November 1, 2018

Consolidated Financial Results (Japanese Accounting Standards) for the Six Months Ended September 30, 2018 (Q2 FY2018)

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Stock exchange listing: Tokyo Stock Exchange
Stock code: 2810
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Scheduled date for filing of securities report: November 13, 2018
Scheduled date of commencement of dividend payment: December 6, 2018
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, 2018 (April 1, 2018 – September 30, 2018)

(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, 2018	145,766	1.6	8,572	15.0	9,423	17.6	5,565	28.6
September 30, 2017	143,434	4.7	7,456	39.3	8,010	49.0	4,328	2.9

(Note) Comprehensive income: 7,566 million yen (-3.8%) for the six months ended September 30, 2018
7,867 million yen (–%) for the six months ended September 30, 2017

	Profit per share (basic)	Profit per share (diluted)
Six months ended	Yen	Yen
September 30, 2018	54.16	–
September 30, 2017	42.12	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Six months ended September 30, 2018	383,158	288,593	67.0	2,496.56
Year ended March 31, 2018	378,864	283,719	66.5	2,450.71

(Reference) Shareholders' equity: As of September 30, 2018: 256,524 million yen
As of March 31, 2018: 251,814 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, 2018	–	18.00	–	20.00	38.00
Year ending March 31, 2019	–	22.00			
Year ending March 31, 2019 (forecasts)			–	22.00	44.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentage figures represent the changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2019	301,700	3.4	18,000	10.5	19,600	13.9	11,600	24.0	112.89

(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):	Yes
(iii) Changes in accounting estimates:	None
(iv) Restatement:	None

Please refer to "2. Quarterly Consolidated Financial Statements and Key Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 12 for details.

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

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

As of September 30, 2018:	102,758,690 shares
As of March 31, 2018:	102,758,690 shares

(ii) Number of treasury shares at end of period

As of September 30, 2018:	7,520 shares
As of March 31, 2018:	6,963 shares

(iii) Average number of shares outstanding during the term

Six months ended September 30, 2018:	102,751,432 shares
Six months ended September 30, 2017:	102,752,936 shares

* Quarterly consolidated financial results are not subject to a quarterly review by certified public accountants or audit corporations.

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

- The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.
- For other matters related to the forecasts, please refer to "(3) Information on the Future Outlook, Including Consolidated Business Results Forecasts" under "1. Qualitative Information on Results for the First Half Ended September 30, 2018" on page 5 of the accompanying materials.

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1. Qualitative Information on Results for the First Half Ended September 30, 2018

(1) Details of Operating Results

House Foods Group regards the theme of "striving to become a high quality company that provides 'Healthy Life Through Foods'" as a vision of the Group in the Sixth Medium-Term Business Plan, which commenced in April 2018. The Group is taking steps to become a high quality company in all three of the responsibilities ("For our customers," "For our employees and their families," and "For society") it seeks to fulfill as a corporate citizen.

- Key themes in the "three responsibilities"

For our customers	Creating innovation in the mature market in Japan and accelerating business development in overseas growth markets (value chain innovation, R&D innovation, the expansion of growth in overseas businesses and the strengthening of business base).
For our employees and their families	Achieving diversity (implementing work-style reforms, recruiting diverse human resources and creating a workplace where they can take an active role).
For society	Establishing a recycling-oriented model and achieving a society of healthy longevity through the CSR (Creating Smiles & Relationships) activities the Group conceives.

During the first half of the fiscal year under review, net sales of the Group increased 1.6% year on year, to 145,766 million yen, mainly due to the growth of the Spice/Seasoning/Processed Food Business and the International Food Business.

Operating profit rose 15.0% year on year, to 8,572 million yen, chiefly because of a decline in marketing costs such as advertising expenses, in addition to the effect of higher sales. Ordinary profit increased 17.6% year on year, to 9,423 million yen, and profit attributable to owners of parent climbed 28.6% year on year, to 5,565 million yen.

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	67,909	101.5	5,539	116.1
Health Food Business	16,966	99.1	1,104	131.4
International Food Business	12,233	114.0	1,668	117.8
Restaurant Business	25,739	99.7	(142)	–
Other Food Related Business	30,757	100.6	1,190	123.2
Subtotal	153,603	101.6	9,359	117.7
Adjustment (elimination)	(7,837)	–	(788)	–
Total	145,766	101.6	8,572	115.0

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

Spice / Seasoning / Processed Food Business

House Foods Corporation increased sales of retort pouched curry products while sales of curry roux slightly declined, partly reflecting the growing tendency for people to eat out or buy food to eat at home. While sales of snack products declined as a reaction to strong sales in the same period of the previous fiscal year, sales of dessert products and packaged noodles, in which new products penetrated the market, increased from the same period of the previous fiscal year.

