short-term borrowings of 47,965 million yen.

The primary factors for the increase compared with the previous consolidated fiscal year were an increase in proceeds from short-term borrowings (a year-on-year increase of 13,119 million yen) and an increase in repayments of short-term borrowings (a year-on-year decrease of 12,281 million yen).

(Million yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 | Year-on-year change |
|---|---|---|---|
| Cash flows from operating activities | 24,218 | 23,181 | (1,037) |
| Cash flows from investing activities | (6,356) | (8,558) | (2,202) |
| Cash flows from financing activities | (7,567) | (6,172) | 1,394 |
| Effect of exchange rate changes on cash and cash equivalents | (192) | 22 | 214 |
| Net increase (decrease) in cash and cash equivalents | 10,104 | 8,473 | (1,631) |
| Cash and cash equivalents at beginning of period | 62,495 | 69,870 | 7,375 |
| Decrease in cash and cash equivalents resulting from corporate division | (2,729) | – | 2,729 |
| Cash and cash equivalents at end of period | 69,870 | 78,343 | 8,473 |

Cash flow indicators for the Group are as follows:

| | Year ended March 31, 2017 | Year ended March 31, 2018 | Year ended March 31, 2019 | Year ended March 31, 2020 | Year ended March 31, 2021 |
|---|---|---|---|---|---|
| Equity ratio (%) | 66.5 | 66.5 | 66.6 | 67.7 | 69.9 |
| Equity ratio (market value basis) (%) | 70.5 | 95.9 | 120.8 | 96.7 | 99.3 |
| Cash flow/interest bearing liabilities ratio (%) | 64.9 | 62.6 | 63.7 | 45.9 | 40.5 |
| Interest coverage ratio (times) | 252.8 | 263.5 | 256.0 | 383.1 | 444.8 |

(Notes) 1. Equity ratio: Shareholders' equity / Total assets
Equity ratio (market value basis): Market capitalization / Total assets
Cash flow / interest bearing liabilities ratio: Interest-bearing debt / Operating cash flow
Interest coverage ratio: Operating cash flow / Interest payments

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

## (4) Future Outlook

| | Result for year ended March 31, 2021 (Million yen) | Result for year ended March 31, 2021 after application of accounting standard (Million yen) | Year ending March 31, 2022 (forecasts) (Million yen) | Increase/ Decrease (Million yen) | Increase/ Decrease (%) |
|---|---|---|---|---|---|
| Net sales | 283,754 | 250,066 | 259,000 | 8,934 | 3.6 |
| Operating profit | 19,397 | 19,413 | 20,000 | 587 | 3.0 |
| Ordinary profit | 19,820 | 19,837 | 21,500 | 1,663 | 8.4 |
| Profit attributable to owners of parent | 8,733 | 8,749 | 13,000 | 4,251 | 48.6 |

(Note) 1. The changes from the previous year and percentage change from the previous year are based on comparison between the forecast for the year ending March 31, 2022 and the results for the year ended March 31, 2021 after application of the accounting standard.

The outlook for the Group's operating environment, including consumer spending, remains uncertain, as the economy is expected to take some time to fully recover amid fears that the effects of the COVID-19 will drag on.

Under the Group's Seventh Medium-term Business Plan, launched in April this year, the Group will accelerate its transformation into a high quality company in terms of all "three responsibilities" ("For our customers," "For our employees and their families," and "For society") and will pivot towards new challenges for growth. The Group has defined four value chains ("VC") as domains in which it will provide "Healthy Life Through Food." By further expanding the mainstay "Spice VC" and by endeavoring to develop the "Functional Ingredients VC," which includes vitamin and lactic acid bacterium, and the "Soybean VC" centered on tofu, as well as the "Value-Added Vegetable VC" as a new challenge, the Group will work to achieve growth in Japan and overseas through the creation of new value.

In the year ending March 31, 2022, which is the first fiscal year of the plan, the Group will focus on improving productivity in existing domains through structural reforms, including integrating sales capabilities for products for household use in Japan (integration of the sales capabilities of House Wellness Foods Corporation into House Foods Corporation) effective from April this year. It will also work to strengthen the foundations for executing strategies by focusing management resources on growth domains.

With these initiatives, for the next fiscal year the Group expects consolidated net sales of 259,000 million yen (a year-on-year increase of 3.6%), consolidated operating profit of 20,000 million yen (a year-on-year increase of 3.0%) and consolidated ordinary profit of 21,500 million yen (a year-on-year increase of 8.4%). The Group also anticipates profit attributable to owners of parent of 13,000 million yen (a year-on-year increase of 48.6%).

The forecasts above have been made based on information available on the date of publication of this document. Actual results may differ from the forecast.

(Reference) By segment

| | Result for year ended March 31, 2021 (Million yen) | Result for year ended March 31, 2021 after application of accounting standard (Million yen) | Year ending March 31, 2022 (forecasts) (Million yen) | Increase/ Decrease (Million yen) | Increase/ Decrease (%) |
|---|---|---|---|---|---|
| Spice / Seasoning / Processed Food Business | | | | | |
| Net sales | 146,340 | 120,309 | 121,700 | 1,391 | 1.2 |
| Operating profit | 15,614 | 15,614 | 14,000 | (1,614) | (10.3) |
| Health Food Business | | | | | |
| Net sales | 20,105 | 15,281 | 17,500 | 2,219 | 14.5 |
| Operating profit | (413) | (396) | 100 | 496 | – |
| International Food Business | | | | | |
| Net sales | 35,472 | 34,128 | 36,100 | 1,972 | 5.8 |
| Operating profit | 4,584 | 4,584 | 4,700 | 116 | 2.5 |
| Restaurant Business | | | | | |
| Net sales | 44,567 | 44,698 | 49,300 | 4,602 | 10.3 |
| Operating profit | (660) | (660) | 2,600 | 3,260 | – |
| Other Food Related Business | | | | | |
| Net sales | 45,542 | 43,922 | 42,400 | (1,522) | (3.5) |
| Operating profit | 1,770 | 1,770 | 1,500 | (270) | (15.2) |
| Adjustment | | | | | |
| Net sales | (8,271) | (8,271) | (8,000) | 271 | – |
| Operating profit | (1,498) | (1,498) | (2,900) | (1,402) | – |

(Note) 1. The changes from the previous year and percentage change from the previous year are based on comparison between the forecast for the year ending March 31, 2022 and the results for the year ended March 31, 2021 after application of the accounting standard.

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

Recognizing that one of the key management issues is the return of profits to shareholders, the Group endeavors to increase its earnings power and improve its financial position. In addition, our basic policy on the payment of dividends is to "maintain stable dividends, with a dividend payout ratio of at least 30% on a consolidated basis excluding the effects of extraordinary income/losses arising from business combination and the amortization of goodwill as a standard," comprehensively considering the consolidated business results and the business plans, among other aspects.

In the fiscal year under review, the Group recorded one-off extraordinary income mainly due to the sale of investment securities. However, out of consideration for maintaining a stable dividend, the Group expects to pay a year-end dividend of 23.00 yen per share. This combined with the interim dividend of 23.00 yen, will bring the annual dividend to 46.00 yen per share, which is unchanged from the previous fiscal year.

As a result, the consolidated dividend payout ratio will be 53.1%. However, excluding the effects of extraordinary income/losses arising from business combinations and the amortization of goodwill mentioned above, the dividend payout ratio will be 29.7% on a consolidated basis.

Next fiscal year, despite concerns that the effects of COVID-19 will drag on, out of consideration for maintaining a stable dividend, the Company plans to pay an annual dividend of 46.00 yen per share (Including an interim dividend of 23.00 yen).

In terms of internal reserves, the Group seeks to use such reserves to fund investment in manufacturing equipment, research and development, and new businesses development, to prepare for future business.

### (6) Business and Other Risks

To achieve the Group philosophy, "Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives," the Group is "striving to become a high quality company that provides 'Healthy Life Through Foods,'" while fulfilling its responsibility as a corporate citizen in all "three responsibilities" ("For our customers," "For our employees and their families," and "For society").

Risks that could influence the Group's situation including its financial position, operating results and cash flow (hereinafter referred to as "financial position, etc.") include the following. However, the statements below do not cover all the risks, and the Group may be subject to the impact of any risk in the future that cannot be foreseen or is not perceived as a problem at the present time. Recognizing the possibility of these risks occurring (being actualized), the Group will work to prevent or avoid them. The Group will also focus on minimizing risks to operations and business risks in the event of actualization of risks.

The forward-looking statements included in this document are judgments made by the Group as of the end of the fiscal year under review.

<Effects of COVID-19>

Since the start of the COVID-19 pandemic, amid the multiple waves of COVID-19 and the rounds of containment measures, the Group has sought to prevent the spread of infection, including modifying the way it does business and adjusting working environments, in line with the established guidance for each phase to ensure that the Group can continue conducting business as a corporate group which is instrumental in the "food" lifeline. The Group believes it is imperative to assume that the effects will continue to drag on further and to take action to address the increased societal demands and changing consumer behaviors brought about by COVID-19.

| |
|---|
| **Effects on business**<br>While opportunities for home-cooked meals will increase, there is a risk that the Group's financial position, etc. will be affected by market contraction in the Restaurant Business and the business of food service products. Meanwhile, House Wellness Foods Corporation, which sells products linked to drinking such as the *Ukon No Chikara* series, may continue to be hit by fewer opportunities to drink out, as people refrain from going out and workstyles and lifestyles change, and the Group's financial position, etc. could be affected as a result. |
| **Effects on value chains**<br>The Group has many manufacturing and business facilities in Japan and overseas and also procures raw materials from countries all over the world. Although the Group is implementing measures to prevent the spread of infection as outlined above, any temporary stoppage in business activities due to a COVID-19 cluster or instability in the supply of raw materials procured overseas might disrupt the supply of products and services. |
| **Effect on business operations and expansion**<br>There is the risk that business expansion will be delayed because of COVID-19, with business investments that require overseas trips or other visits being abandoned, disrupted or taking longer than anticipated. Similarly in the case of projects the Group has already decided to invest in, the COVID-19 situation may prevent the Group from establishing direct communication, making smooth progress with PMI or other processes further down the line or making decisions at the right time, and the Group's financial position, etc. might be affected as a result. In view of changes in the business environment, the Group recorded a share of loss of entities accounted for using equity method and an impairment loss in the year ended March 31, 2021. |

(i) Risks related to responsibility for our customers

Key risks related to the activities for sustainable business growth and the continued provision of unique value to society are as follows.

