November 2, 2017

Consolidated Financial Results (Japanese Accounting Standards) for the Six Months Ended September 30, 2017 (Q2 FY2017)

Company name: House Foods Group Inc.
Stock exchange listing: Tokyo Stock Exchange
Stock code: 2810
URL: https://housefoods-group.com
Representative: Hiroshi Urakami, President
Contact: Ryo Shibata, General Manager, Public & Investors Relations Division
Tel. +81-3-5211-6039

Scheduled date for filing of securities report: November 13, 2017
Scheduled date of commencement of dividend payment: December 7, 2017
Supplementary documents for quarterly results: Yes
Quarterly results briefing: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2017 (April 1, 2017 – September 30, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2017	143,434	4.7	7,456	39.3	8,010	49.0	4,328	2.9
September 30, 2016	136,975	21.9	5,351	32.3	5,377	12.2	4,208	42.6

(Note) Comprehensive income: 7,867 million yen (–%) for the six months ended September 30, 2017
675 million yen (-49.2%) for the six months ended September 30, 2016

	Profit per share (basic)	Profit per share (diluted)
Six months ended	Yen	Yen
September 30, 2017	42.12	–
September 30, 2016	40.98	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Six months ended September 30, 2017	364,018	272,453	66.1	2,342.72
Year ended March 31, 2017	353,888	266,615	66.5	2,289.43

(Reference) Shareholders' equity: As of September 30, 2017: 240,721 million yen
As of March 31, 2017: 235,246 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, 2017	–	15.00	–	17.00	32.00
Year ending March 31, 2018	–	18.00			
Year ending March 31, 2018 (forecasts)			–	18.00	36.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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, 2018	291,600	2.7	15,000	21.8	16,100	15.4	8,600	(1.0)	83.70

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

* Notes

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

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

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

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

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

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

As of September 30, 2017:	102,758,690 shares
As of March 31, 2017:	102,758,690 shares

(ii) Number of treasury shares at end of period

As of September 30, 2017:	6,020 shares
As of March 31, 2017:	5,423 shares

(iii) Average number of shares outstanding during the term

Six months ended September 30, 2017:	102,752,936 shares
Six months ended September 30, 2016:	102,683,430 shares

* Quarterly consolidated financial results are not subject to a quarterly review.

* 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 related to the forecasts, please refer to “(3) Information on the Future Outlook, Including Consolidated Business Performance Forecasts” under “1. Qualitative Information on Results for the First Half Ended September 30, 2017” on page 5 of the accompanying materials.

Accompanying Materials – Contents

1. Qualitative Information on Results for the First Half Ended September 30, 2017 2
   (1) Details of Operating Results 2
   (2) Details of Financial Position 5
   (3) Information on the Future Outlook, Including Consolidated Business Performance Forecasts 5
2. Quarterly Consolidated Finance Statements and Key Notes 6
   (1) Quarterly Consolidated Balance Sheets 6
   (2) Quarterly Consolidated Statements of Income and Comprehensive Income 8
   (3) Quarterly Consolidated Statements of Cash Flows 10
   (4) Notes to Quarterly Consolidated Financial Statements 12
      Notes Relating to Assumptions for the Going Concern 12
      Notes for Case Where Shareholders' Equity underwent Significant Changes in Value 12
      Application of Particular Accounts Procedures to the Preparation of Quarterly Consolidated Financial Statements 12
      Segment Information 12
      Additional Information 14
3. Supplementary Information 15
   (1) Business Performance 15
   (2) Number of Group Companies 15
   (3) Consolidated Statements of Income 16
   (4) Consolidated Balance Sheets 18
   (5) Consolidated Statements of Cash Flows 18
   (6) Capital Investment 19
   (7) Depreciation 19
   (8) Major Management Indicators, etc. 19
   (9) Full-Year Target 20

1. Qualitative Information on Results for the First Half Ended September 30, 2017

(1) Details of Operating Results

During the six-month period ended September 30, 2017, the business environment in Japan was on a modest recovery track overall on the back of an improvement in employment and income conditions, while concern over geopolitical risk and uncertainty over the global economy increased. In the food industry, the market has become more mature, and changes in consumers' eating behavior have become more obvious. It is thus necessary to respond to diversifying dietary needs and provide new value.

The current fiscal year is the final year of the Fifth Medium-term Business Plan of the Group, and the Group was taking steps to bolster the earnings strength of its existing domestic businesses, create new demand, and accelerate the growth of the International Business to "striving to become a high quality company that provides 'Healthy Life Through Foods.'" In August 2017, the Company acquired shares in Malony Co., Ltd., making it a consolidated subsidiary. Results at Malony are not included in the consolidated results in the first six months under review.

As a result of these steps, the Spice/Seasoning/Processed Food Business and the International Food Business grew, and consolidated net sales in the period under review increased 4.7% year on year, to 143,434 million yen.