The incorporation of Malony Co., Ltd. into consolidated results from the third quarter of the previous fiscal year also helped to push sales higher.

As a result of the above, sales in the Spice/Seasoning/Processed Food Business stood at 67,909 million yen, up 1.5% year on year, and operating profit was 5,539 million yen, up 16.1% year on year. As a result, the ratio of operating

profit to net sales was 8.2%, rising 1.0 percentage point from the same period of the previous fiscal year.

Health Food Business

In the functional spice business, sales of the *Ukon No Chikara* series, the main brand, continued to face a difficult sales environment given the diversification of occasions when customers enjoyed a drink.

In the vitamin business, overall sales grew thanks to an increase in sales of *Ichinichibun No Vitamin* driven by jelly beverages, despite a fall in sales of the *C1000* series from a year earlier, reflecting the hard battle of bottle beverage products.

In August 2018, the Group commenced sales of product series that contained lactic acid bacterium L-137 developed using the Group's own technology.

As a result, sales in the Health Food Business stood at 16,966 million yen, declining 0.9% year on year, but operating profit rose 31.4% year on year, to 1,104 million yen, given strict control of marketing costs. As a result, the ratio of operating profit to net sales was 6.5%, improving 1.6 percentage point year on year.

International Food Business

In the Tofu business in the United States, sales increased but profits declined because of the effect of higher labor and logistics costs, offsetting the steady growth of business in the American market and the food service market, in addition to the stable growth of the Asian markets.

The curry business in China enjoyed higher sales and profits due to sales growth driven by success in developing new customers particularly in food service products.

In the functional beverage business in Thailand, both sales and profits increased because sales of *C-vitt* remained strong at convenience stores and others.

As a result of the above, sales in the International Food Business rose 14.0% year on year, to 12,233 million yen, and operating profit increased 17.8%, to 1,668 million yen. Consequently, the ratio of operating profit to net sales was 13.6%, rising 0.4 percentage point from a year earlier.

Restaurant Business

Ichibanya Co., Ltd. saw a decline in operating profit because of rising manufacturing costs and personnel expenses at directly managed stores, although sales remained solid. At stores in Japan totaling directly managed stores and franchised stores, sales at all stores rose 1.3% year on year and sales at existing stores increased 1.1%. At the end of the first half of the fiscal year under review, the number of stores in Japan was 1,303 while the number of overseas stores was 163.

As a result, sales in the Restaurant Business decreased 0.3% year on year, to 25,739 million yen, and the operating loss stood at 142 million yen (compared to operating loss of 39 million yen in the same period of the previous fiscal year) due to the burden of the amortization of goodwill and intangible assets recognized upon making Ichibanya Co., Ltd. a subsidiary included in the scope of consolidation. As a consequence, the ratio of operating profit to net sales was -0.6%, falling 0.4 percentage point from a year earlier.

Other Food Related Business

House Logistics Service Corporation, which operates the transportation and warehouse business, took steps to optimize its business with a view to the nationwide development of F-LINE, a joint effort by food companies.

Delica Chef Corporation, a Group company that produces prepared food for convenience stores, focused on strengthening its development capabilities and improving productivity.

Vox Trading Co., Ltd., which imports, exports and sells agricultural products and food, continued to work on enhancing solution involving high-quality food ingredients.

As a result of the above, sales in Other Food Related Business increased 0.6% year on year, to 30,757 million yen, and operating profit rose 23.2% year on year, to 1,190 million yen. Consequently, the ratio of operating profit to net sales was 3.9%, improving 0.7 percentage point from a year ago.

(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:

The Group has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018) from the beginning of the first quarter of the fiscal year and compares and analyses the status of financial position in comparison with the previous fiscal year, using figures after retroactively applying the accounting standard, etc.

Total assets were 383,158 million yen, an increase of 4,294 million yen from the end of the previous consolidated fiscal year.