1) Risks related to domestic market trends

| Background | Overview and impact of risks | Main countermeasures |
|---|---|---|
| Domestic sales account for more than 80% of the Group's total sales. In the Spice/Seasoning/Processed Food Business, products for cooking, such as curry roux, make up most of net sales, and there is a risk that the market will shrink due to a growing underlying tendency for people to eat out or buy food to eat at home. In the Health Food Business, there is a risk of market contraction because of changes in lifestyles. | There is a risk that domestic economic trends and a fall in the population will lead to sluggish consumption and intensified sales competition over the long term. There is also a risk that the value we provide will be damaged by a delayed response to the shrinking market described on the left. | - Reinforcement of earnings strength through improved productivity in existing mature business areas and the focused allocation of management resources to growth business areas in Japan and overseas<br>- Expansion of the domains in which the Group operates based on value chains (hereinafter referred to as "VC"), with spices as the axis<br>- Strengthening of competitiveness and enhancement of value provided through the sharing of resources and improvement of efficiency within the Group including pursuing initiatives to be conducted beyond the boundaries within the Group (hereinafter referred to as "GOT")<br>- Focus on the creation of business from a VC perspective in areas in which the Group excels such as functional ingredients and soybeans<br>- Consideration of business strategies and strengthening of ability to propose solutions for the "New Normal" |

2) Risks related to business expansion

| Background | Overview and impact of risks | Main countermeasures |
|---|---|---|
| Since shifting to a holding company system in 2013, the Group has promoted the expansion of value chains by including Ichibanya Co., Ltd. and Gaban Co., Ltd. in the Group in 2015 and 2016, respectively, among other measures. The Group also established a venture capital fund in 2017 and worked to lay the foundations for new value through investment in enterprises expected to generate business synergy with the Group. As a result, the Group may record goodwill and intangible assets associated with acquisitions. | There is a risk that the Group will incur impairment losses in relation to goodwill and intangible assets associated with acquisitions if these assets are unable to generate the expected cash flows or create the initially assumed synergies due to nonattainment of the business plan or changes in the market environment. | - Examination of investment plans at the Management Committee (including reasonability from a financial perspective as well as profitability and growth potential risk from a business strategy perspective)<br>- Tightening of rules on monitoring after investments are made (any unexpected business changes which occur are reported without delay to the Management Committee for a management decision to be made, etc.)<br>- Accumulation of knowledge about the issues that arise from business investments such as M&A and strengthening of ability to manage the investment process and gather information |

3) Risks related to technological innovation

| Background | Overview and impact of risks | Main countermeasures |
|---|---|---|
| In the mature food industry, the competitive environment is diversified due to entries from other industries and the rise of new technologies, in addition to existing business competition. | While the Group is working to strengthen its R&D functions to help resolve the issues facing customers and society and working to adapt to digitalization, there is a risk that value provided will become obsolete as a result of the declining competitive advantage of the Group if its response to these developments is delayed. | - Setting of key R&D areas and themes as well as the concentrated investment of management resources<br>- Awareness-raising and creation of a climate to improve the ability to create and achieve new innovations<br>- Enhancement of collaboration among value chains with the aim of creating businesses, in addition to solving technological issues among the Group companies<br>- Promotion of co-creation strategies through open innovation<br>- Laying of foundations and the creation of new value through more proactive investment in digital technology |

4) Risks related to overseas business development

| Background | Overview and impact of risks | Main countermeasures |
|---|---|---|
| The Group is expanding businesses such as curry products, tofu products and functional drinks in the countries it operates but food cultures are conservative by nature and detailed prior research and continuous strengthening of the business base are required for these products to penetrate and become firmly established in the food cultures of the countries in which the Group operates. In addition, the Group converts financial statements prepared in the local currency of each area into yen to prepare its consolidated financial statements and is affected by medium- and long-term currency fluctuations. | Business plans may be delayed or impairment losses may be incurred if products and services are less successful than expected in penetrating and becoming firmly established in the food cultures of each market.<br>There is also a risk of a decline in ability to generate profit or incompetent governance if the Group is too slow in establishing or developing a management base commensurate with business size, if it is too slow to comply with the promulgation or amendment of national laws or if a country risk emerges. | - Forecasting of market potential based on detailed market research into receptivity of food culture and brand recognition<br>- Strengthening of the business base by continually developing and securing human resources for managerial posts and gathering information about national laws in collaboration with outside agencies<br>- Construction and development of a risk management system according to business size based on cooperation between House Foods Group and its overseas business companies<br>- Efforts to mitigate country risk through decentralization of business infrastructure by expanding business into multiple geographical areas |

5) Risks related to safety and security of food

| Overview and impact of risks | Main countermeasures |
|---|---|
| Whilst the entire Group is focused on maintaining and improving quality to continue supplying customers with worthwhile products and services in a safe and secure manner, there is a risk that the Group's corporate brand will be damaged and its social credibility will be lost due to the occurrence of quality issues in its products and services, and costs to address these issues will increase. | - Strengthening and promotion of a quality assurance system as an overall Group centered on the Group Quality Assurance Committee and the Group Quality Assurance Executives Committee<br>- Acquisition of international certifications for quality and food safety management systems, such as ISO 9001 and FSSC 22000, according to the characteristics of the Group companies, and operation in accordance with such standards<br>- Management of quality risk information related to legal regulations and matters of concern from customers regarding food safety, including raw materials<br>- Cultivation of human resources through study meetings on the subject of safety and security of food<br>- Fostering of an organizational climate which attaches importance to quality through measures such as a professional award scheme<br>- Improvement in quality assurance in each process, from product design to sales, through activities that reflect customers' comments<br>- Full enforcement of easy-to-understand information disclosure through product packages and the web |

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

For the medium- to long-term growth of the Group, the active participation of each employee with diverse values and expertise is essential. Key risks related to activities for providing extensive and strong support to employees to help them lead enriched lives through work are as follows.

1) Risks related to the securing, cultivation and active participation of diverse human resources

| Overview and impact of risks | Main countermeasures |
|---|---|
| There is a risk that the ability to innovate will be damaged, business opportunities will be lost, and excellent human resources will leave the Group if human resources cannot be appropriately secured and trained according to the characteristics and growth stage of each Group company or the realization of GOT and global expansion of business domains and if an organizational climate that respects diversity in terms of culture and values cannot be fostered. | - Development of a personnel system and change in workstyle for all employees with diverse individuality to be able to showcase their expertise (Shift away from "work style reform" to "job satisfaction transformation" for employees' own growth)<br>- Creation of an organizational climate in which diverse human resources are able to actively participate, regardless of gender, nationality, career or disability<br>- Promotion of personnel exchanges inside and outside the Group and strengthening of the process to cultivate human resources<br>- Development of a workplace environment that observes compliance without discrimination and harassment<br>- Support for employees to take on new challenges through initiatives such as in-house recruitment system and challenge awards<br>- Creation of learning opportunities through various systems to support learning and in-house training<br>- Systems to support employees in keeping healthy |

(iii) Risks related to responsibility for society

Key risks related to activities for helping solve various issues facing society through business activities as a corporate member of society are as follows.

1) Risks related to sustainable procurement of raw materials

| Overview and impact of risks | Main countermeasures |
|---|---|
| The Group procures a variety of raw materials including spices from countries around the world.<br>In the procurement of these raw materials, there is a risk that intensified competition in the procurement of food resources and changes in supply and demand associated with growing international demand, climate change, geopolitical risk and a delay in response to social and environmental issues in each stage of the VC will lead to inadequate procurement, higher costs and loss of social credibility. | - Execution of a variety of measures to strengthen efforts in upstream areas (such as stable procurement through the diversification of production regions, the promotion of efforts to collaborate with procurement places in areas such as technological development and quality improvement, and the strengthened monitoring of suppliers)<br>- Creation of a framework for the realization of sustainable procurement (establishment of CSR guidelines for suppliers of materials and promotion of procurement of raw materials in consideration of the environment, human rights and the economy in production regions)<br>- Review of safety stock levels for important raw materials |

2) Risks related to climate change

| Overview and impact of risks | Main countermeasures |
|---|---|
| Recognizing that climate change is an issue that could have an impact on a global scale and is important for the Group, which has created value chains in Japan and overseas, the Group takes measures against it. However, there is a risk that incomplete procurement of raw materials, rising costs and the division of business activities, such as a halt in production, will occur due to a rise in temperature, abnormal weather and natural disasters. There is also a risk that higher production costs, restrictions on business activities and damage to corporate value will occur due to deficiency or delay in response to decarbonization. | - Promotion of investments to reduce environmental burdens by formulating judgment criteria for environmental investments<br>- Consideration and implementation of new energy measures in relation to emissions of CO2 and other greenhouse gases (acceleration of initiatives to reduce scope 1 and 2 emissions and action to address scope 3)<br>- Promotion of resource circulation and recycling through initiatives such as the reduction of food waste and process loss (conversion to feedstuff and fertilizer, food banks, disposal control and the establishment of technology to use up raw materials) and development of eco-friendly containers and packages<br>- Shift to renewable energy |

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

| Overview and impact of risks | Main countermeasures |
|---|---|
| Weather-related factors, such as relatively cold summers, heat waves and relatively mild winters, the occurrence of a large-scale natural disaster, or the widespread outbreak of serious infectious disease could affect the Group's financial position, etc. Details of the effects of COVID-19 on the Group are described earlier in <Effects of COVID-19>. | - Construction of a crisis management system including the development of production and supply systems to fulfill our responsibility for supplying products while securing the safety of human lives as the mission of a food company when a large-scale disaster or the widespread outbreak of a serious infectious disease has occurred<br>- Formulation of a business continuity plan (BCP) according to the characteristics and size of business and implementation of a review through regular trainings and other means at the Group companies in Japan and overseas |