Consolidated operating profit rose 39.3% year on year, to 7,456 million yen, reflecting the effect of higher sales and the efforts of Group companies to enhance their earnings strength. Consolidated ordinary profit was up 49.0% year on year, to 8,010 million yen, while profit attributable to owners of parent increased only 2.9%, to 4,328 million yen, due to the effect of extraordinary income posted in the previous fiscal year as a result of the conversion of Gaban Co., Ltd. to a consolidated subsidiary and the reversal of deferred tax liabilities at Ichibanya Co., Ltd. following the revision of tax regulations, among other factors.

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	66,906	107.3	4,770	131.8
Health Food Business	17,127	95.9	840	74.3
International Food Business	10,727	124.6	1,416	184.5
Restaurant Business	25,808	101.5	(39)	–
Other Food Related Business	30,576	101.3	966	222.5
Subtotal	151,144	104.7	7,953	135.9
Adjustment (elimination)	(7,710)	–	(497)	–
Total	143,434	104.7	7,456	139.3

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

Spice / Seasoning / Processed Food Business

This business segment is working to strengthen existing areas and develop new areas by providing products and services that are “healthier, better quality, more easily and with a more appropriate amount,” in response to changes in the environment surrounding our business, such as the growing tendency of people to eat out or buying food to eat at home.

Sales of curry products rose from a year earlier. Sales of curry roux declined due to the effect of the growing tendency for people to eat out or to buy food to eat at home. Meanwhile, among retort pouched curry products, *Pro Quality* products with multiple packs were well received due to their convenience and flexibility, and food service products grew thanks to the promotion of proposals to the eating-out and home-meal replacement markets. Sales of spice products and snack products also grew.

In addition to the above, the new consolidation of Gaban Co., Ltd. had a positive effect until the first quarter of the fiscal year under review. As a result of the above, sales in the Spice/Seasonings/Processed Food Business stood at 66,906 million yen, up 7.3% year on year, and operating profit was 4,770 million yen, up 31.8% year on year.

Health Food Business

In this business segment, both sales and profit declined.

The *Ukon No Chikara* series, the main brand, in the functional spice business was a major factor that pushed down results in this segment. While sales of granular-type products were firm, drink-type products faced challenging circumstances because of the diversification of occasions when customers enjoyed a drink.

In the vitamin business, sales of the *C1000* series remained firm, and *Ichinichibun No Vitamin*, which is positioned as a brand to be cultivated, was supported by customers, which helped expand the vitamins market.

As a result, sales in the Health Food Business declined 4.1% year on year, to 17,127 million yen. Operating profit fell 25.7% year on year, to 840 million yen due to the decline in sales and an increase in marketing costs for cultivating brands.

International Food Business

This business segment has been working to accelerate its growth and increase profitability in the three key areas (the United States, China, and Southeast Asia), and business expanded steadily in all three areas.

In the United States, business performed well. Sales of *Tofu* and *Tofu*-related products grew not only through the Asian channel, the main channel, but also through the American channel. The number of stores selling products for commercial use increased.

In China, the Group has been deepening its efforts to make Japanese-style curry popular, and the reorganization of distributors and sales systems in the previous fiscal year produced results. The business scale expanded, and the revenue base was strengthened. Efficiency improved.

In Southeast Asia, stores selling *C-vitt* increased in the functional beverage business in Thailand, as in the previous fiscal year.

As a result of the above, sales in the International Food Business rose 24.6% year on year, to 10,727 million yen, and operating profit increased 84.5%, to 1,416 million yen.

Restaurant Business

This business segment strives to further expand the world of curry through the operation of curry restaurants in Japan and overseas.

Ichibanya Co., Ltd. continued to enjoy firm sales in Japan, with sales at all stores rising 2.6% year on year and sales at existing stores increasing 1.2% year on year. In September, a restaurant that serves halal food opened in Akihabara,

Tokyo. The Group has been endeavoring to expand points of contact with customers (curry sauce is manufactured at a Group company in Indonesia).
Overseas, the Company has transferred the Restaurant Business in China and Taiwan, which was previously operated by the Company as a franchisee business of Ichibanya Co., Ltd., to Ichibanya to build a business base and enhance competitiveness.
As a result, sales in the Restaurant Business increased 1.5% year on year, to 25,808 million yen, and the operating loss stood at 39 million yen (compared to an operating loss of 97 million yen in the first six months of the previous fiscal year).

Other Food Related Business

Companies in this business segment have been working to enhance the overall strength of the Group by pursuing enhancement of their functions.
House Logistics Service Corporation, which operates the transportation and warehouse business, continuously worked to optimize and rebuild its business, with a view to the nationwide development of “F-LINE,” a joint effort of six food companies, in the difficult logistics environment.
Delica Chef Corporation, a Group company that produces prepared food for convenience stores, has been striving to strengthen its development capabilities and expand earnings, primarily in its prepared food business.
Vox Trading Co., Ltd. focused on strengthening its procurement and sales capabilities by working to strengthen collaboration within the Group.
As a result of the above, sales in Other Food Related Business rose 1.3% year on year, to 30,576 million yen, and operating profit soared 122.5% year on year, to 966 million yen, reflecting an improvement in earnings power in each company.

