January 29, 2014

Consolidated Financial Results (Japanese Accounting Standards) for the Nine Months Ended December 31, 2013 (Q3 FY2013)

Company name: House Foods Group Inc.
Stock exchange listing: Tokyo Stock Exchange
Stock code: 2810
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Scheduled date for filing of securities report: February 13, 2014
Scheduled date of commencement of dividend payment: –
Supplementary documents for quarterly results: Yes
Quarterly results briefing: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2013 (April 1, 2013 – December 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2013	177,459	9.6	8,505	(16.8)	9,746	(15.0)	8,110	14.0
December 31, 2012	161,943	(3.2)	10,225	(22.9)	11,473	(18.0)	7,116	(11.8)

(Note) Comprehensive income: 9,749 million yen (35.5%) for the nine months ended December 31, 2013
7,195 million yen (negative 14.5%) for the nine months ended December 31, 2012

	Net income per share (basic)	Net income per share (diluted)
Nine months ended	Yen	Yen
December 31, 2013	76.68	–
December 31, 2012	66.98	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Nine months ended December 31, 2013	269,744	206,420	76.0	1,938.81
Year ended March 31, 2013	250,780	199,328	79.2	1,879.06

(Reference) Shareholders' equity: Nine months ended December 31, 2013: 205,048 million yen
Year ended March 31, 2013: 198,731 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2013	–	15.00	–	15.00	30.00
Year ending March 31, 2014	–	15.00	–		
Year ending March 31, 2014 (forecasts)				20.00	35.00

(Note) Revisions to dividend forecasts published most recently: None
The annual dividend for the year ending March 31, 2014 comprises an ordinary dividend of 30.00 yen and a commemorative dividend of 5.00 yen (commemorate dividend for 100th anniversary of foundation).

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2014 (April 1, 2013 – March 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2014	232,000	10.6	9,500	(17.0)	10,800	(19.7)	8,600	4.2	81.32

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

* Notes

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

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

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

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

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

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

As of December 31, 2013:	105,761,763 shares
As of March 31, 2013:	105,761,763 shares

(ii) Number of treasury stock at end of period

As of December 31, 2013:	2,379 shares
As of March 31, 2013:	972 shares

(iii) Average number of shares outstanding during the term

Nine months ended December 31, 2013:	105,759,997 shares
Nine months ended December 31, 2012:	106,245,266 shares

* Status of a quarterly review

- This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. Procedures for a quarterly review of the consolidated financial statements are being followed at the time of the announcement of this financial summary.

* 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 “(3) Information on the Future Outlook, Including Consolidated Business Performance Forecasts” on page 4 of the accompanying materials.

Accompanying Materials – Contents

1. Qualitative Information on Results for the First Three Quarters Ended December 31, 2013 2
(1) Details of Operating Results 2
(2) Details of Financial Position 4
(3) Information on the Future Outlook, Including Consolidated Business Performance Forecasts 4

2. Matters Relating to Summary Information (Notes) 5
(1) Changes of Important Subsidiaries during the Period 5
(2) Application of Particular Accounts Procedures to the Preparation of Quarterly Consolidated Financial Statements 5
(3) Changes in Accounting Policies and Changes or Restatement of Accounting Estimates 5

3. Quarterly Consolidated Financial Statements 6
(1) Quarterly Consolidated Balance Sheets 6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income 8
(3) Notes to Quarterly Consolidated Financial Statements 10
Notes Relating to Assumptions for the Going Concern 10
Notes for Case Where Shareholders' Equity underwent Significant Changes in Value 10
Segment Information 10

1. Qualitative Information on Results for the First Three Quarters Ended December 31, 2013

(1) Details of Operating Results

During the nine-month period ended December 31, 2013, a tendency towards economic recovery gradually emerged, as the government's economic policy measures and monetary easing by the Bank of Japan brought about a correction of the excessive appreciation of the yen and improvement in corporate performance led by exporters, and consumer spending also showed signs of picking up. In the food industry, the situation was still unpredictable, with consumer trends remaining challenging amid the diversification of eating situations and customer needs, in addition to higher prices for raw materials due to the weaker yen.

In such an environment, the House Foods Group adopted a holding company system on October 1, and took steps to achieve the goals specified in its Fourth Medium-term Business Plan, launched in fiscal year 2012, including "enhancing profitability in domestic core operations and accelerating development of overseas core operations" and "promoting and strengthening development capabilities and cost competitiveness" in line with the newly formulated Group philosophy of "Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives."