(iv) Other common risks

1) Risk related to laws and regulations and soft law

| Overview and impact of risks | Main countermeasures |
|---|---|
| The Group is subject to a number of laws and regulations, including the Food Sanitation Act, the Product Liability Act, the Act against Unjustifiable Premiums and Misleading Representations, and local laws and regulations overseas.<br>The Group conducts business activities in Japan and overseas in compliance with the laws and regulations of each country but new laws and regulations are being enacted in line with changes in society and the environment and increasingly diverse values.<br>If the Group fails to obtain information about existing laws and regulations or the enactment or amendment of new laws and regulations in a timely manner, if it fails to properly adapt its businesses practices to the content of such laws and regulations, or if it fails to conduct business activities in line with moral values and ethical values that show respect for diverse values, the Group's business activities may be restricted and there is a risk of other consequences such as a loss of favor among customers, increased costs if it is sanctioned or subject to restrictions on its business activities for violation of the law or anti-social behavior, and damage to its corporate value due to a loss of social credibility. | - Compliance with laws, regulations and international rules in the countries of each officer and employee and the maintenance and promotion of friendly relationships by respecting human rights and local cultures, traditions and customs based on the House Way, which contains values common to the Group, as well as the House Foods Group CSR Policy and the House Foods Group Action Guidelines, which outline the code of conduct for the Group.<br>- Implementation of monitoring and review of the status of efforts for important CSR-related subjects for the entire Group through the Group CSR Committee, which consists of directors, etc. in House Foods Group<br>- With respect to compliance, which is regarded as an important CSR issue, progress on the resolution of issues at each company through establishment of the Compliance Promotion Committee<br>- Development and publication of the House Foods Group General Compliance Helpline to discover and solve compliance issues at an early stage<br>- Gathering of information about new laws and amendments through the division responsible for each type of law or the Legal Division and adaptation of business practices accordingly |

2) Risks related to information security

| Overview and impact of risks | Main countermeasures |
|---|---|
| The Group uses mainly IT systems to manage data about development, production, logistics, sales, labor and other aspects, and the personal information of many customers obtained mainly through mail-order marketing. Systems could become inoperative, or sensitive information could be lost if software or equipment were to be damaged in a disaster. There is also the potential for system failures, unauthorized disclosure, or falsification of data as a result of unexpected cyber attacks. Meanwhile, the diversification of workstyles might result in employees taking information outside the Group or handling it inappropriately, leading to information leaks. Such events could affect the Group's financial position, etc. and public trust in the Group. | - Development of structures and enforcement of rules for comprehensively managing information security<br>- Implementation of system security measures using software and equipment as well as employee trainings and exercises<br>- Tighter measures to prevent leaks including regular implementation of internal surveys about working from home and web conferencing, specification of company information that needs to be protected, and reinforcement of employee training |

## 2. Basic Corporate Management Policy and Issues Facing the Group

### (1) Basic Corporate Management Policy

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

"Our Founding philosophy"

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

"Group philosophy"

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

"House Ideals (Spirit)"

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

### (2) Business Environment

The COVID-19 pandemic has brought about huge changes in society, the economy and people's lifestyles. In Japan, whilst products for household use have grown due to increased demand for home-cooked meals, some businesses continue to face difficult conditions due to decreased food service demand. Meanwhile, the employment and labor environments are being affected by demographic changes such as decline in the working-age population. Overseas, continued growth in markets such as the United States, China and ASEAN is expected. At the same time, companies are increasingly expected to contribute to solutions to global social issues, including global environmental concerns, for instance by reducing carbon dioxide and waste.

In response to such changes in the business environment, the Group aims to flexibly adapt to changing food scenarios, push ahead with initiatives for the realization of diversity, and fulfil its social responsibilities as a corporate citizen.

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

The Group's current Medium-term Business Plan specifies "striving to become a high quality company that provides 'Healthy Life Through Foods'" as the ideal of the House Foods Group. Both on the business front and in all the Group's three responsibilities as a corporate citizen that form the basis of the Group philosophy, namely "For our customers," "For our employees and their families" and "For society", the Group is pushing ahead with initiatives to transform itself into a high quality company.

Under the Seventh Medium-term Management Plan, launched from April this year, the Group will achieve sustainable growth under the slogan "Striving to become a high quality company that provides 'Healthy Life Through Foods' <Chapter 2> Striving for Four Value Chains," by further strengthening "1: Spice Value Chain" whilst also striving to develop "2: Functional Ingredients Value Chain," which includes vitamins and lactic acid bacterium, "3: Soybean Value Chain," which is predominantly tofu, and "4: Value-added Vegetable Value Chain," which represents a new challenge, and by prioritizing the allocation of management resources to growth areas.

● Priority Initiatives

(i) For customers

■ Achievement of growth driven by four value chains (hereinafter referred to as "VC")

| | Existing domains | Growth domains | New domains |
|---|---|---|---|
| Spice VC | **(Production GOT)**<br>◇ Deepening of domestic business<br>- Strengthening of earning power<br>- Improvement of productivity | **(BtoB-GOT)**<br>◇ Expansion of domestic BtoB business | ◇ Application of technologies utilizing spice ingredients |
| | **(Spice VC-GOT)**<br>◇ Spice procurement reforms | | ◇ ASEAN business development |
| | ◇ Restaurant Business (domestic): Improvement of earning potential of curry business | ◇ China: Expansion of business domains<br>◇ Restaurant Business: Expansion of areas of operation overseas | ◇ ASEAN: Establishment of BtoC curry business |
| Functional Ingredients VC | ◇ Structural reform of domestic business<br>◇ Integration of BtoC sales capabilities | ◇ Expansion of direct retail (mail order) business<br>◇ Expansion of overseas vitamin drink business (Thailand → ASEAN) | ◇ Overseas expansion of lactic acid bacterium business (Europe/United States) |
| Soybean VC | ◇ Expansion of tofu business in the United States<br>- Strengthening of R&D and production capabilities: Expansion of LA plant, consideration of third base | | ◇ Business expansion outside the United States |
| Value-added Vegetables VC | ◇ Creation of VC's own unique business model through collaborative creation with partners inside and outside the Group | | |

(Note) 1. Themes contained inside a double border are all new domains the Group will focus on moving forward.

■ Realization of three GOT

GOT initiatives considered under the Sixth Medium-term Management Plan will enter the implementation phase under the Seventh and Eighth Medium-term Management Plans.

1) Production GOT: Realization of stronger Group competitiveness

- Establishment of the Group's optimum production management system

2) BtoB-GOT: Creation of a new growth story for domestic BtoB

- Realization of growth in mature domestic market

3) Spice VC-GOT: Establishment of globally competitive Spice VC

Implementation of global strategy with upstream (ASEAN) as starting point

■ Creation of new value through collaborative creation

We will focus on creating new value through the integration of business development, R&D and development of human resources, aiming to become a more innovative organization with the capacity to develop themes and take on challenges.

1) Business development

- Elimination of division of roles between new and existing domains Bridging of gap between new and existing domains, stimulating groupwide hunger to explore new growth opportunities

2) R&D (Knowledge exploration)

- Shift towards open technology and cultivation of business mindset for multi-faceted usage of technologies

3) Development of human resources

- Identification and cultivation of human resources with a challenging spirit and creation of a climate and opportunities for taking on challenges

(ii) For our employees and their families

We will further cultivate and accelerate the approach adopted under the Sixth Medium-term Management Plan of aiming for both the growth of employees and the growth of the Group by improving productivity through the "achievement of diversity."

■ Implementation of work style reform
- Evolution of "work style reform" concept into concept of "job satisfaction transformation" for employees' own growth

■ Strong support for demonstration of individuality and mix of personalities
- Mix of diverse personalities for maximization of Group synergy (increased career recruiting, exchange of human resources across the Group, development of global human resources, support for career development, promotion of female participation and career advancement)

(iii) For society

Acceleration of initiatives from a global perspective and across all value chains aiming for "healthy people and a healthy planet"

■ Establishment of a recycling-oriented model: Environmental measures across all VCs
- Acceleration of reduction in CO2 emissions and expansion of scope of initiatives
- Strengthening of momentum behind waste reduction activities and promotion of recovery of valuable materials from waste

■ Achievement of a society of healthy longevity: Contribution to better health through core business
- Creation of health value through business activities
- Exploration of seeds for creation of the health businesses of the future

● Business strategies by segment

| Segment | Key initiatives |
|---|---|
| Spice / Seasoning / Processed Food Business | ◇ Growth based on the creation of new value<br>Achievement of growth across a wider domain through free thinking and a challenging spirit<br>◇ Improvement of earning capacity as core business<br>Continuation of initiatives for reform of earning structure and pursuit of effective marketing measures to ensure competitiveness<br>◇ Commitment to solve social issues through core business<br>Reduction of CO2 emissions and waste in production operations, and reduction of CO2 emissions through shift to microwaveable retort pouched products |
| Health Food Business | ◇ Shift to a more sustainable business model by capturing business opportunities globally from a VC perspective<br>Focus on the global expansion of vitamin drinks and lactic acid bacterium business for the establishment of Functional Ingredient VC<br>◇ Rebuilding of existing domestic business<br>Implementation of profit structure reforms and establishment of new customer contact points |
| International Food Business | ◇ Acceleration of growth. Shift towards greater local autonomy aiming to achieve growth on a "local production for local consumption" basis<br>- Business in the United States: Strengthening of base (expansion of production system and supply chain, strengthening of R&D) for advancement to further growth stage, and expansion of area of operation<br>- Business in China: reflecting expansion of the market for products for household use to include China's inland regions, sustainable growth of core business and expansion of business domain to meet local needs<br>- ASEAN: Establishment of BtoC curry business as a new challenge and pursuit of possibilities of BtoB spice business in conjunction with GOT<br>- Strengthening of governance with a view to greater local autonomy |
| Restaurant Business | ◇ Proactive generation of domestic demand in the COVID and post-COVID era<br>Strengthening of non-eat-in services and contact points (home delivery and drive-thru, development of business styles, etc.)<br>◇ Promotion of Group synergy themes<br>Creation of benefits for the Company, Ichibanya Co., Ltd. and franchise owners through the development of new curry sauces |
| Other Food Related Business | ◇ Delica Chef Corporation: Collaborative creation in Value-added Vegetable VC<br>◇ Vox Trading Co., Ltd.: Utilization of upstream strengths and demonstration of capabilities linking activities in the VC together |

● Financial strategies

Over the period of the Seventh Medium-term Management Plan, we plan to make business investments totaling 70 billion yen, comprising investments of 40 billion yen in growth domains of the Four VCs, 20 billion yen in existing domains, and 10 billion yen in digital transformation and the environment. We also plan to purchase treasury shares worth 12 billion yen funded by the partial sale of the Group's cross-shareholdings.