(2) Details of Financial Position

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

Total assets were 364,018 million yen, an increase of 10,131 million yen from the end of the previous consolidated fiscal year.

Current assets increased 8,656 million yen, to 144,268 million yen, mainly reflecting increases in notes and accounts receivable – trade, cash and deposits, and merchandise and finished goods. Non-current assets rose 1,474 million yen, to 219,750 million yen. This was chiefly due to an increase in investment securities, while goodwill declined.

Liabilities stood at 91,565 million yen, an increase of 4,293 million yen from the end of the previous consolidated fiscal year.

Current liabilities rose 2,122 million yen, to 53,613 million yen, owing mainly to increases in notes and accounts payable – other, short-term loans payable, and income taxes payable, despite a decrease in accounts payable – other. Non-current liabilities increased 2,171 million yen, to 37,952 million yen, chiefly due to a rise in deferred tax liabilities.

Net assets rose 5,838 million yen from the end of the previous consolidated fiscal year, to 272,453 million yen, as a result of an increase in valuation difference on available-for-sale securities due to a rise in the market value of investment securities owned and an increase in retained earnings due to profit attributable to owners of parent.

As a result, the equity ratio stood at 66.1% (compared with 66.5% at the end of the previous fiscal year), and net assets per share amounted to 2,342.72 yen (2,289.43 yen at the end of the previous fiscal year) at the end of the first half of the fiscal year under review.

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

The full-year consolidated business performance forecast for the fiscal year ending March 31, 2018, which was published on May 12, 2017, is changed as below, in light of progress in the business performance in the first half under review and the recent business environment, etc.

Revision of full-year consolidated business performance forecast for the fiscal year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share (basic)
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	292,800	13,500	14,500	7,700	74.94
Revised forecast (B)	291,600	15,000	16,100	8,600	83.70
Change (B – A)	(1,200)	1,500	1,600	900	–
Percentage change (%)	(0.4)	11.1	11.0	11.7	–
(For reference) Performance in previous fiscal year (ended March 31, 2017)	283,812	12,312	13,951	8,683	84.53

(Notes) 1. The forecast above has been made based on information available on the date of publication of this document. Actual results may differ from the forecast.

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

(Million yen)

	End of previous fiscal year (As of March 31, 2017)	End of first half of the fiscal year under review (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	57,583	60,681
Notes and accounts receivable - trade	45,370	49,620
Securities	7,436	6,946
Merchandise and finished goods	10,020	11,726
Work in process	2,008	1,865
Raw materials and supplies	4,563	4,792
Deferred tax assets	2,682	2,821
Other	6,185	6,044
Allowance for doubtful accounts	(234)	(227)
Total current assets	135,612	144,268
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,491	29,121
Machinery, equipment and vehicles, net	12,723	12,304
Land	30,394	31,205
Lease assets, net	3,942	3,853
Construction in progress	585	1,713
Other, net	2,028	1,899
Total property, plant and equipment	79,162	80,095
Intangible assets		
Goodwill	12,964	11,175
Trademark right	25,933	25,613
Software	2,142	1,892
Contract-related intangible assets	27,787	27,304
Software in progress	29	41
Other	1,094	1,062
Total intangible assets	69,949	67,086
Investments and other assets		
Investment securities	61,870	65,487
Long-term loans receivable	356	356
Deferred tax assets	1,223	1,120
Long-term time deposits	500	–
Net defined benefit asset	358	344
Claims provable in bankruptcy, claims provable in rehabilitation and other	683	681
Other	5,049	5,454
Allowance for doubtful accounts	(874)	(872)
Total investments and other assets	69,164	72,569
Total non-current assets	218,275	219,750
Total assets	353,888	364,018

(Million yen)