Consolidated net sales in the first three quarters of the fiscal year under review increased 9.6% year on year, to 177,459 million yen, due to generally favorable business expansion of the International Business with the aim for the development of core operations, in all countries of operation and the inclusion of Vox Trading Co., Ltd., a company that imports and sells foodstuffs, as a consolidated subsidiary in May 2013 in Other Food Related Business (name changed from Transport and other Businesses segment), which offset decreased sales of certain mainstay products in domestic core operations due to intensifying competition in a mature market and market entry by competitors.

Operating income stood at 8,505 million yen, down 16.8% year on year, due mainly to decreased sales in domestic core businesses and upfront investment of marketing costs for the establishment of a business base in Southeast Asia in the International Business, which offset continued cost-cutting efforts and completion of goodwill amortization of House Wellness Foods Corporation. Ordinary income fell 15% year on year, to 9,746 million yen, and net income rose 14% year on year, to 8,110 million yen due to a substantial increase in extraordinary income.

The following is an overview of results by segment.

With the adoption of the holding company system, the Group revised the classification of its business segments and changed the name of the reportable segment "Transport and Other Businesses" to "Other Food Related Business", effective from the nine-month period ended December 31, 2013.

	Consolidated net sales		Consolidated operating income (segment margin)	
	Amount (million yen)	Year-on-year change (%)	Amount (million yen)	Year-on-year change (%)
Spice / Seasoning / Processed Food Business	95,364	99.4	5,417	79.1
Health Food Business	32,254	93.1	2,107	107.1
International Business	13,650	138.3	344	48.8
Other Food Related Business	36,191	168.5	635	90.6
Reportable segments total	177,459	109.6	8,504	83.2

* Figures in the consolidated operating income (segment margin) column are figures before adjustment for impact of inter-segment transactions of 1 million yen.

Spice / Seasoning / Processed Food Business

The shares of curry roux products and stew roux products in this category increased thanks to the strategy of offering a full lineup of products in each price bracket and the launch of new products. However, this was not enough to offset the impact of competition among different types of products, and sales declined year on year.

Meanwhile, sales of retort pouched products were driven by steady market penetration of *The Hotel* series, which pursues authentic flavors, and sales of spice products were also solid, reflecting the achievement of a certain degree of success in operating activities aimed at increasing the number of retailers selling spice products.

In other new products, the *Mitsuboshi Shokkan* series was well received as seasoning exclusively for cooking which makes cooking easier and less time consuming and made a good start.

As a result, sales in the Spice / Seasoning / Processed Food Business decreased 0.6% year on year, to 95,364 million yen, and operating income fell 20.9% year on year, to 5,417 million yen.

Health Food Business

With the adoption of the holding company system, the health food business, which was previously conducted by two companies, was integrated into House Wellness Foods Corporation and a system for further strengthening business development capabilities was put in place.

Sales of the *Ukon No Chikara* series were weak, reflecting a persistently challenging competition environment, despite a revamp of the series in October, further enhancement of customer satisfaction in terms of quality and flavour, and efforts to strengthen communication with heavy users. Meanwhile, sales of the growth brand *Mega Shaki* series grew, reflecting increased synergies across the brand due to rigorous promotion activities for each demand season.

In the *C1000* series, *Vitamin Lemon* performed well by stressing the effectiveness of taking vitamins on a daily basis. However, sales of *Lemon Water* were sluggish due to intensifying competition in PET bottled beverages, resulting in a decline in overall sales of the *C1000 series*.

As a result, sales in the Health Food Business declined 6.9% year on year, to 32,254 million yen, and operating income rose 7.1%, to 2,107 million yen.

International Business

In the tofu business in the United States, sales continued to expand, and the loss narrowed from the first half, reflecting increased profits in the third quarter largely due to the success of continued cost-cutting activities.

The curry business in China achieved strengthening of the profit base alongside business expansion as a result of endeavors to encourage new areas and new companies to handle products and cost-cutting efforts. House Foods (China) Inc. was established in November as an area center to oversee Chinese business, and efforts were made to further speed up the development of business in China.

In Southeast Asia, the functional drink business being developed in Thailand made progress with the establishment of a base for vitamin functional drinks in Thailand, including the launch of variety products, and in Vietnam, where business was launched this fiscal year, the operating structure was strengthened and efforts were made to increase the number of retailers handling products.