● Strengthening of corporate governance

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

Independent Director and of which more than half of the members are Independent Directors and ensures the objectivity and transparency of the procedure for determining the remuneration of directors and audit & supervisory board members.

At a meeting of the Board of Directors held on February 19, 2021, the Company resolved to transition to a Company with Audit & Supervisory Committee subject to approval of the 75th Ordinary General Meeting of Shareholders, with the aim of strengthening its audit and supervisory functions and further enhancing its corporate governance system. At the same meeting of the Board of Directors, the Company resolved to establish a Nomination Advisory Committee with the aim of ensuring transparency and objectivity in the process of determining matters such as the election and dismissal of Directors.

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

### (4) Target Management Indicators

The target management indicators for the fiscal year ending March 31, 2024, which is the final fiscal year of the Seventh Medium-term Business Plan, are as follows.

| | Targets for the final fiscal year of the Seventh Medium-term Business Plan (fiscal year ending March 31, 2024) |
|---|---|
| Net sales | 305 billion yen |
| Operating profit | 26 billion yen |
| ATO (Asset turnover) | 0.80 times |
| ROS (Return on sales) | 8.5% |
| EBITDA margin | 13.2% |
| ROA (Return on assets) | 6.8% |
| E-ratio (Equity ratio) | 70.6% |
| ROE (Return on equity) | 6.1% |

(Note) 1. Since the Company will apply “Accounting Standard for Revenue Recognition” (ASBJ Japan Statement No. 29) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30) from the beginning of the year ending March 31, 2022, the above target management indicators reflect application of said standard and implementation guidance.

## 3. Basic Concept concerning the Selection of Accounting Standards

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

# 4. Consolidated Financial Statements and Key Notes

## (1) Consolidated Balance Sheets

(Million yen)

| | Previous consolidated fiscal year (As of March 31, 2020) | Consolidated fiscal year under review (As of March 31, 2021) |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and deposits | 66,424 | 78,905 |
| Notes and accounts receivable - trade | 47,774 | 43,104 |
| Securities | 10,893 | 9,515 |
| Merchandise and finished goods | 11,390 | 12,604 |
| Work in process | 1,979 | 2,301 |
| Raw materials and supplies | 5,128 | 5,185 |
| Other | 6,181 | 5,472 |
| Allowance for doubtful accounts | (115) | (177) |
| **Total current assets** | 149,653 | 156,909 |
| **Non-current assets** | | |
| **Property, plant and equipment** | | |
| Buildings and structures, net | 32,327 | 33,504 |
| Machinery, equipment and vehicles, net | 17,229 | 17,639 |
| Land | 31,865 | 31,940 |
| Lease assets, net | 1,861 | 1,586 |
| Construction in progress | 4,589 | 3,138 |
| Other, net | 2,368 | 2,134 |
| **Total property, plant and equipment** | 90,239 | 89,942 |
| **Intangible assets** | | |
| Goodwill | 2,562 | 312 |
| Trademark right | 24,024 | 19,370 |
| Software | 1,549 | 1,554 |
| Contract-related intangible assets | 24,887 | 19,802 |
| Software in progress | 731 | 2,268 |
| Other | 722 | 714 |
| **Total intangible assets** | 54,476 | 44,021 |
| **Investments and other assets** | | |
| Investment securities | 60,182 | 60,268 |
| Long-term loans receivable | 3 | 1 |
| Deferred tax assets | 1,837 | 627 |
| Long-term time deposits | 1,000 | 1,000 |
| Retirement benefit asset | 3,162 | 9,947 |
| Distressed receivables | 659 | 638 |
| Long-term deposits | 1,088 | 1,080 |
| Other | 6,825 | 6,609 |
| Allowance for doubtful accounts | (1,931) | (1,892) |
| **Total investments and other assets** | 72,825 | 78,278 |
| **Total non-current assets** | 217,541 | 212,241 |
| **Total assets** | 367,194 | 369,150 |

(Million yen)

| | Previous consolidated fiscal year (As of March 31, 2020) | Consolidated fiscal year under review (As of March 31, 2021) |
|---|---|---|
| **Liabilities** | | |
| **Current liabilities** | | |
| Notes and accounts payable - trade | 19,706 | 16,781 |
| Electronically recorded obligations - operating | 1,553 | 1,847 |
| Short-term borrowings | 3,340 | 3,650 |
| Current portion of bonds payable | 26 | – |
| Lease obligations | 491 | 519 |
| Accounts payable - other | 17,435 | 18,307 |
| Income taxes payable | 4,232 | 3,814 |
| Provision for bonuses | 636 | 476 |
| Provision for bonuses for directors (and other officers) | 85 | 80 |
| Provision for shareholder benefit program | 86 | 92 |
| Asset retirement obligations | 3 | 12 |
| Other | 5,543 | 5,751 |
| **Total current liabilities** | 53,138 | 51,327 |
| **Non-current liabilities** | | |
| Long-term borrowings | 98 | 96 |
| Lease obligations | 1,451 | 1,142 |
| Long-term accounts payable - other | 250 | 215 |
| Deferred tax liabilities | 22,518 | 21,966 |
| Retirement benefit liability | 1,987 | 1,948 |
| Asset retirement obligations | 723 | 738 |
| Long-term guarantee deposited | 5,698 | 3,984 |
| Other | 400 | 442 |
| **Total non-current liabilities** | 33,126 | 30,532 |
| **Total liabilities** | 86,264 | 81,859 |
| **Net assets** | | |
| **Shareholders' equity** | | |
| Share capital | 9,948 | 9,948 |
| Capital surplus | 22,829 | 22,829 |
| Retained earnings | 195,844 | 199,943 |
| Treasury shares | (6) | (11) |
| **Total shareholders' equity** | 228,616 | 232,709 |
| **Accumulated other comprehensive income** | | |
| Valuation difference on available-for-sale securities | 18,650 | 20,364 |
| Deferred gains or losses on hedges | 14 | (34) |
| Foreign currency translation adjustment | 292 | (356) |
| Remeasurements of defined benefit plans | 1,198 | 5,462 |
| **Total accumulated other comprehensive income** | 20,154 | 25,437 |
| **Non-controlling interests** | 32,160 | 29,146 |
| **Total net assets** | 280,930 | 287,291 |
| **Total liabilities and net assets** | 367,194 | 369,150 |

## (2) Consolidated Statements of Income and Comprehensive Income

(Million yen)

| | Previous consolidated fiscal year (April 1, 2019 – March 31, 2020) | Consolidated fiscal year under review (April 1, 2020 – March 31, 2021) |
|---|---|---|
| **Net sales** | 293,682 | 283,754 |
| **Cost of sales** | 159,910 | 156,998 |
| **Gross profit** | 133,772 | 126,756 |
| **Selling, general and administrative expenses** | 114,767 | 107,359 |
| **Operating profit** | 19,005 | 19,397 |
| **Non-operating income** | | |
| Interest income | 353 | 253 |
| Dividend income | 658 | 673 |
| Share of profit of entities accounted for using equity method | 645 | – |
| Rental income from buildings | 806 | 804 |
| Foreign exchange gains | – | 111 |
| Other | 457 | 708 |
| **Total non-operating income** | 2,918 | 2,549 |
| **Non-operating expenses** | | |
| Interest expenses | 62 | 52 |
| Rental expenses | 671 | 638 |
| Foreign exchange losses | 143 | – |
| Share of loss of entities accounted for using equity method | – | 1,230 |
| Other | 251 | 206 |
| **Total non-operating expenses** | 1,127 | 2,126 |
| **Ordinary profit** | 20,797 | 19,820 |
| **Extraordinary income** | | |
| Gain on sales of non-current assets | 198 | 2 |
| Gain on sales of investment securities | 2,100 | 2,453 |
| Gain on sales of restaurants | 61 | 134 |
| Other | 0 | 0 |
| **Total extraordinary income** | 2,359 | 2,590 |
| **Extraordinary losses** | | |
| Loss on sales of non-current assets | 9 | 11 |
| Loss on retirement of non-current assets | 552 | 224 |
| Loss on sales of investment securities | 11 | 15 |
| Loss on valuation of investment securities | 145 | 3 |
| Impairment loss | 387 | 10,075 |
| Loss on change in equity | 212 | – |
| Loss on sale of businesses | 42 | – |
| Provision of allowance for doubtful accounts | 1,088 | – |
| Other | 28 | 32 |
| **Total extraordinary losses** | 2,474 | 10,361 |
| **Profit before income taxes** | 20,682 | 12,049 |
| Income taxes - current | 7,482 | 7,160 |
| Income taxes - deferred | 28 | (2,009) |
| **Total income taxes** | 7,510 | 5,151 |
| **Profit** | 13,172 | 6,897 |
| Profit attributable to | | |
| **Profit attributable to owners of parent** | 11,458 | 8,733 |
| **Profit (loss) attributable to non-controlling interests** | 1,714 | (1,835) |

(Million yen)

| | Previous consolidated fiscal year (April 1, 2019 – March 31, 2020) | Consolidated fiscal year under review (April 1, 2020 – March 31, 2021) |
|---|---|---|
| **Other comprehensive income** | | |
| Valuation difference on available-for-sale securities | (2,770) | 1,880 |
| Deferred gains or losses on hedges | 13 | (55) |
| Foreign currency translation adjustment | (428) | (673) |
| Remeasurements of defined benefit plans, net of tax | (2,034) | 4,250 |
| Share of other comprehensive income of entities accounted for using equity method | 28 | (36) |
| **Total other comprehensive income** | (5,191) | 5,367 |
| **Comprehensive income** | 7,981 | 12,264 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 6,311 | 14,015 |
| Comprehensive income attributable to non-controlling interests | 1,669 | (1,751) |