Current assets increased 1,772 million yen, to 143,017 million yen, mainly reflecting increases in notes and accounts receivable - trade and merchandise and finished goods, which offset decreases in cash and deposits and securities. Non-current assets rose 2,522 million yen, to 240,140 million yen. This was chiefly due to increases in investment securities and construction in progress, offsetting decreases in goodwill and machinery, equipment and vehicles.

Liabilities stood at 94,565 million yen, a decrease of 580 million yen from the end of the previous consolidated fiscal year.

Current liabilities declined 1,394 million yen, to 55,254 million yen, owning mainly to decreases in accounts payable - other and income taxes payable, despite an increase in notes and accounts payable - trade. Non-current liabilities increased 814 million yen, to 39,311 million yen, chiefly due to a rise in deferred tax liabilities.

Net assets rose 4,874 million yen from the end of the previous consolidated fiscal year, to 288,593 million yen, as a result of an increase in the valuation difference on available-for-sale securities following a rise in the market value of investment securities owned, as well as rise in retained earnings due to a rise in profit attributable to owners of parent. In the meantime, foreign currency translation adjustment declined.

As a result, the equity ratio stood at 67.0% (compared with 66.5% at the end of the previous fiscal year), and net assets per share amounted to 2,496.56 yen (2,450.71 yen at the end of the previous fiscal year) at the end of the first half of the fiscal year under review.

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

The full-year consolidated business performance forecast for the fiscal year ending March 31, 2019, which was published on May 10, 2018, 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, 2019 (from April 1, 2018 to March 31, 2019)

	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)	301,300	17,000	18,000	10,000	97.32
Revised forecast (B)	301,700	18,000	19,600	11,600	112.89
Change (B – A)	400	1,000	1,600	1,600	–
Percentage change (%)	0.1	5.9	8.9	16.0	–
(For reference) Performance in previous fiscal year (ended March 31, 2018)	291,897	16,288	17,207	9,353	91.02

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

(Million yen)

	End of previous fiscal year (As of March 31, 2018)	End of first half of the fiscal year under review (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	60,630	59,041
Notes and accounts receivable - trade	48,575	51,856
Securities	8,654	7,668
Merchandise and finished goods	10,828	11,494
Work in process	1,963	1,848
Raw materials and supplies	4,740	4,803
Other	6,049	6,444
Allowance for doubtful accounts	(194)	(137)
Total current assets	141,245	143,017
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,211	29,805
Machinery, equipment and vehicles, net	12,794	11,973
Land	32,322	32,272
Lease assets, net	3,554	3,352
Construction in progress	2,428	4,429
Other, net	1,872	1,921
Total property, plant and equipment	83,182	83,751
Intangible assets		
Goodwill	9,400	7,690
Trademark right	25,296	24,977
Software	1,701	1,502
Contract-related intangible assets	26,820	26,337
Software in progress	164	248
Other	1,059	1,013
Total intangible assets	64,441	61,767
Investments and other assets		
Investment securities	76,841	80,610
Long-term loans receivable	349	340
Deferred tax assets	2,008	1,993
Long-term time deposits	1,000	1,000
Net defined benefit asset	3,981	4,317
Claims provable in bankruptcy, claims provable in rehabilitation and other	712	707
Other	6,009	6,552
Allowance for doubtful accounts	(903)	(897)
Total investments and other assets	89,996	94,623
Total non-current assets	237,619	240,140
Total assets	378,864	383,158

(Million yen)

	End of previous fiscal year (As of March 31, 2018)	End of first half of the fiscal year under review (As of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,877	22,449
Electronically recorded obligations - operating	1,465	1,469
Short-term loans payable	5,858	6,361
Current portion of bonds	26	26
Lease obligations	620	585
Accounts payable - other	16,601	13,828
Income taxes payable	4,331	3,674
Provision for bonuses	409	442
Provision for directors' bonuses	95	51
Provision for shareholder benefit program	90	93
Other provision	15	–
Asset retirement obligations	4	9
Other	6,256	6,267
Total current liabilities	56,648	55,254
Non-current liabilities		
Bonds payable	52	39
Long-term loans payable	573	463
Lease obligations	3,018	2,853
Long-term accounts payable - other	254	217
Deferred tax liabilities	26,570	27,242
Provision for directors' retirement benefits	296	306
Provision for loss on guarantees	2	2
Net defined benefit liability	1,728	1,753
Asset retirement obligations	843	835
Long-term guarantee deposited	4,643	5,043
Other	517	556
Total non-current liabilities	38,496	39,311
Total liabilities	95,145	94,565
Net assets		
Shareholders' equity		
Capital stock	9,948	9,948
Capital surplus	23,107	23,107
Retained earnings	188,258	191,768
Treasury shares	(17)	(20)
Total shareholders' equity	221,296	224,804
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	25,614	27,545
Deferred gains or losses on hedges	(5)	39
Foreign currency translation adjustment	1,763	1,033
Remeasurements of defined benefit plans	3,147	3,103
Total other accumulated comprehensive income	30,518	31,720
Non-controlling interests	31,905	32,069
Total net assets	283,719	288,593
Total liabilities and net assets	378,864	383,158