	End of previous fiscal year (As of March 31, 2017)	End of first half of the fiscal year under review (As of September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,584	21,755
Electronically recorded obligations - operating	1,294	1,282
Short-term loans payable	5,711	6,220
Current portion of bonds	–	26
Lease obligations	655	642
Accounts payable - other	14,872	13,603
Income taxes payable	2,680	3,166
Provision for bonuses	317	399
Provision for directors' bonuses	75	55
Provision for shareholder benefit program	87	90
Other provision	124	98
Asset retirement obligations	3	3
Other	6,090	6,274
Total current liabilities	51,492	53,613
Non-current liabilities		
Bonds payable	–	65
Long-term loans payable	550	585
Lease obligations	3,390	3,292
Long-term accounts payable - other	298	281
Deferred tax liabilities	24,296	25,451
Provision for directors' retirement benefits	–	286
Provision for loss on guarantees	3	2
Net defined benefit liability	2,720	2,620
Asset retirement obligations	719	809
Long-term guarantee deposited	3,508	4,066
Other	295	494
Total non-current liabilities	35,781	37,952
Total liabilities	87,273	91,565
Net assets		
Shareholders' equity		
Capital stock	9,948	9,948
Capital surplus	23,107	23,107
Retained earnings	182,501	185,083
Treasury shares	(12)	(14)
Total shareholders' equity	215,545	218,124
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	18,297	21,527
Deferred gains or losses on hedges	188	108
Foreign currency translation adjustment	1,566	1,086
Remeasurements of defined benefit plans	(350)	(125)
Total other accumulated comprehensive income	19,702	22,596
Non-controlling interests	31,369	31,732
Total net assets	266,615	272,453
Total liabilities and net assets	353,888	364,018

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(First six-month period)

(Million yen)

	First six-month period of previous fiscal year (April 1, 2016 - September 30, 2016)	First six-month period of the fiscal year under review (April 1, 2017 - September 30, 2017)
Net sales	136,975	143,434
Cost of sales	77,091	80,039
Gross profit	59,884	63,395
Selling, general and administrative expenses	54,533	55,939
Operating profit	5,351	7,456
Non-operating income		
Interest income	193	172
Dividend income	336	350
Share of profit of entities accounted for using equity method	24	35
House rent income	370	386
Other	119	100
Total non-operating income	1,043	1,043
Non-operating expenses		
Interest expenses	41	43
Rent expenses	316	317
Foreign exchange losses	503	74
Other	157	54
Total non-operating expenses	1,017	489
Ordinary profit	5,377	8,010
Extraordinary income		
Gain on sales of non-current assets	2	7
Gain on sales of investment securities	6	–
Gain on sales of restaurants	92	90
Gain on step acquisitions	448	–
Gain on bargain purchase	1,018	57
Other	70	6
Total extraordinary income	1,636	160
Extraordinary losses		
Loss on sales of non-current assets	4	0
Loss on retirement of non-current assets	117	63
Loss on sales of investment securities	–	0
Loss on valuation of membership	–	0
Impairment loss	533	362
Other	50	15
Total extraordinary losses	705	440
Profit before income taxes	6,308	7,730
Income taxes	1,139	2,797
Profit	5,169	4,933
Profit attributable to		
Profit attributable to owners of parent	4,208	4,328
Profit attributable to non-controlling interests	961	605

(Million yen)

	First six-month period of previous fiscal year (April 1, 2016 - September 30, 2016)	First six-month period of the fiscal year under review (April 1, 2017 - September 30, 2017)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,376)	3,270
Deferred gains or losses on hedges	(187)	(80)
Foreign currency translation adjustment	(3,124)	(496)
Remeasurements of defined benefit plans, net of tax	213	231
Share of other comprehensive income of entities accounted for using equity method	(19)	9
Total other comprehensive income	(4,493)	2,934
Comprehensive income	675	7,867
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(17)	7,223
Comprehensive income attributable to non-controlling interests	692	644

(3) Consolidated Statements of Cash Flows

(Million yen)

	First six-month period of previous fiscal year (April 1, 2016 - September 30, 2016)	First six-month period of the fiscal year under review (April 1, 2017 - September 30, 2017)
Cash flows from operating activities		
Profit before income taxes	6,308	7,730
Depreciation	4,514	4,442
Amortization of goodwill	1,789	1,789
Impairment loss	533	362
Share of (profit) loss of entities accounted for using equity method	(24)	(35)
Loss (gain) on step acquisitions	(448)	–
Gain on bargain purchase	(1,018)	(57)
Loss on valuation of membership	–	0
Increase (decrease) in allowance for doubtful accounts	(34)	(12)
Increase (decrease) in provision for directors' bonuses	(20)	(23)
Increase (decrease) in provision for shareholder benefit program	(9)	3
Increase (decrease) in provision for loss on guarantees	(2)	(1)
Increase (decrease) in other provision	–	(26)
Increase (decrease) in net defined benefit liability	107	144
Interest and dividend income	(529)	(522)
Interest expenses	41	43
Foreign exchange losses (gains)	321	(14)
Loss (gain) on sales of investment securities	(6)	0
Loss (gain) on sales of non-current assets	2	(7)
Loss on retirement of non-current assets	117	63
Loss (gain) on sales of restaurants	(92)	(90)
Decrease (increase) in notes and accounts receivable - trade	(1,044)	(4,025)
Decrease (increase) in inventories	(1,597)	(1,489)
Increase (decrease) in notes and accounts payable - trade	1,727	2,475
Increase (decrease) in accounts payable - bonuses	58	82
Decrease (increase) in other assets	(1,905)	115
Increase (decrease) in other liabilities	(1,284)	222
Subtotal	7,504	11,168
Interest and dividend income received	549	521
Interest expenses paid	(40)	(47)
Income taxes paid	(2,969)	(2,626)
Net cash provided by (used in) operating activities	5,043	9,017