As for the curry restaurant business, in China, where further expansion is expected in the future, companies were established in North China (Beijing) and South China (Guangzhou) in addition to Shanghai, and a system for speeding up the expansion of restaurants in each area was put in place.

As a result, sales in the International Business climbed 38.3% year on year, to 13,650 million yen, and operating income fell 51.2%, to 344 million yen.

Other Food Related Business

House Logistics Service Corporation, a Group company engaged in the transport and logistics business, posted growth in sales due to expansion of logistics operations commissioned by companies outside the Group and increased profits thanks to cost reductions. Profits of Delica Chef Corporation, a Group company that produces prepared food for convenience stores, fell despite a rise in sales from the previous year, reflecting strong sales of dessert products and sluggish sales of baked bread products. Meanwhile, Vox Trading Co., Ltd., a new consolidated subsidiary of the Group, contributed to the increase in sales.

As a consequence, sales of Other Food Related Business increased 68.5% year on year, to 36,191 million yen, and operating income declined 9.4% year on year, to 635 million yen due mainly to goodwill amortization associated with the inclusion of Vox Trading Co., Ltd. as a consolidated subsidiary.

(2) Details of Financial Position

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

Total assets were 269,744 million yen, an increase of 18,964 million yen in comparison to the end of the previous consolidated fiscal year.

Current assets rose 11,223 million yen, to 118,358 million yen, primarily attributable to increases in notes and accounts receivable–trade, cash and deposits, and merchandise and finished goods, which more than offset a fall in securities associated with a decline in negotiable deposits. Noncurrent assets came to 151,386 million yen, up 7,741 million yen, largely due to increases in construction in progress, land, buildings and structures, and investment securities, which offset a decrease in long-term time deposits reaching maturity.

Liabilities were 63,325 million yen, an increase of 11,872 million yen from the end of the previous fiscal year.

Current liabilities climbed 10,816 million yen, to 50,330 million yen, mainly because of increases in notes and accounts payable–trade and short-term loans payable. Noncurrent liabilities were up 1,057 million yen, to 12,994 million yen, chiefly owing to an increase in deferred tax liabilities.

Net assets increased 7,092 million yen from the end of the previous consolidated fiscal year, to 206,420 million yen, reflecting an increase in retained earnings as a result of net income and an increase in foreign currency translation adjustment due to the effect of exchange rate fluctuations.

As a result, the equity ratio stood at 76.0% (compared with 79.2% at the end of the previous consolidated fiscal year), and net assets per share stood at 1,938.81 yen (compared with 1,879.06 yen at the end of the previous consolidated fiscal year) at the end of the third quarter of the consolidated fiscal year under review.

In the first three quarters of the consolidated period under review, total assets increased 10,962 million yen and liabilities rose 9,234 million yen, due to the additional acquisition of the common shares of Vox Trading Co., Ltd. and the inclusion of this company, a former affiliated company, in the consolidated subsidiaries.

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

There has been no change to the consolidated performance forecasts announced on October 30, 2013, for the period ending March 31, 2014.

2. Matters Relating to Summary Information (Notes)

(1) Changes of Important Subsidiaries during the Period

Not applicable.

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

Calculation of tax expenses

Following the application of tax effect accounting for the current term net income before taxes for the consolidated fiscal year, the Company has adopted a method of calculating tax expenses using a reasonable estimate of the effective tax rate and multiplying quarterly net income before taxes by this estimated effective tax rate.

“Income taxes-current” and “Income taxes-deferred” are unified in “Income taxes.”

(3) Changes in Accounting Policies and Changes or Restatement of Accounting Estimates

Not applicable.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	End of previous fiscal year (As of March 31, 2013)	End of third quarter of the fiscal year under review (As of December 31, 2013)
Assets		
Current assets		
Cash and deposits	19,371	23,954
Notes and accounts receivable–trade	37,866	50,508
Securities	35,445	25,133
Merchandise and finished goods	6,223	8,447
Work in process	1,012	1,296
Raw materials and supplies	2,817	3,050
Deferred tax assets	2,277	2,455
Other	2,130	3,520
Allowance for doubtful accounts	(7)	(5)
Total current assets	107,135	118,358
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	18,038	19,271
Machinery, equipment and vehicles, net	7,769	7,721
Land	24,152	25,951
Lease assets, net	4,338	4,213
Construction in progress	883	2,779
Other, net	932	1,127
Total property, plant and equipment	56,112	61,062
Intangible assets		
Goodwill	268	657
Software	889	907
Software in progress	161	576
Other	467	827
Total intangible assets	1,787	2,967
Investments and other assets		
Investment securities	75,689	78,988
Long-term loans receivable	239	283
Deferred tax assets	213	884
Long-term time deposits	6,000	4,000
Prepaid pension cost	1,193	803
Claims provable in bankruptcy, claims provable in rehabilitation and other	–	448
Other	2,682	2,654
Allowance for doubtful accounts	(270)	(703)
Total investments and other assets	85,746	87,357
Total noncurrent assets	143,645	151,386
Total assets	250,780	269,744