(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, 2017 - September 30, 2017)	First six-month period of the fiscal year under review (April 1, 2018 - September 30, 2018)
Net sales	143,434	145,766
Cost of sales	80,039	81,217
Gross profit	63,395	64,549
Selling, general and administrative expenses	55,939	55,978
Operating profit	7,456	8,572
Non-operating income		
Interest income	172	152
Dividend income	350	360
Share of profit of entities accounted for using equity method	35	24
House rent income	386	382
Foreign exchange gains	–	235
Other	100	173
Total non-operating income	1,043	1,325
Non-operating expenses		
Interest expenses	43	40
Rent expenses	317	307
Foreign exchange losses	74	–
Other	54	127
Total non-operating expenses	489	474
Ordinary profit	8,010	9,423
Extraordinary income		
Gain on sales of non-current assets	7	3
Gain on sales of investment securities	–	376
Compensation income	–	37
Gain on sales of restaurants	90	84
Gain on bargain purchase	57	–
Other	6	4
Total extraordinary income	160	504
Extraordinary losses		
Loss on sales of non-current assets	0	5
Loss on retirement of non-current assets	63	75
Loss on sales of investment securities	0	–
Loss on valuation of investment securities	–	2
Loss on valuation of membership	0	–
Impairment loss	362	241
Other	15	9
Total extraordinary losses	440	331
Profit before income taxes	7,730	9,595
Income taxes	2,797	3,291
Profit	4,933	6,305
Profit attributable to		
Profit attributable to owners of parent	4,328	5,565
Profit attributable to non-controlling interests	605	740

(Million yen)

	First six-month period of previous fiscal year (April 1, 2017 - September 30, 2017)	First six-month period of the fiscal year under review (April 1, 2018 - September 30, 2018)
Other comprehensive income		
Valuation difference on available-for-sale securities	3,270	2,062
Deferred gains or losses on hedges	(80)	43
Foreign currency translation adjustment	(496)	(800)
Remeasurements of defined benefit plans, net of tax	231	(37)
Share of other comprehensive income of entities accounted for using equity method	9	(6)
Total other comprehensive income	2,934	1,262
Comprehensive income	7,867	7,566
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,223	6,767
Comprehensive income attributable to non-controlling interests	644	799

(3) Consolidated Statements of Cash Flows

(Million yen)

	First six-month period of previous fiscal year (April 1, 2017 - September 30, 2017)	First six-month period of the fiscal year under review (April 1, 2018 - September 30, 2018)
Cash flows from operating activities		
Profit before income taxes	7,730	9,595
Depreciation	4,442	4,443
Amortization of goodwill	1,789	1,710
Impairment loss	362	241
Share of (profit) loss of entities accounted for using equity method	(35)	(24)
Gain on bargain purchase	(57)	–
Loss (gain) on valuation of investment securities	–	2
Loss on valuation of membership	0	–
Increase (decrease) in allowance for doubtful accounts	(12)	(63)
Increase (decrease) in provision for directors' retirement benefits	–	10
Increase (decrease) in provision for directors' bonuses	(23)	(44)
Increase (decrease) in provision for shareholder benefit program	3	3
Increase (decrease) in provision for loss on guarantees	(1)	(0)
Increase (decrease) in other provision	(26)	(15)
Increase (decrease) in net defined benefit liability	144	(364)
Interest and dividend income	(522)	(512)
Interest expenses	43	40
Foreign exchange losses (gains)	(14)	(162)
Loss (gain) on sales of investment securities	0	(376)
Loss (gain) on sales of non-current assets	(7)	2
Loss on retirement of non-current assets	63	75
Loss (gain) on sales of restaurants	(90)	(84)
Decrease (increase) in notes and accounts receivable - trade	(4,025)	(3,383)
Decrease (increase) in inventories	(1,489)	(679)
Increase (decrease) in notes and accounts payable - trade	2,475	1,576
Increase (decrease) in accounts payable - bonuses	82	25
Decrease (increase) in other assets	115	(848)
Increase (decrease) in other liabilities	222	(729)
Subtotal	11,168	10,438
Interest and dividend income received	521	540
Interest expenses paid	(47)	(42)
Income taxes paid	(2,626)	(4,153)
Net cash provided by (used in) operating activities	9,017	6,784