(Million yen)

	First six-month period of previous fiscal year (April 1, 2016 - September 30, 2016)	First six-month period of the fiscal year under review (April 1, 2017 - September 30, 2017)
Cash flows from investing activities		
Payments into time deposits	(2,975)	(678)
Proceeds from withdrawal of time deposits	2,168	2,443
Purchase of securities	(306)	(3,188)
Proceeds from sales of securities	6,906	6,024
Purchase of property, plant and equipment	(4,169)	(4,582)
Proceeds from sales of property, plant and equipment	2	7
Gain on sales of restaurants	275	298
Purchase of intangible assets	(332)	(250)
Purchase of investment securities	(2,040)	(1,565)
Proceeds from sales of investment securities	300	300
Proceeds from sales of membership	–	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,458)	(1,266)
Proceeds from liquidation of subsidiaries	30	1
Net cash provided by (used in) investing activities	(4,599)	(2,456)
Cash flows from financing activities		
Increase in short-term loans payable	34,599	33,230
Decrease in short-term loans payable	(34,263)	(32,754)
Repayments of lease obligations	(404)	(428)
Proceeds from long-term loans payable	300	–
Repayments of long-term loans payable	(126)	(170)
Purchase of treasury shares	(1)	(2)
Purchase of treasury shares of subsidiaries	(902)	(0)
Proceeds from sales of shares of parent held by subsidiaries	1,009	–
Cash dividends paid	(1,535)	(1,747)
Dividends paid to non-controlling interests	(647)	(303)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(113)	–
Proceeds from capital increase through third-party allocation by consolidated subsidiaries	29	–
Net cash provided by (used in) financing activities	(2,055)	(2,175)
Effect of exchange rate change on cash and cash equivalents	(1,160)	(173)
Net increase (decrease) in cash and cash equivalents	(2,770)	4,213
Cash and cash equivalents at beginning of period	44,156	55,594
Cash and cash equivalents at end of period	41,385	59,807

(4) Notes to Quarterly Consolidated Financial Statements

Notes Relating to Assumptions for the Going Concern

Not applicable.

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

Not applicable.

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

(Calculation of tax expenses)

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

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

"Income taxes-current" and "Income taxes-deferred" are unified in "Income taxes."

Segment Information

I. First six-month period of previous fiscal year (April 1, 2016 - September 30, 2016)

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

(Million yen)

	Reported segments						Other	Total	Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total				
Net sales										
Sales – outside customers	60,363	17,761	8,510	25,416	24,896	136,946	–	136,946	29	136,975
Sales and transfer – inter-segment	1,970	90	99	6	5,282	7,447	–	7,447	(7,447)	–
Total	62,333	17,852	8,609	25,422	30,178	144,394	–	144,394	(7,418)	136,975
Segment profit (loss)	3,619	1,130	767	(97)	434	5,854	–	5,854	(503)	5,351

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

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

(2) "Segment profit (loss)" includes a profit of -502 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments, and -0 million yen for the elimination of inter-segment transactions.

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

2. Information on assets by reported segment

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

As a result of including Gaban Co., Ltd. in the scope of consolidation in the first quarter of the consolidated fiscal year under review by additionally acquiring common shares of Gaban Co., Ltd., segment assets in the Spice / Seasoning / Processed Food Business increased 10,217 million yen from the end of the previous consolidated fiscal year.

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

(Important impairment loss on non-current assets)

In the first half of the consolidated fiscal year under review, the Company recorded an impairment loss of 533 million yen associated with a fall in profitability of store assets and assets for lease, etc. in the Restaurant Business segment.

(Important gain on bargain purchase)

As a result of including Gaban Co., Ltd. in the scope of consolidation in the first quarter of the consolidated fiscal year by additionally acquiring common shares of Gaban Co., Ltd., the Company recorded a gain on bargain purchase of 1,018 million yen in the Spice / Seasoning / Processed Food Business segment.

II. First six-month period of the fiscal year under review (April 1, 2017 - September 30, 2017)

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

(Million yen)

	Reported segments						Other	Total	Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total				
Net sales										
Sales – outside customers	64,846	17,024	10,648	25,805	25,085	143,407	–	143,407	27	143,434
Sales and transfer – inter-segment	2,060	102	80	4	5,491	7,737	–	7,737	(7,737)	–
Total	66,906	17,127	10,727	25,808	30,576	151,144	–	151,144	(7,710)	143,434
Segment profit (loss)	4,770	840	1,416	(39)	966	7,953	–	7,953	(497)	7,456

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

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

(2) “Segment profit (loss)” includes a profit of -497 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments, and -0 million yen for the elimination of inter-segment transactions.