(Million yen)

	End of previous fiscal year (As of March 31, 2013)	End of third quarter of the fiscal year under review (As of December 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	18,613	23,349
Electronically recorded obligations-operating	1,162	1,344
Short-term loans payable	570	4,683
Lease obligations	400	540
Accounts payable–other	12,453	12,167
Income taxes payable	1,872	2,276
Provision for directors' bonuses	67	63
Other	4,378	5,908
Total current liabilities	39,515	50,330
Noncurrent liabilities		
Long-term loans payable	–	238
Lease obligations	3,938	3,909
Long-term accounts payable–other	834	874
Deferred tax liabilities	5,194	5,672
Provision for retirement benefits	1,203	1,259
Asset retirement obligations	278	281
Other	490	762
Total noncurrent liabilities	11,938	12,994
Total liabilities	51,452	63,325
Net assets		
Shareholders' equity		
Capital stock	9,948	9,948
Capital surplus	23,868	23,868
Retained earnings	155,148	160,085
Treasury stock	(1)	(4)
Total shareholders' equity	188,963	193,898
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	10,840	11,047
Deferred gains or losses on hedges	–	2
Foreign currency translation adjustment	(1,072)	101
Total other accumulated comprehensive income	9,768	11,150
Minority interests	596	1,372
Total net assets	199,328	206,420
Total liabilities and net assets	250,780	269,744

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

First nine-month period

(Million yen)

	First nine-month period of previous fiscal year (April 1, 2012 - December 31, 2012)	First nine-month period of the fiscal year under review (April 1, 2013 - December 31, 2013)
Net sales	161,943	177,459
Cost of sales	87,698	102,212
Gross profit	74,245	75,247
Selling, general and administrative expenses		
Advertising expenses	8,379	8,856
Transportation and warehousing expenses	4,567	5,114
Sales commission	3,230	2,700
Promotion expenses	22,910	23,988
Salaries, allowances and bonuses	9,680	10,370
Provision for directors' bonuses	52	70
Depreciation	770	619
Amortization of goodwill	684	128
Rent expenses	1,101	1,229
Experiment and research expenses	2,846	2,634
Other	9,801	11,034
Total selling, general and administrative expenses	64,020	66,742
Operating income	10,225	8,505
Non-operating income		
Interest income	361	407
Dividends income	294	319
Equity in earnings of affiliates	339	363
Foreign exchange gains	135	376
Other	194	249
Total non-operating income	1,322	1,714
Non-operating expenses		
Interest expenses	31	172
Other	44	300
Total non-operating expenses	74	472
Ordinary income	11,473	9,746

(Million yen)

	First nine-month period of previous fiscal year (April 1, 2012 - December 31, 2012)	First nine-month period of the fiscal year under review (April 1, 2013 - December 31, 2013)
Extraordinary income		
Gain on sales of noncurrent assets	2	3,110
Gain on sales of investment securities	10	81
Reversal of allowance for doubtful accounts	0	19
Other	3	1
Total extraordinary income	15	3,211
Extraordinary loss		
Loss on sales of noncurrent assets	9	122
Loss on retirement of noncurrent assets	133	147
Loss on valuation of investment securities	72	–
Loss on valuation of membership	29	24
Impairment loss	–	85
Provision for loss on guarantees	–	152
Loss on step acquisitions	–	69
Other	17	7
Total extraordinary loss	260	606
Income before income taxes	11,229	12,351
Income taxes	4,097	4,095
Income before minority interests	7,132	8,256
Minority interests in income	16	146
Net income	7,116	8,110
Minority interests in income	16	146
Income before minority interests	7,132	8,256
Other comprehensive income		
Valuation difference on available-for-sale securities	82	220
Deferred gains or losses on hedges	–	5
Foreign currency translation adjustment	(22)	1,197
Share of other comprehensive income of associates accounted for using equity method	4	70
Total other comprehensive income	64	1,492
Comprehensive income	7,195	9,749
(Breakdown)		
Comprehensive income attributable to owners of the parent	7,163	9,492
Comprehensive income attributable to minority interests	33	257

(3) Notes to Quarterly Consolidated Financial Statements

Notes Relating to Assumptions for the Going Concern

Not applicable.