(Million yen)

	First six-month period of previous fiscal year (April 1, 2017 - September 30, 2017)	First six-month period of the fiscal year under review (April 1, 2018 - September 30, 2018)
Cash flows from investing activities		
Payments into time deposits	(678)	(404)
Proceeds from withdrawal of time deposits	2,443	355
Purchase of securities	(3,188)	(1,000)
Proceeds from sales of securities	6,024	4,400
Purchase of property, plant and equipment	(4,582)	(4,858)
Proceeds from sales of property, plant and equipment	7	7
Gain on sales of restaurants	298	195
Purchase of intangible assets	(250)	(427)
Purchase of investment securities	(1,565)	(4,632)
Proceeds from sales of investment securities	300	670
Proceeds from sales of membership	0	–
Collection of investments in capital	–	3
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,266)	–
Proceeds from liquidation of subsidiaries	1	–
Net cash provided by (used in) investing activities	(2,456)	(5,693)
Cash flows from financing activities		
Increase in short-term loans payable	33,230	31,974
Decrease in short-term loans payable	(32,754)	(31,507)
Repayments of lease obligations	(428)	(343)
Repayments of long-term loans payable	(170)	(50)
Redemption of bonds	–	(13)
Purchase of treasury shares	(2)	(2)
Purchase of treasury shares of subsidiaries	(0)	–
Cash dividends paid	(1,747)	(2,055)
Dividends paid to non-controlling interests	(303)	(635)
Net cash provided by (used in) financing activities	(2,175)	(2,631)
Effect of exchange rate change on cash and cash equivalents	(173)	(157)
Net increase (decrease) in cash and cash equivalents	4,213	(1,698)
Cash and cash equivalents at beginning of period	55,594	60,202
Cash and cash equivalents at end of period	59,807	58,504

(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."

Changes in Accounting Policies

(Changes in the method of converting revenues and expenses of foreign subsidiaries, etc. to Japanese currency)

Revenues and expenses of foreign subsidiaries, etc. were converted into Japanese yen at the spot exchange rate on the closing date of the foreign subsidiaries, etc., but the Group has changed the method of converting them to yen at the average exchange rate during the period from the first quarter of the fiscal year. This is because the Group has decided that the method of converting revenues and expenses of foreign subsidiaries, etc. to the Japanese yen at the average exchange rate during the period is more reasonable to alleviate the impact of temporary fluctuations in exchange rates on the profit and loss during the period and reflect the business results of foreign subsidiaries, etc. on the Group's consolidated financial statements more appropriately, given that overseas sales at foreign subsidiaries, etc. will grow increasingly important in the future because the Group is focusing on the expansion of overseas sales and global development.

Because the impact of this change is minor, the Group does not apply it retroactively.

Segment Information

I. First six-month period of previous fiscal year (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.

II. First six-month period of the fiscal year under review (April 1, 2018 - September 30, 2018)

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	65,841	16,836	12,186	25,730	25,151	145,745	–	145,745	21	145,766
Sales and transfer – inter-segment	2,067	130	46	8	5,606	7,858	–	7,858	(7,858)	–
Total	67,909	16,966	12,233	25,739	30,757	153,603	–	153,603	(7,837)	145,766
Segment profit (loss)	5,539	1,104	1,668	(142)	1,190	9,359	–	9,359	(788)	8,572

(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 -787 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 241 million yen associated with a fall in profitability of store assets and assets for lease, etc. in the Restaurant Business segment.

Additional Information

(Adoption of the “Partial Amendments to Accounting Standard for Tax Effect Accounting,” etc.)