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

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

(Important impairment loss on non-current assets)

In the first half of the consolidated fiscal year under review, the Company recorded an impairment loss of 362 million yen associated with a fall in profitability of store assets and assets for lease, etc. in the Restaurant Business segment.

Additional Information

(Changes in Presentation Methods)

Quarterly consolidated balance sheets

“Long-term guarantee deposited,” which was included in “Other” under “Non-current liabilities” in the previous fiscal year, is presented as a separate item from the six-month period under review as the amount has become more significant. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been replaced.

“Other” under “Non-current liabilities” in the consolidated balance sheets for the previous fiscal year, 3,803 million yen, is replaced by “Long-term guarantee deposited” of 3,508 million yen and “Other” of 295 million yen.

Quarterly consolidated statements of income and comprehensive income

From the previous consolidated fiscal year, to increase the readability and clarity of Consolidated Statements of Income and Comprehensive Income, “Selling, general and administrative expenses,” which was recorded by expense item, has been posted under the single title of “Selling, general and administrative expenses.”

The consolidated financial statements for the first six-month period of the previous consolidated fiscal year have been reclassified to reflect these changes in presentation.

3. Supplementary Information

(1) Business Performance

Consolidated (Million yen)

	First half of FY2016		First half of FY2017		FY2016		FY2017 Revised Target	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	136,975	121.9%	143,434	104.7%	283,812	117.3%	291,600	102.7%
Operating profit	5,351	132.3%	7,456	139.3%	12,312	114.3%	15,000	121.8%
Ordinary profit	5,377	112.2%	8,010	149.0%	13,951	114.8%	16,100	115.4%
Profit attributable to owners of parent	4,208	142.6%	4,328	102.9%	8,683	38.4%	8,600	99.0%
Comprehensive income	675	50.8%	7,867	1165.1%	11,245	87.9%	–	–

Net sales by business segment

Net sales	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Spice / Seasoning / Processed Food Business	62,333	45.5%	66,906	46.7%	132,059	46.5%	140,000	48.0%
Health Food Business	17,852	13.0%	17,127	11.9%	33,281	11.7%	33,000	11.3%
International Food Business	8,609	6.3%	10,727	7.5%	20,111	7.1%	22,400	7.7%
Restaurant Business	25,422	18.6%	25,808	18.0%	51,375	18.1%	51,500	17.7%
Other Food Related Business	30,178	22.0%	30,576	21.3%	62,123	21.9%	60,000	20.6%
Adjustment	(7,418)	(5.4%)	(7,710)	(5.4%)	(15,138)	(5.3%)	(15,300)	(5.3%)

Operating profit by business segment

Operating profit	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Spice / Seasoning / Processed Food Business	3,619	67.6%	4,770	64.0%	9,885	80.3%	11,200	74.7%
Health Food Business	1,130	21.1%	840	11.2%	1,334	10.8%	1,000	6.7%
International Food Business	767	14.4%	1,416	19.0%	1,681	13.7%	2,600	17.3%
Restaurant Business	(97)	(1.8%)	(39)	(0.5%)	(424)	(3.4%)	(200)	(1.3%)
Other Food Related Business	434	8.1%	966	13.0%	719	5.8%	1,700	11.3%
Adjustment	(503)	(9.4%)	(497)	(6.7%)	(883)	(7.2%)	(1,300)	(8.7%)

(2) Number of Group Companies

	First half of FY2016	First half of FY2017	FY2016
Consolidated subsidiaries	36	38	36
Japan	14	15	14
Overseas	22	23	22
Equity-method affiliate	3	4	4
Japan	1	2	2
Overseas	2	2	2

Financial results of major subsidiaries in the first half of the fiscal year ending March 31, 2018 (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	62,666	103.9%	4,388	125.4%	3,202	131.3%
House Wellness Foods Corporation	17,127	95.9%	842	74.4%	687	60.1%
House Foods America Corporation (Consolidated)	6,199	112.7%	625	118.8%	399	120.7%
Ichibanya Co., Ltd. (Consolidated)	24,708	101.8%	2,496	101.3%	1,671	93.3%

* Period included in consolidated financial statements: House Foods America Corporation - from January to June 2017; Ichibanya Co., Ltd. - from March to August 2017
* Ichibanya Co., Ltd. reorganized the overseas restaurant business in March 2017, and year-on-year changes are comparisons with values after reclassification.