## (3) Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (April 1, 2019 – March 31, 2020)

(Million yen)

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

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

Consolidated fiscal year under review (April 1, 2020 – March 31, 2021)

(Million yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 9,948 | 22,829 | 195,844 | (6) | 228,616 |
| Changes in items during period | | | | | |
| Dividends of surplus | | | (4,634) | | (4,634) |
| Profit attributable to owners of parent | | | 8,733 | | 8,733 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | – |
| Purchase of treasury shares | | | | (5) | (5) |
| Net changes in items other than shareholders' equity | | | | | – |
| Total changes in items during period | – | – | 4,098 | (5) | 4,093 |
| Balance at end of period | 9,948 | 22,829 | 199,943 | (11) | 232,709 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasure-ments of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 18,650 | 14 | 292 | 1,198 | 20,154 | 32,160 | 280,930 |
| Changes in items during period | | | | | | | |
| Dividends of surplus | | | | | – | | (4,634) |
| Profit attributable to owners of parent | | | | | – | | 8,733 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | – | | – |
| Purchase of treasury shares | | | | | – | | (5) |
| Net changes in items other than shareholders' equity | 1,714 | (48) | (647) | 4,264 | 5,283 | (3,014) | 2,268 |
| Total changes in items during period | 1,714 | (48) | (647) | 4,264 | 5,283 | (3,014) | 6,361 |
| Balance at end of period | 20,364 | (34) | (356) | 5,462 | 25,437 | 29,146 | 287,291 |

## (4) Consolidated Statements of Cash Flows

(Million yen)

| | Previous consolidated fiscal year (April 1, 2019 – March 31, 2020) | Consolidated fiscal year under review (April 1, 2020 – March 31, 2021) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before income taxes | 20,682 | 12,049 |
| Depreciation | 9,862 | 10,035 |
| Amortization of goodwill | 3,417 | 1,708 |
| Impairment loss | 387 | 10,075 |
| Share of (profit) loss of entities accounted for using equity method | (645) | 1,230 |
| Loss (gain) on valuation of investment securities | 145 | 3 |
| Increase (decrease) in allowance for doubtful accounts | 1,063 | 23 |
| Increase (decrease) in provision for directors' bonuses | (13) | (5) |
| Increase (decrease) in provision for shareholder benefit program | (3) | 5 |
| Increase (decrease) in provision for loss on guarantees | (2) | – |
| Increase (decrease) in net defined benefit liability | (142) | 98 |
| Interest and dividend income | (1,011) | (926) |
| Interest expenses | 62 | 52 |
| Foreign exchange losses (gains) | 131 | (135) |
| Loss (gain) on sales of investment securities | (2,089) | (2,439) |
| Loss (gain) on sales of non-current assets | (189) | 9 |
| Loss on retirement of non-current assets | 552 | 224 |
| Loss (gain) on change in equity | 212 | – |
| Loss (gain) on sale of businesses | 42 | – |
| Loss (gain) on sales of restaurants | (59) | (134) |
| Decrease (increase) in notes and accounts receivable - trade | 824 | 4,549 |
| Decrease (increase) in inventories | 1,736 | (1,597) |
| Increase (decrease) in notes and accounts payable - trade | (1,347) | (3,121) |
| Increase (decrease) in accounts payable - bonuses | 205 | (160) |
| Increase (decrease) in long-term guarantee deposits | (79) | (1,714) |
| Decrease (increase) in other assets | (2,438) | (424) |
| Increase (decrease) in other liabilities | (1,341) | 418 |
| **Subtotal** | 29,962 | 29,824 |
| Interest and dividend income received | 1,066 | 957 |
| Interest paid | (63) | (52) |
| Income taxes paid | (6,746) | (7,548) |
| **Net cash provided by (used in) operating activities** | 24,218 | 23,181 |

(Million yen)

| | Previous consolidated fiscal year (April 1, 2019 – March 31, 2020) | Consolidated fiscal year under review (April 1, 2020 – March 31, 2021) |
|---|---|---|
| **Cash flows from investing activities** | | |
| Payments into time deposits | (1,865) | (2,089) |
| Proceeds from withdrawal of time deposits | 1,847 | 2,061 |
| Purchase of securities | (2,000) | (4,508) |
| Proceeds from sale of securities | 8,549 | 6,902 |
| Purchase of property, plant and equipment | (14,916) | (8,819) |
| Proceeds from sale of property, plant and equipment | 262 | 5 |
| Gain on sales of restaurants | 185 | 301 |
| Purchase of intangible assets | (983) | (2,175) |
| Purchase of investment securities | (3,162) | (4,459) |
| Proceeds from sale of investment securities | 5,991 | 4,534 |
| Purchase of investments in capital of subsidiaries | (13) | – |
| Proceeds from sale of shares of subsidiaries and associates | 99 | – |
| Proceeds from sale of membership | 7 | – |
| Proceeds from sale of businesses | 10 | – |
| Payments for investments in capital | (390) | (0) |
| Collection of investments in capital | 22 | 11 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | – | (323) |
| **Net cash provided by (used in) investing activities** | (6,356) | (8,558) |
| **Cash flows from financing activities** | | |
| Repayments of short-term borrowings | (35,382) | (47,663) |
| Proceeds from short-term borrowings | 34,846 | 47,965 |
| Repayments of lease obligations | (620) | (548) |
| Repayments of long-term borrowings | (200) | – |
| Redemption of bonds | (26) | (26) |
| Purchase of treasury shares | (4) | (5) |
| Purchase of treasury shares of subsidiaries | (0) | (1) |
| Dividends paid | (4,532) | (4,634) |
| Dividends paid to non-controlling interests | (1,248) | (1,261) |
| 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** | (7,567) | (6,172) |
| **Effect of exchange rate change on cash and cash equivalents** | (192) | 22 |
| **Net increase (decrease) in cash and cash equivalents** | 10,104 | 8,473 |
| **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** | 69,870 | 78,343 |

## (5) Notes to Consolidated Financial Statements

### Notes Relating to Assumptions for the Going Concern

Not applicable.

### 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 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 spread of COVID-19 during the fiscal year under review, the Company recognized impairment loss in relation to the goodwill, trademark right and contract-related 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, trademark right and contract-related 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

With respect to the fiscal year 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.

Over the coming fiscal years, the impact of COVID-19 on social and economic activities is likely to remain uncertain. When considering impairment loss in relation to the non-current assets pertaining to the Health Food Business and trademark right and contract-related intangible assets which arose when the Company made Ichibanya Co., Ltd. into a consolidated subsidiary, the Company adopted certain assumptions about the impact of COVID-19. The Group’s financial position and operating results may, therefore, be affected in the event of even greater changes than those currently assumed.

**Segment Information**

[Segment Information]

1. Overview of Reported Segments

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

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

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

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

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

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

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

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

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

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

Previous consolidated fiscal year (April 1, 2019 – March 31, 2020) (Million yen)

| | Reported segments | | | | | | Other | Total | Adjustment (Note 1) | Amount on consolidated financial statements (Note 2) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Spice / Seasoning / Processed Food Business | Health Food Business | International Food Business | Restaurant Business | Other Food Related Business | Total | | | | |
| Net sales | | | | | | | | | | |
| Sales – outside customers | 140,820 | 27,600 | 29,597 | 52,419 | 43,191 | 293,627 | – | 293,627 | 55 | 293,682 |
| Sales and transfer – inter-segment | 4,176 | 290 | 138 | 79 | 3,105 | 7,788 | – | 7,788 | (7,788) | – |
| Total | 144,996 | 27,890 | 29,734 | 52,498 | 46,296 | 301,415 | – | 301,415 | (7,733) | 293,682 |
| Segment profit (loss) | 14,111 | 521 | 4,098 | 202 | 1,791 | 20,723 | – | 20,723 | (1,717) | 19,005 |
| Segment assets | 79,304 | 20,047 | 31,476 | 93,421 | 19,537 | 243,785 | – | 243,785 | 123,409 | 367,194 |
| Other items | | | | | | | | | | |
| Depreciation | 3,970 | 644 | 1,157 | 3,016 | 620 | 9,407 | – | 9,407 | 455 | 9,862 |
| Amortization of goodwill | – | – | 1 | 3,417 | – | 3,417 | – | 3,417 | – | 3,417 |
| Increase in property, plant and equipment, and intangible assets | 7,354 | 2,634 | 4,340 | 2,830 | 379 | 17,537 | – | 17,537 | 288 | 17,825 |

(Notes) 1. Details of adjustments are as follows.
(1) Sales-outside customers are mainly real estate rental revenues recorded by the Company.
(2) Segment profit (loss) includes profit of -1,719 million yen of the Company and House Business Partners Corporation which was not allocated to business segments and elimination of inter-segment transactions of 1 million yen.
(3) Segment assets include assets of 124,760 million yen of the Company and House Business Partners Corporation which were not allocated to business segments and elimination of inter-segment transactions of -1,351 million yen.
(4) Depreciation includes depreciation of 455 million yen of the Company and House Business Partners Corporation that was not allocated to business segments.
(5) Increase in property, plant and equipment and intangible assets includes equipment investment of 288 million yen of the Company and House Business Partners Corporation which was not allocated to business segments.
2. Segment profit was adjusted with operating profit on the consolidated financial statements.