The Group has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 on February 16, 2018), etc. from the beginning of the first quarter of the fiscal year. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

3. Supplementary Information

(1) Business Results

Consolidated (Million yen)

	First half of FY2017		First half of FY2018		FY2017		FY2018 Revised Target	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	143,434	104.7%	145,766	101.6%	291,897	102.8%	301,700	103.4%
Operating profit	7,456	139.3%	8,572	115.0%	16,288	132.3%	18,000	110.5%
Ordinary profit	8,010	149.0%	9,423	117.6%	17,207	123.3%	19,600	113.9%
Profit attributable to owners of parent	4,328	102.9%	5,565	128.6%	9,353	107.7%	11,600	124.0%
Comprehensive income	7,867	1165.1%	7,566	96.2%	21,547	191.6%	–	–

Net sales by business segment

Net sales	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Spice / Seasoning / Processed Food Business	66,906	46.7%	67,909	46.6%	139,937	48.0%	143,200	47.5%
Health Food Business	17,127	11.9%	16,966	11.6%	31,599	10.8%	32,000	10.6%
International Food Business	10,727	7.5%	12,233	8.4%	22,855	7.8%	26,300	8.7%
Restaurant Business	25,808	18.0%	25,739	17.7%	51,974	17.8%	53,100	17.6%
Other Food Related Business	30,576	21.3%	30,757	21.1%	61,024	20.9%	62,900	20.8%
Adjustment	(7,710)	(5.4%)	(7,837)	(5.4%)	(15,492)	(5.3%)	(15,800)	(5.2%)

Operating profit by business segment

Operating profit	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Spice / Seasoning / Processed Food Business	4,770	64.0%	5,539	64.6%	12,081	74.2%	13,000	72.2%
Health Food Business	840	11.2%	1,104	12.9%	907	5.6%	1,500	8.3%
International Food Business	1,416	19.0%	1,668	19.5%	2,847	17.5%	3,400	18.9%
Restaurant Business	(39)	(0.5%)	(142)	(1.7%)	(406)	(2.5%)	(300)	(1.7%)
Other Food Related Business	966	13.0%	1,190	13.9%	1,865	11.4%	2,000	11.1%
Adjustment	(497)	(6.7%)	(788)	(9.2%)	(1,008)	(6.2%)	(1,600)	(8.9%)

(2) Number of Group Companies

	First half of FY2017	First half of FY2018	FY2017
Consolidated subsidiaries	38	37	37
Japan	15	14	14
Overseas	23	23	23
Equity-method affiliate	4	4	4
Japan	2	2	2
Overseas	2	2	2

Financial results of major subsidiaries in the first half of the fiscal year ending March 31, 2019 (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	63,065	100.6%	5,175	117.9%	3,775	117.9%
House Wellness Foods Corporation	16,966	99.1%	1,103	130.9%	853	124.1%
House Foods America Corporation (Consolidated)	6,654	107.3%	600	96.1%	433	108.3%
Ichibanya Co., Ltd. (Consolidated)	24,801	100.4%	2,361	94.6%	1,590	95.1%

* Period included in consolidated financial statements: House Foods America Corporation - from January to June 2018; Ichibanya Co., Ltd. - from March to August 2018

(3) Consolidated Statements of Income

1. Consolidated Statements of Income (Million yen)

	First half of FY2017		First half of FY2018		Year-on-year change	
	Amount	Percentage	Amount	Percentage	Amount	Rate of change
Net sales	**143,434**	**100.0%**	**145,766**	**100.0%**	**2,332**	**1.6%**
<By business segment>						
Spice / Seasoning / Processed Food Business	66,906	46.7%	67,909	46.6%	1,003	1.5%
Health Food Business	17,127	11.9%	16,966	11.6%	(160)	(0.9%)
International Food Business	10,727	7.5%	12,233	8.4%	1,505	14.0%
Restaurant Business	25,808	18.0%	25,739	17.7%	(69)	(0.3%)
Other Food Related Business	30,576	21.3%	30,757	21.1%	181	0.6%
Adjustment	(7,710)	(5.4%)	(7,837)	(5.4%)	(127)	–
Cost of sales	80,039	55.8%	81,217	55.7%	1,178	1.5%
Selling, general and administrative expenses	55,939	39.0%	55,978	38.4%	39	0.1%
Advertising expenses	4,783	3.3%	4,516	3.1%	(266)	(5.6%)
Transportation and warehousing expenses	4,974	3.5%	5,115	3.5%	141	2.8%
Sales commission	1,213	0.8%	806	0.6%	(406)	(33.5%)
Promotion expenses	15,384	10.7%	15,966	11.0%	582	3.8%
Personnel expenses	14,599	10.2%	14,704	10.1%	105	0.7%
Research and development expenses	1,921	1.3%	2,015	1.4%	94	4.9%
Amortization of goodwill	1,789	1.2%	1,710	1.2%	(79)	(4.4%)
Operating profit	**7,456**	**5.2%**	**8,572**	**5.9%**	**1,116**	**15.0%**
Non-operating income	1,043	0.7%	1,325	0.9%	281	27.0%
Non-operating expenses	489	0.3%	474	0.3%	(15)	(3.1%)
Ordinary profit	**8,010**	**5.6%**	**9,423**	**6.5%**	**1,413**	**17.6%**
Extraordinary income	160	0.1%	504	0.3%	344	214.9%
Extraordinary losses	440	0.3%	331	0.2%	(109)	(24.8%)
Profit before income taxes	7,730	5.4%	9,595	6.6%	1,865	24.1%
Income taxes	2,797	1.9%	3,291	2.3%	494	17.7%
Profit	4,933	3.4%	6,305	4.3%	1,371	27.8%
Profit attributable to						
Profit attributable to owners of parent	**4,328**	**3.0%**	**5,565**	**3.8%**	**1,237**	**28.6%**
Profit attributable to non-controlling interests	605	0.4%	740	0.5%	135	22.3%
Comprehensive income	**7,867**	**5.5%**	**7,566**	**5.2%**	**(301)**	**(3.8%)**