(3) Consolidated Statements of Income

1. Consolidated Statements of Income (Million yen)

	First half of FY2016		First half of FY2017		Year-on-year change	
	Amount	Percentage	Amount	Percentage	Amount	Rate of change
Net sales	**136,975**	**100.0%**	**143,434**	**100.0%**	**6,459**	**4.7%**
<By business segment>						
Spice / Seasoning / Processed Food Business	62,333	45.5%	66,906	46.7%	4,573	7.3%
Health Food Business	17,852	13.0%	17,127	11.9%	(725)	(4.1%)
International Food Business	8,609	6.3%	10,727	7.5%	2,118	24.6%
Restaurant Business	25,422	18.6%	25,808	18.0%	386	1.5%
Other Food Related Business	30,178	22.0%	30,576	21.3%	398	1.3%
Adjustment	(7,418)	(5.4%)	(7,710)	(5.4%)	(291)	–
Cost of sales	77,091	56.3%	80,039	55.8%	2,948	3.8%
Selling, general and administrative expenses	54,533	39.8%	55,939	39.0%	1,406	2.6%
Advertising expenses	4,763	3.5%	4,783	3.3%	19	0.4%
Transportation and warehousing expenses	4,539	3.3%	4,974	3.5%	435	9.6%
Sales commission	1,198	0.9%	1,213	0.8%	14	1.2%
Promotion expenses	15,020	11.0%	15,384	10.7%	364	2.4%
Personnel expenses	14,235	10.4%	14,599	10.2%	364	2.6%
Research and development expenses	1,847	1.3%	1,921	1.3%	73	4.0%
Amortization of goodwill	1,789	1.3%	1,789	1.2%	(0)	(0.0%)
Operating profit	**5,351**	**3.9%**	**7,456**	**5.2%**	**2,105**	**39.3%**
Non-operating income	1,043	0.8%	1,043	0.7%	1	0.0%
Non-operating expenses	1,017	0.7%	489	0.3%	(528)	(51.9%)
Ordinary profit	**5,377**	**3.9%**	**8,010**	**5.6%**	**2,633**	**49.0%**
Extraordinary income	1,636	1.2%	160	0.1%	(1,476)	(90.2%)
Extraordinary losses	705	0.5%	440	0.3%	(265)	(37.6%)
Profit before income taxes	6,308	4.6%	7,730	5.4%	1,422	22.5%
Income taxes	1,139	0.8%	2,797	1.9%	1,658	145.6%
Profit	5,169	3.8%	4,933	3.4%	(235)	(4.6%)
Profit attributable to						
Profit attributable to owners of parent	**4,208**	**3.1%**	**4,328**	**3.0%**	**120**	**2.9%**
Profit attributable to non-controlling interests	961	0.7%	605	0.4%	(356)	(37.0%)
Comprehensive income	**675**	**0.5%**	**7,867**	**5.5%**	**7,192**	**1065.1%**

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

Increase in gross profit	3,510
Increase in transportation and warehousing expenses	(435)
Increase in marketing costs (sum of advertising expenses, sales commission and promotion expenses)	(397)
Increase in salaries, allowances and bonuses	(288)
Increase in research and development expenses	(73)
Increase in other expenses	(212)

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

	First half of FY2016	First half of FY2017	Year-on-year change
Interest income	193	172	(21)
Dividend income	336	350	14
Share of profit of entities accounted for using equity method	24	35	11
House rent income	370	386	16
Other	119	100	(19)
Total non-operating income	1,043	1,043	1
Interest expenses	41	43	2
Foreign exchange losses	503	74	(429)
Rent expenses	316	317	2
Other	157	54	(103)
Total non-operating expenses	1,017	489	(528)

4. Extraordinary Income (Losses) (Million yen)

	First half of FY2016	First half of FY2017	Year-on-year change
Gain on sales of non-current assets	2	7	5
Gain on sales of investment securities	6	–	(6)
Gain on bargain purchase	1,018	57	(961)
Gain on sales of restaurants	92	90	(1)
Gain on step acquisitions	448	–	(448)
Other	70	6	(64)
Total extraordinary income	1,636	160	(1,476)
Loss on sales of non-current assets	4	0	(4)
Loss on retirement of non-current assets	117	63	(54)
Loss on sales of investment securities	–	0	0
Loss on valuation of membership	–	0	0
Impairment loss	533	362	(172)
Other	50	15	(36)
Total extraordinary losses	705	440	(265)

(4) Consolidated Balance Sheets

Consolidated Balance Sheets (Million yen)