Consolidated fiscal year under review (April 1, 2020 – March 31, 2021) (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 | 142,010 | 19,771 | 35,344 | 44,506 | 42,066 | 283,696 | – | 283,696 | 58 | 283,754 |
| Sales and transfer – inter-segment | 4,330 | 334 | 128 | 61 | 3,475 | 8,329 | – | 8,329 | (8,329) | – |
| Total | 146,340 | 20,105 | 35,472 | 44,567 | 45,542 | 292,025 | – | 292,025 | (8,271) | 283,754 |
| Segment profit (loss) | 15,614 | (413) | 4,584 | (660) | 1,770 | 20,895 | – | 20,895 | (1,498) | 19,397 |
| Segment assets | 81,382 | 17,899 | 34,478 | 77,278 | 20,126 | 231,164 | – | 231,164 | 137,986 | 369,150 |
| Other items | | | | | | | | | | |
| Depreciation | 3,948 | 686 | 1,469 | 2,870 | 601 | 9,572 | – | 9,572 | 463 | 10,035 |
| Amortization of goodwill | – | – | – | 1,708 | – | 1,708 | – | 1,708 | – | 1,708 |
| Increase in property, plant and equipment, and intangible assets | 7,141 | 347 | 1,293 | 1,857 | 471 | 11,110 | – | 11,110 | 469 | 11,579 |

(Notes) 1. Details of adjustments are as follows.
(1) Sales-outside customers are mainly real estate rental revenues recorded by the Company.
(2) Segment profit (loss) includes profit of -1,498 million yen of the Company and House Business Partners Corporation which was not allocated to business segments.
(3) Segment assets include assets of 139,430 million yen of the Company and House Business Partners Corporation which were not allocated to business segments and elimination of inter-segment transactions of -1,444 million yen.
(4) Depreciation includes depreciation of 463 million yen of the Company and House Business Partners Corporation that was not allocated to business segments.
(5) Increase in property, plant and equipment and intangible assets includes equipment investment of 469 million yen of the Company and House Business Partners Corporation which was not allocated to business segments.
2. Segment profit was adjusted with operating profit on the consolidated financial statements.

[Related information]

Previous consolidated fiscal year (April 1, 2019 – March 31, 2020)

1. Information by Product and Service

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

2. Information by Area

(1) Net sales

(Million yen)

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

(2) Property, plant and equipment

(Million yen)

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

3. Information by Major Customer

(Million yen)

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

Consolidated fiscal year under review (April 1, 2020 – March 31, 2021)

1. Information by Product and Service

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

2. Information by Area

(1) Net sales

(Million yen)

| Japan | East Asia | Southeast Asia | United States | Other | Total |
|---|---|---|---|---|---|
| 238,817 | 15,721 | 13,374 | 14,788 | 1,054 | 283,754 |

(2) Property, plant and equipment

(Million yen)

| Japan | East Asia | Southeast Asia | United States | Other | Total |
|---|---|---|---|---|---|
| 74,586 | 5,125 | 1,356 | 8,703 | 172 | 89,942 |

3. Information by Major Customer

(Million yen)

| Customer | Sales | Related segments |
|---|---|---|
| KATOSANGYO Co., Ltd. | 39,165 | Spice / Seasoning / Processed Food Business<br>Health Food Business |
| Mitsubishi Shokuhin Co., Ltd. | 21,100 | Spice / Seasoning / Processed Food Business<br>Health Food Business |

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

Previous consolidated fiscal year (April 1, 2019 – March 31, 2020)

(Million yen)

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

Consolidated fiscal year under review (April 1, 2020 – March 31, 2021)

(Million yen)

| | Reported segments | | | | | | Other | Adjustment | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Spice / Seasoning / Processed Food Business | Health Food Business | International Food Business | Restaurant Business | Other Food Related Business | Total | | | |
| Impairment loss | 14 | – | 457 | 9,604 | – | 10,075 | – | – | 10,075 |

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

Previous consolidated fiscal year (April 1, 2019 – March 31, 2020)

(Million yen)

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

Consolidated fiscal year under review (April 1, 2020 – March 31, 2021)

(Million yen)

| | Reported segments | | | | | | Other | Adjustment | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Spice / Seasoning / Processed Food Business | Health Food Business | International Food Business | Restaurant Business | Other Food Related Business | Total | | | |
| Amortization in fiscal year under review | – | – | – | 1,708 | – | 1,708 | – | – | 1,708 |
| Balance at end of fiscal year under review | – | – | – | 312 | – | 312 | – | – | 312 |

[Information on gain on bargain purchase by reported segment]

Previous consolidated fiscal year (April 1, 2019 – March 31, 2020)

Not applicable.

Consolidated fiscal year under review (April 1, 2020 – March 31, 2021)

Not applicable.

## Per Share Information

(Yen)

| | Previous consolidated fiscal year (April 1, 2019 – March 31, 2020) | Consolidated fiscal year under review (April 1, 2020 – March 31, 2021) |
|---|---|---|
| Net assets per share | 2,469.20 | 2,562.29 |
| Profit per share | 113.73 | 86.68 |

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

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

| | Previous consolidated fiscal year (April 1, 2019 – March 31, 2020) | Consolidated fiscal year under review (April 1, 2020 – March 31, 2021) |
|---|---|---|
| | Million yen | Million yen |
| Profit attributable to owners of parent | 11,458 | 8,733 |
| Amount not allocable to common shareholders | – | – |
| Profit attributable to owners of parent available for common stock | 11,458 | 8,733 |
| | Thousand shares | Thousand shares |
| Average number of shares of common stock outstanding during the term | 100,750 | 100,749 |

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

| | Previous consolidated fiscal year (As of March 31, 2020) | Consolidated fiscal year under review (As of March 31, 2021) |
|---|---|---|
| | Million yen | Million yen |
| Total net assets | 280,930 | 287,291 |
| Amount deducted from total net assets | 32,160 | 29,146 |
| (Of which are non-controlling interests) | (32,160) | (29,146) |
| Net assets at end of year available for common stock | 248,770 | 258,145 |
| | Thousand shares | Thousand shares |
| Number of shares of common stock at end of year used for calculating net assets per share | 100,749 | 100,748 |

## Important Subsequent Events

Not applicable.

## 5. Other Information

### (1) Transition to a Company with Audit & Supervisory Committee

As disclosed in “Notice of Transition to a Company with Audit & Supervisory Committee” on February 19, 2021, the Company plans to shift to a Company with Audit & Supervisory Committee subject to approval of the 75th Ordinary General Meeting of Shareholders to be held on June 25, 2021, with the aim of strengthening supervisory functions of the Board of Directors and further enhancing its corporate governance system.

### (2) Senior Management Changes

**1. Candidates for Directors who are Audit & Supervisory Committee Members (effective June 25, 2021)**

Masao Taguchi (currently Standing Audit & Supervisory Board Member)

Akira Koike (currently Standing Audit & Supervisory Board Member)

Kyuzo Saito (currently Non-Standing Outside Director)

Hiroyuki Kamano (currently Non-Standing Outside Audit & Supervisory Board Member)

Junsuke Fujii (currently Non-Standing Outside Director)

Atsuko Okajima (currently Non-Standing Outside Audit & Supervisory Board Member)

* Kyuzo Saito, Hiroyuki Kamano, Junsuke Fujii and Atsuko Okajima are all candidates for Outside Director.

**2. Retiring Director (effective June 25, 2021)**

Keiji Matsumoto (currently Representative Senior Managing Director)

**3. Retiring Audit & Supervisory Board Member (effective June 25, 2021)**

Tamotsu Iwamoto (currently Non-Standing Outside Audit & Supervisory Board Member)

## 6. Supplementary Information

Since the Company will apply "Accounting Standard for Revenue Recognition" (ASBJ Japan Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30) from the beginning of the year ending March 31, 2022, the forecasts for FY2021 (the fiscal year ending March 31, 2022) reflect application of said standard and implementation guidance.
Retrospective treatment of said standard and implementation guidance is limited to FY2020 (the fiscal year ended March 31, 2021) in accordance with the principles-based treatment.
Results for FY2020 (the fiscal year ended March 31, 2021) based on both the old and the new standards are provided to increase comparability.

### (1) Business Performance

**Consolidated** (Million yen)

| | Current standard | | | | New standard | | | |
|---|---|---|---|---|---|---|---|---|
| | FY2019 | | FY2020 | | FY2020 | | FY2021 Forecast | |
| | Amount | Year-on-year change | Amount | Year-on-year change | Amount | Year-on-year change | Amount | Year-on-year change |
| Net sales | 293,682 | 99.0% | 283,754 | 96.6% | 250,066 | – | 259,000 | 103.6% |
| Operating profit | 19,005 | 108.2% | 19,397 | 102.1% | 19,413 | – | 20,000 | 103.0% |
| Ordinary profit | 20,797 | 108.9% | 19,820 | 95.3% | 19,837 | – | 21,500 | 108.4% |
| Profit attributable to owners of parent | 11,458 | 83.2% | 8,733 | 76.2% | 8,749 | – | 13,000 | 148.6% |
| Comprehensive income | 7,981 | 81.8% | 12,264 | 153.7% | – | – | – | – |

**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 | 144,996 | 102.7% | 146,340 | 100.9% | 120,309 | – | 121,700 | 101.2% |
| Health Food Business | 27,890 | 90.3% | 20,105 | 72.1% | 15,281 | – | 17,500 | 114.5% |
| International Food Business | 29,734 | 113.0% | 35,472 | 119.3% | 34,128 | – | 36,100 | 105.8% |
| Restaurant Business | 52,498 | 100.8% | 44,567 | 84.9% | 44,698 | – | 49,300 | 110.3% |
| Other Food Related Business | 46,296 | 74.8% | 45,542 | 98.4% | 43,922 | – | 42,400 | 96.5% |
| Adjustment | (7,733) | – | (8,271) | – | (8,271) | – | (8,000) | – |

| 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 | 14,111 | 111.4% | 15,614 | 110.7% | 15,614 | – | 14,000 | 89.7% |
| Health Food Business | 521 | 36.7% | (413) | – | (396) | – | 100 | – |
| International Food Business | 4,098 | 114.3% | 4,584 | 111.9% | 4,584 | – | 4,700 | 102.5% |
| Restaurant Business | 202 | – | (660) | – | (660) | – | 2,600 | – |
| Other Food Related Business | 1,791 | 87.6% | 1,770 | 98.8% | 1,770 | – | 1,500 | 84.8% |
| Adjustment | (1,717) | – | (1,498) | – | (1,498) | – | (2,900) | – |

## (2) Number of Group Companies

| | FY2019 | FY2020 |
|---|---|---|
| Consolidated subsidiaries | 35 | 37 |
| Japan | 14 | 15 |
| Overseas | 21 | 22 |
| Equity-method affiliate | 5 | 5 |
| Japan | 2 | 2 |
| Overseas | 3 | 3 |