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

Not applicable.

Segment Information

I. First nine-month period of previous fiscal year (April 1, 2012 – December 31, 2012)

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

(Million yen)

	Reported segments					Other	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Business	Other Food Related Business	Total		
Net sales							
Sales – outside customers	95,929	34,658	9,872	21,484	161,943	–	161,943
Sales and transfer – inter-segment	–	–	–	8,493	8,493	–	8,493
Total	95,929	34,658	9,872	29,977	170,436	–	170,436
Segment profit	6,847	1,967	705	701	10,221	–	10,221

2. Difference between the sum of reportable segment profits and losses and operating income in quarterly consolidated statements of income and comprehensive income, and major factors in the difference (adjustment of difference)

(Million yen)

Profit	Amount
Reportable segments total	10,221
Elimination of inter-segment transactions	4
Operating income in quarterly consolidated statements of income and comprehensive income	10,225

3. Information on impairment loss on noncurrent assets and goodwill by reportable segment

(Important impairment loss on noncurrent assets)

Not applicable.

(Significant changes in the amount of goodwill)

Goodwill in the Other Food Related Business segment increased 140 million yen in the first three quarters of the consolidated fiscal year under review due to the acquisition of shares of Horie Yamatoya Co., Ltd. and the inclusion of this company in the consolidated subsidiaries.

II. First nine-month period of fiscal year under review (April 1, 2013 – December 31, 2013)

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

(Million yen)

	Reported segments					Other	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Business	Other Food Related Business	Total		
Net sales							
Sales – outside customers	95,364	32,254	13,650	36,191	177,459	–	177,459
Sales and transfer – inter-segment	87	45	61	9,014	9,206	–	9,206
Total	95,451	32,299	13,710	45,205	186,666	–	186,666
Segment profit	5,417	2,107	344	635	8,504	–	8,504

2. Information on assets by reported segment

(Substantial increase in assets due to the acquisition of a subsidiary)

In the three quarters of the consolidated period under review, assets in the Other Food Related Business segment increased 11,384 million yen from the last day of the previous consolidated fiscal year due to the additional acquisition of the common shares of Vox Trading Co., Ltd. and the inclusion of this company in the consolidated subsidiaries.

3. Difference between the sum of reportable segment profits and losses and operating income in quarterly consolidated statements of income and comprehensive income, and major factors in the difference (adjustment of difference)

(Million yen)

Profit	Amount
Reportable segments total	8,504
Elimination of inter-segment transactions	1
Operating income in quarterly consolidated statements of income and comprehensive income	8,505

4. Information on impairment loss on noncurrent assets and goodwill by reportable segment

(Important impairment loss on noncurrent assets)

In the first three quarters of the consolidated fiscal year under review, impairment losses of 65 million yen in the Spice / Seasoning / Processed Food Business segment, 21 million yen in the Health Food Business segment and 0 million yen in the Other Food Related Business segment were recognized in connection with the closure of the training center in Ikoma.

(Significant changes in the amount of goodwill)

Goodwill in the Other Food Related Business segment increased 516 million yen in the first three quarters of the consolidated fiscal year under review due to the additional acquisition of the common shares of Vox Trading Co., Ltd. and the inclusion of this company in the consolidated subsidiaries.

5. Matters Concerning Changes, Etc. in Reportable Segments

(Change in classification of reportable segments)

The scope of net sales and expenses allocated to each reportable segment was reviewed and changed, including adopting the method of apportioning expenses of House Business Partners Corporation, which were previously included in "Other Food Related Business," to each reportable segment in accordance with certain criteria, with effect from the first three quarters of the consolidated fiscal year under review. This change is associated with restructuring as a result of the adoption of the holding company system.

This change does not have a material impact on segment information for the first three quarters under review.

(Renaming of reportable segment)

The classification of business segments was reviewed in connection with restructuring due to the adoption of the holding company system, and the reportable segment "Transport and Other Businesses" was renamed "Other Food Related Business," with effect from the first three quarters of the consolidated fiscal year under review.

The segment information for the first three quarters of the previous consolidated fiscal year is shown based on reportable segment names after the revision.