	FY2016		First half of FY2017		Increase/decrease from end of FY2016	Major factors for increase/ decrease	
	Amount	Percentage	Amount	Percentage	Amount		
Current assets	135,612	38.3%	144,268	39.6%	8,656	Increase in notes and accounts receivable - trade	4,251
						Increase in cash and deposits	3,098
						Increase in inventories	1,792
						Decrease in securities	(490)
Non-current assets	218,275	61.7%	219,750	60.4%	1,474	Increase in investment securities	3,616
						Decrease in goodwill	(1,789)
						Decrease in long-term time deposit	(500)
Total assets	**353,888**	**100.0%**	**364,018**	**100.0%**	**10,131**		
Current liabilities	51,492	14.6%	53,613	14.8%	2,122	Increase in notes and accounts payable - trade	2,172
						Increase in short-term loans payable	509
						Increase in income taxes payable	486
						Decrease in accounts payable - other	(1,269)
Non-current liabilities	35,781	10.1%	37,952	10.4%	2,171	Increase in deferred tax liabilities	1,155
						Increase in long-term guarantee deposited	558
						Increase in provision for directors' retirement benefits	286
Total liabilities	**87,273**	**24.7%**	**91,565**	**25.2%**	**4,293**		
Total shareholders' equity	215,545	60.8%	218,124	59.9%	2,580	Increase in retained earnings	2,582
Total other accumulated comprehensive income	19,702	5.6%	22,596	6.2%	2,895	Increase in valuation difference on available-for-sale securities	3,230
						Increase in remeasurements of defined benefit plans	225
						Decrease in foreign currency translation adjustment	(480)
Non-controlling interests	31,369	8.9%	31,732	8.7%	363		
Total net assets	**266,615**	**75.3%**	**272,453**	**74.8%**	**5,838**		
Total liabilities and net assets	**353,888**	**100.0%**	**364,018**	**100.0%**	**10,131**		

(5) Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows (Million yen)

	First half of FY2016	First half of FY2017	Year-on-year change	Major factors for increase/ decrease	
Cash flows from operating activities	5,043	9,017	3,973	Decrease (increase) in other assets	2,020
				Increase (decrease) in other liabilities	1,506
				Profit before income taxes	1,422
				Gain on bargain purchase	961
				Increase (decrease) in notes and accounts payable - trade	748
				Decrease (increase) in notes and accounts receivable - trade	(2,982)
Cash flows from investing activities	(4,599)	(2,456)	2,143	Purchase of shares of subsidiaries resulting in change in scope of consolidation	3,192
				Payments into time deposits	2,297
				Purchase of securities	(2,882)
Cash flows from financing activities	(2,055)	(2,175)	(120)	Increase in short-term loans payable	(1,369)
				Proceeds from sales of shares of parent held by subsidiaries	(1,009)
				Decrease in short-term loans payable	1,509
				Purchase of treasury shares of subsidiaries	902
Cash and cash equivalents at end of period	41,385	59,807	18,421		

(6) Capital Investment

Consolidated (Million yen)

	First half of FY2016	First half of FY2017
Capital investment	2,551	3,210
Leases	280	362
Total	2,830	3,572

(7) Depreciation

Consolidated (Million yen)

	First half of FY2016	First half of FY2017
Depreciation	4,514	4,442
Lease payments	162	160
Total	4,676	4,602

* 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

	First half of FY2017	FY2016
Profit per share	42.12 yen	84.53 yen
Net assets per share	2,342.72 yen	2,289.43 yen
ROE	–	3.7%
Ratio of ordinary profit to total assets	–	4.0%
Ratio of ordinary profit to net sales	5.6%	4.9%
ATO	–	0.81 times
Current ratio	269.1%	263.4%
Fixed ratio	91.3%	92.8%
Debt to equity ratio	38.0%	37.1%
Equity ratio	66.1%	66.5%
Dividend (per share)	18.00 yen	32.00 yen
Payout ratio	42.7%	37.9%
Payout ratio based on the basic policy on the payment of dividends	30.5%	30.4%

* 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 and the amortization of goodwill arising from business combination

Number of employees	6,446 people	6,248 people

* Excluding those on leave of absence and part-time workers

(9) Full-Year Target

Consolidated (Million yen)

	FY2016	FY2017 Revised Target	Year-on-year change
<By business segment>			
Spice / Seasoning / Processed Food Business	132,059	140,000	7,941
Health Food Business	33,281	33,000	(281)
International Food Business	20,111	22,400	2,289
Restaurant Business	51,375	51,500	125
Other Food Related Business	62,123	60,000	(2,123)
Adjustment	(15,138)	(15,300)	(162)
Net Sales	**283,812**	**291,600**	**7,788**
<By business segment>			
Spice / Seasoning / Processed Food Business	9,885	11,200	1,315
Health Food Business	1,334	1,000	(334)
International Food Business	1,681	2,600	919
Restaurant Business	(424)	(200)	224
Other Food Related Business	719	1,700	981
Adjustment	(883)	(1,300)	(417)
Operating profit	**12,312**	**15,000**	**2,688**
Ordinary profit	**13,951**	**16,100**	**2,149**
Profit attributable to owners of parent	**8,683**	**8,600**	**(83)**
Comprehensive income	**11,245**	**–**	**–**

Consolidated Capital Investment (Million yen)

	FY2016	FY2017 Revised Target
Capital investment	**7,708**	**11,500**
Leases	**470**	**500**
Total	**8,178**	**12,000**

Consolidated Depreciation (Million yen)

	FY2016	FY2017 Revised Target
Depreciation	**9,345**	**9,200**
Lease payments	**346**	**500**
Total	**9,691**	**9,700**