**FY2020 Business Results of Major Subsidiaries (Current standard)** (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 | 136,374 | 101.5% | 14,725 | 112.2% | 10,407 | 111.5% |
| House Wellness Foods Corporation | 20,105 | 72.1% | (416) | – | (664) | – |
| House Foods America Corporation (Consolidated) | 13,483 | 98.6% | 756 | 62.6% | 591 | 65.0% |
| Ichibanya Co., Ltd. (Consolidated) | 44,247 | 85.9% | 2,559 | 49.2% | 1,736 | 53.3% |

* Period included in consolidated financial statements: House Foods America Corporation - from January to December 2020; Ichibanya Co., Ltd. - from March 2020 to February 2021

**Average exchange rate during the period**

| | Currency unit | FY2019 | FY2020 | FY2021 Forecast |
|---|---|---|---|---|
| United States | USD | 109.24 | 106.43 | 105.00 |

## (3) Consolidated Statements of Income (Current standard)

**1. Consolidated Statements of Income** (Million yen)

| | FY2019 | | FY2020 | | Year-on-year change | |
|---|---|---|---|---|---|---|
| | Amount | Percentage | Amount | Percentage | Amount | Rate of change |
| **Net sales** | **293,682** | **100.0%** | **283,754** | **100.0%** | **(9,928)** | **(3.4%)** |
| <By business segment> | | | | | | |
| Spice / Seasoning / Processed Food Business | 144,996 | 49.4% | 146,340 | 51.6% | 1,344 | 0.9% |
| Health Food Business | 27,890 | 9.5% | 20,105 | 7.1% | (7,785) | (27.9%) |
| International Food Business | 29,734 | 10.1% | 35,472 | 12.5% | 5,737 | 19.3% |
| Restaurant Business | 52,498 | 17.9% | 44,567 | 15.7% | (7,931) | (15.1%) |
| Other Food Related Business | 46,296 | 15.8% | 45,542 | 16.0% | (754) | (1.6%) |
| Adjustment | (7,733) | (2.6%) | (8,271) | (2.9%) | (538) | – |
| Cost of sales | 159,910 | 54.5% | 156,998 | 55.3% | (2,912) | (1.8%) |
| Selling, general and administrative expenses | 114,767 | 39.1% | 107,359 | 37.8% | (7,407) | (6.5%) |
| Advertising expenses | 9,436 | 3.2% | 7,837 | 2.8% | (1,599) | (16.9%) |
| Transportation and storage costs | 11,635 | 4.0% | 10,983 | 3.9% | (653) | (5.6%) |
| Sales commission | 1,691 | 0.6% | 1,769 | 0.6% | 78 | 4.6% |
| Promotion expenses | 32,589 | 11.1% | 32,061 | 11.3% | (528) | (1.6%) |
| Personnel expenses | 28,992 | 9.9% | 28,391 | 10.0% | (602) | (2.1%) |
| Research and development expenses | 4,465 | 1.5% | 4,279 | 1.5% | (186) | (4.2%) |
| Amortization of goodwill | 3,417 | 1.2% | 1,708 | 0.6% | (1,709) | (50.0%) |
| Other | 22,541 | 7.7% | 20,332 | 7.2% | (2,209) | (9.8%) |
| **Operating profit** | **19,005** | **6.5%** | **19,397** | **6.8%** | **391** | **2.1%** |
| Non-operating income | 2,918 | 1.0% | 2,549 | 0.9% | (369) | (12.7%) |
| Non-operating expenses | 1,127 | 0.4% | 2,126 | 0.7% | 999 | 88.7% |
| **Ordinary profit** | **20,797** | **7.1%** | **19,820** | **7.0%** | **(977)** | **(4.7%)** |
| Extraordinary income | 2,359 | 0.8% | 2,590 | 0.9% | 230 | 9.8% |
| Extraordinary losses | 2,474 | 0.8% | 10,361 | 3.7% | 7,886 | 318.7% |
| Profit before income taxes | 20,682 | 7.0% | 12,049 | 4.2% | (8,633) | (41.7%) |
| Income taxes | 7,510 | 2.6% | 5,151 | 1.8% | (2,358) | (31.4%) |
| Profit | 13,172 | 4.5% | 6,897 | 2.4% | (6,275) | (47.6%) |
| Profit attributable to | | | | | | |
| **Profit attributable to owners of parent** | **11,458** | **3.9%** | **8,733** | **3.1%** | **(2,725)** | **(23.8%)** |
| Profit attributable to non-controlling interests | 1,714 | 0.6% | (1,835) | (0.6%) | (3,549) | – |
| | | | | | | |
| **Comprehensive income** | **7,981** | **2.7%** | **12,264** | **4.3%** | **4,283** | **53.7%** |

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

| | |
|---|---|
| Decrease in gross profit | (7,016) |
| Decrease in marketing costs (sum of advertising expenses, sales commission and promotion expenses) | 2,049 |
| Decrease in amortization of goodwill | 1,709 |
| Decrease in transportation and storage costs | 653 |
| Decrease in personnel expenses | 602 |
| Decrease in other expenses | 2,394 |

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

| | FY2019 | FY2020 | Year-on-year change |
|---|---|---|---|
| Interest income / Interest income on securities | 353 | 253 | (100) |
| Dividend income | 658 | 673 | 16 |
| Share of profit of entities accounted for using equity method | 645 | – | (645) |
| Rental income from buildings | 806 | 804 | (1) |
| Foreign exchange gains | – | 111 | 111 |
| Other | 457 | 708 | 251 |
| Total non-operating income | 2,918 | 2,549 | (369) |
| Interest expenses | 62 | 52 | (10) |
| Rental expenses | 671 | 638 | (33) |
| Foreign exchange losses | 143 | – | (143) |
| Share of loss of entities accounted for using equity method | – | 1,230 | 1,230 |
| Other | 251 | 206 | (46) |
| Total non-operating expenses | 1,127 | 2,126 | 999 |

**4. Extraordinary Income (Losses)** (Million yen)

| | FY2019 | FY2020 | Year-on-year change |
|---|---|---|---|
| Gain on sales of non-current assets | 198 | 2 | (196) |
| Gain on sales of investment securities | 2,100 | 2,453 | 353 |
| Gain on sales of restaurants | 61 | 134 | 73 |
| Other | 0 | 0 | (0) |
| Total extraordinary income | 2,359 | 2,590 | 230 |
| Loss on sales of non-current assets | 9 | 11 | 2 |
| Loss on retirement of non-current assets | 552 | 224 | (328) |
| Loss on sales of investment securities | 11 | 15 | 3 |
| Loss on valuation of investment securities | 145 | 3 | (142) |
| Impairment loss | 387 | 10,075 | 9,688 |
| Loss on change in equity | 212 | – | (212) |
| Loss on sale of businesses | 42 | – | (42) |
| Provision of allowance for doubtful accounts | 1,088 | – | (1,088) |
| Other | 28 | 32 | 5 |
| Total extraordinary losses | 2,474 | 10,361 | 7,886 |

**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 | 77,056 | 66,608 | 283,754 |
| Year-on-year change | 1,036 | (2,168) | (1,847) | (34) | (3,014) | (4,893) | 349 | (950) | (4,434) | (9,928) |
| Operating profit | 4,638 | 4,475 | 6,861 | 3,031 | 19,005 | 4,407 | 5,470 | 8,659 | 860 | 19,397 |
| Year-on-year change | 327 | 214 | (332) | 1,236 | 1,446 | (230) | 995 | 1,798 | (2,171) | 391 |
| Ordinary profit | 5,002 | 4,995 | 7,323 | 3,477 | 20,797 | 4,491 | 4,318 | 8,984 | 2,026 | 19,820 |
| Year-on-year change | 342 | 232 | (117) | 1,240 | 1,697 | (511) | (676) | 1,661 | (1,451) | (977) |
| Profit (loss) attributable to owners of parent | 2,488 | 2,719 | 4,910 | 1,341 | 11,458 | 2,789 | (1,818) | 5,783 | 1,979 | 8,733 |
| Year-on-year change | (227) | (131) | 222 | (2,172) | (2,309) | 301 | (4,537) | 872 | 638 | (2,725) |
| Comprehensive income | 1,834 | 4,017 | 4,534 | (2,404) | 7,981 | 2,953 | (2,905) | 7,394 | 4,823 | 12,264 |
| Year-on-year change | (1,296) | (420) | 3,973 | (4,031) | (1,773) | 1,119 | (6,923) | 2,860 | 7,226 | 4,283 |

**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 | 40,866 | 33,728 | 146,340 |
| Year-on-year change | 472 | 742 | 642 | 1,915 | 3,771 | 1,945 | 677 | 672 | (1,951) | 1,344 |
| Health Food Business | 7,520 | 7,458 | 7,550 | 5,361 | 27,890 | 4,921 | 5,746 | 5,434 | 4,005 | 20,105 |
| Year-on-year change | (629) | (1,359) | (752) | (269) | (3,009) | (2,600) | (1,712) | (2,117) | (1,357) | (7,785) |
| International Food Business | 7,390 | 6,772 | 7,920 | 7,652 | 29,734 | 8,341 | 10,456 | 10,004 | 6,671 | 35,472 |
| Year-on-year change | 1,357 | 573 | 815 | 673 | 3,418 | 951 | 3,683 | 2,084 | (980) | 5,737 |
| Restaurant Business | 13,186 | 13,310 | 12,743 | 13,258 | 52,498 | 10,419 | 11,197 | 11,567 | 11,384 | 44,567 |
| Year-on-year change | 442 | 316 | (349) | 6 | 415 | (2,767) | (2,114) | (1,176) | (1,875) | (7,931) |
| Other Food Related Business | 12,678 | 10,912 | 11,548 | 11,158 | 46,296 | 10,932 | 10,637 | 11,069 | 12,903 | 45,542 |
| Year-on-year change | (2,693) | (4,474) | (4,349) | (4,071) | (15,586) | (1,746) | (275) | (479) | 1,745 | (754) |
| Adjustment | (1,838) | (1,879) | (1,951) | (2,065) | (7,733) | (2,514) | (1,790) | (1,885) | (2,082) | (8,271) |
| Year-on-year change | 2,086 | 2,035 | 2,145 | 1,712 | 7,977 | (676) | 90 | 65 | (17) | (538) |

**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 | 5,731 | 1,942 | 15,614 |
| Year-on-year change | 227 | 124 | (375) | 1,466 | 1,442 | 1,380 | 672 | 995 | (1,544) | 1,503 |
| ROS | 8.6% | 8.4% | 11.8% | 9.8% | 9.7% | 12.1% | 10.1% | 14.0% | 5.8% | 10.7% |
| Health Food Business | 144 | 351 | 251 | (224) | 521 | (235) | 177 | 388 | (743) | (413) |
| Year-on-year change | (519) | (90) | (556) | 264 | (900) | (379) | (173) | 137 | (519) | (934) |
| ROS | 1.9% | 4.7% | 3.3% | (4.2%) | 1.9% | (4.8%) | 3.1% | 7.1% | (18.6%) | (2.1%) |
| International Food Business | 1,310 | 831 | 1,255 | 702 | 4,098 | 1,010 | 1,963 | 1,639 | (27) | 4,584 |
| Year-on-year change | 349 | 124 | 192 | (151) | 514 | (300) | 1,132 | 383 | (729) | 487 |
| ROS | 17.7% | 12.3% | 15.8% | 9.2% | 13.8% | 12.1% | 18.8% | 16.4% | (0.4%) | 12.9% |
| Restaurant Business | 303 | 204 | (37) | (267) | 202 | (927) | (523) | 563 | 227 | (660) |
| Year-on-year change | 463 | 186 | 193 | (78) | 763 | (1,230) | (727) | 600 | 494 | (862) |
| ROS | 2.3% | 1.5% | (0.3%) | (2.0%) | 0.4% | (8.9%) | (4.7%) | 4.9% | 2.0% | (1.5%) |
| Other Food Related Business | 410 | 544 | 620 | 218 | 1,791 | 508 | 413 | 526 | 323 | 1,770 |
| Year-on-year change | (195) | (41) | (25) | 8 | (254) | 98 | (131) | (94) | 105 | (21) |
| ROS | 3.2% | 5.0% | 5.4% | 2.0% | 3.9% | 4.6% | 3.9% | 4.8% | 2.5% | 3.9% |
| Adjustment | (413) | (460) | 37 | (883) | (1,717) | (212) | (238) | (187) | (862) | (1,498) |
| Year-on-year change | 4 | (88) | 240 | (273) | (118) | 201 | 222 | (224) | 21 | 219 |

## (4) Consolidated Balance Sheets

**Consolidated Balance Sheets** (Million yen)

| | FY2019 | | FY2020 | | Year-on-year change | Major factors for increase/ decrease | |
|---|---|---|---|---|---|---|---|
| | Amount | Percentage | Amount | Percentage | Amount | | |
| Current assets | 149,653 | 40.8% | 156,909 | 42.5% | 7,256 | Increase in cash and deposits | 12,481 |
| | | | | | | Increase in merchandise and finished goods | 1,214 |
| | | | | | | Decrease in notes and accounts receivable - trade | (4,670) |
| | | | | | | Decrease in securities | (1,378) |
| Non-current assets | 217,541 | 59.2% | 212,241 | 57.5% | (5,300) | Decrease in contract-related intangible assets | (5,085) |
| | | | | | | Decrease in trademark right | (4,654) |
| | | | | | | Decrease in goodwill | (2,250) |
| | | | | | | Increase in retirement benefit asset | 6,785 |
| **Total assets** | **367,194** | **100.0%** | **369,150** | **100.0%** | **1,956** | | |
| Current liabilities | 53,138 | 14.5% | 51,327 | 13.9% | (1,810) | Decrease in notes and accounts payable - trade | (2,925) |
| | | | | | | Increase in accounts payable - other | 871 |
| Non-current liabilities | 33,126 | 9.0% | 30,532 | 8.3% | (2,594) | Decrease in long-term guarantee deposits | (1,714) |
| | | | | | | Decrease in deferred tax liabilities | (552) |
| | | | | | | Decease in lease obligations | (309) |
| **Total liabilities** | **86,264** | **23.5%** | **81,859** | **22.2%** | **(4,405)** | | |
| Total shareholders' equity | 228,616 | 62.3% | 232,709 | 63.0% | 4,093 | Increase in retained earnings | 4,098 |
| Total accumulated other comprehensive income | 20,154 | 5.5% | 25,437 | 6.9% | 5,283 | Increase in remeasurements of defined benefit plans | 4,264 |
| | | | | | | Increase in valuation difference on available-for-sale securities | 1,714 |
| Non-controlling interests | 32,160 | 8.8% | 29,146 | 7.9% | (3,014) | | |
| **Total net assets** | **280,930** | **76.5%** | **287,291** | **77.8%** | **6,361** | | |
| **Total liabilities and net assets** | **367,194** | **100.0%** | **369,150** | **100.0%** | **1,956** | | |

## (5) Consolidated Statements of Cash Flows

**Consolidated Statements of Cash Flows** (Million yen)

| | FY2019 | FY2020 | Year-on-year change | Major factors for increase/ decrease | |
|---|---|---|---|---|---|
| Cash flows from operating activities | 24,218 | 23,181 | (1,037) | Decrease in profit before income taxes | (8,633) |
| | | | | Decrease (increase) in inventories | (3,333) |
| | | | | Increase in impairment losses | 9,688 |
| Cash flows from investing activities | (6,356) | (8,558) | (2,202) | Purchase of securities | (2,508) |
| | | | | Proceeds from sale of securities | (1,647) |
| | | | | Proceeds from sale of investment securities | (1,457) |
| | | | | Purchase of investment securities | (1,297) |
| | | | | Purchase of intangible assets | (1,192) |
| | | | | Purchase of property, plant and equipment | 6,097 |
| Cash flows from financing activities | (7,567) | (6,172) | 1,394 | Proceeds from short-term borrowings | 13,119 |
| | | | | Repayments of short-term borrowings | (12,281) |
| Cash and cash equivalents at end of period | 69,870 | 78,343 | 8,473 | | |

## (6) Capital Investment

**Consolidated** (Million yen)

| | FY2019 | FY2020 | FY2021 Forecast |
|---|---|---|---|
| Capital investment | 16,253 | 11,324 | 18,000 |
| Leases | 1,719 | 383 | 600 |
| Total | 17,971 | 11,708 | 18,600 |

## (7) Depreciation

**Consolidated** (Million yen)

| | FY2019 | FY2020 | FY2021 Forecast |
|---|---|---|---|
| Depreciation | 9,862 | 10,035 | 11,000 |
| Lease payments | 355 | 337 | 400 |
| Total | 10,217 | 10,373 | 11,400 |

* 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 | FY2020 | FY2021 Forecast |
|---|---|---|---|
| Profit per share | 113.73 yen | 86.68 yen | 130.51 yen |
| Net assets per share | 2,469.20 yen | 2,562.29 yen | – |
| ATO | 0.80 times | 0.77 times | – |
| Ratio of operating profit to net sales | 6.5% | 6.8% | 7.7% |
| Ratio of ordinary profit to net sales | 7.1% | 7.0% | 8.3% |
| Ratio of operating profit to total assets | 5.1% | 5.3% | – |
| ROE | 4.6% | 3.4% | – |
| Equity ratio | 67.7% | 69.9% | – |

| | | | |
|---|---|---|---|
| Dividend per share | 46.00 yen | 46.00 yen | 46.00 yen |
| Dividend payout ratio | 40.4% | 53.1% | 35.2% |
| Dividend payout ratio according to the basic policy on the return of earnings to shareholders | 31.6% | 29.7% | 34.9% |

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

| | | | |
|---|---|---|---|
| Number of employees | 6,122 people | 6,153 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)

| | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|---|---|---|---|---|---|---|
| Curry roux | 51.9 | 50.3 | 47.4 | 45.0 | 44.2 | 43.8 |
| Stew roux | 18.7 | 18.0 | 18.1 | 17.0 | 16.6 | 16.7 |
| Hashed beef sauce roux | 6.5 | 6.3 | 6.1 | 6.0 | 6.2 | 6.3 |
| Retort pouched curry | 51.6 | 53.9 | 55.9 | 58.1 | 61.2 | 63.7 |
| Spice in total | 69.1 | 70.3 | 71.5 | 73.8 | 76.2 | 86.5 |

**2. Curry roux market trends (SRI)**

| FY2020 | | 1Q | 2Q | 3Q | 4Q | 1H | 2H | Full year |
|---|---|---|---|---|---|---|---|---|
| Overall market | Average selling price | 197 yen | 192 yen | 191 yen | 192 yen | 195 yen | 191 yen | 193 yen |
| | Change from the previous year | +9 yen | +2 yen | +1 yen | +3 yen | +5 yen | +2 yen | +4 yen |
| House Foods | Average selling price | 198 yen | 191 yen | 191 yen | 192 yen | 194 yen | 192 yen | 193 yen |
| | Change from the previous year | +7 yen | +0 yen | +0 yen | +1 yen | +4 yen | +1 yen | +2 yen |
| | Share of amount | 61.6% | 62.9% | 62.5% | 61.5% | 62.2% | 62.0% | 62.2% |

Source: SRI monthly data of INTAGE Inc. (April 2020 – March 2021)

**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% | 103.7% | 92.3% | 106.3% | 97.7% | 102.1% |
| Retort pouched curry in total | 99.5% | 109.3% | 99.5% | 91.0% | 104.6% | 95.1% | 99.7% |
| Stew roux in total | 128.1% | 93.8% | 108.3% | 99.8% | 103.8% | 105.7% | 105.0% |
| Hashed beef sauce roux in total | 105.1% | 133.0% | 113.6% | 105.8% | 118.1% | 109.2% | 113.6% |
| Spice in total | 124.6% | 115.9% | 112.4% | 102.7% | 120.2% | 108.0% | 114.1% |
| Health Food Business | | | | | | | |
| *Ukon No Chikara* | 36.6% | 56.9% | 58.4% | 47.9% | 47.5% | 55.2% | 51.5% |
| *C1000* | 64.8% | 75.6% | 69.8% | 83.7% | 70.0% | 76.2% | 72.3% |
| *Ichinichibun No Vitamin* | 94.8% | 104.4% | 96.6% | 88.6% | 99.6% | 92.8% | 93.3% |