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

Increase in gross profit	1,155
Increase in transportation and warehousing expenses	(141)
Increase in research and development expenses	(94)
Decrease in marketing costs (sum of advertising expenses, sales commission and promotion expenses)	90
Decrease in other expenses	106

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

	First half of FY2017	First half of FY2018	Year-on-year change
Interest income	172	152	(21)
Dividend income	350	360	10
Share of profit of entities accounted for using equity method	35	24	(11)
Foreign exchange gains	–	235	235
House rent income	386	382	(4)
Other	100	173	73
Total non-operating income	1,043	1,325	281
Interest expenses	43	40	(3)
Foreign exchange losses	74	–	(74)
Rent expenses	317	307	(11)
Other	54	127	73
Total non-operating expenses	489	474	(15)

4. Extraordinary Income (Losses) (Million yen)

	First half of FY2017	First half of FY2018	Year-on-year change
Gain on sales of non-current assets	7	3	(4)
Gain on sales of investment securities	–	376	376
Gain on bargain purchase	57	–	(57)
Gain on sales of restaurants	90	84	(6)
Compensation income	–	37	37
Other	6	4	(2)
Total extraordinary income	160	504	344
Loss on sales of non-current assets	0	5	4
Loss on retirement of non-current assets	63	75	11
Loss on valuation of investment securities	0	–	(0)
Loss on valuation of membership	0	–	(0)
Impairment loss	362	241	(121)
Other	15	11	(3)
Total extraordinary losses	440	331	(109)

(4) Consolidated Balance Sheets

Consolidated Balance Sheets (Million yen)

	FY2017		First half of FY2018		Increase/decrease from end of FY2017	Major factors for increase/ decrease	
	Amount	Percentage	Amount	Percentage	Amount		
Current assets	141,245	37.3%	143,017	37.3%	1,772	Increase in notes and accounts receivable - trade	3,281
						Increase in merchandise and finished goods	666
						Decrease in cash and deposits	(1,589)
						Decrease in securities	(985)
Non-current assets	237,619	62.7%	240,140	62.7%	2,522	Increase in investment securities	3,770
						Increase in construction in progress	2,001
						Decrease in goodwill	(1,710)
						Decrease in machinery, equipment and vehicles	(821)
Total assets	**378,864**	**100.0%**	**383,158**	**100.0%**	**4,294**		
Current liabilities	56,648	14.9%	55,254	14.4%	(1,394)	Decrease in accounts payable - other	(2,773)
						Decrease in income taxes payable	(657)
						Increase in notes and accounts payable - trade	1,573
Non-current liabilities	38,496	10.2%	39,311	10.3%	814	Increase in deferred tax liabilities	672
Total liabilities	**95,145**	**25.1%**	**94,565**	**24.7%**	**(580)**		
Total shareholders' equity	221,296	58.4%	224,804	58.7%	3,508	Increase in retained earnings	3,510
Total other accumulated comprehensive income	30,518	8.1%	31,720	8.3%	1,202	Increase in valuation difference on available-for-sale securities	1,931
						Decrease in foreign currency translation adjustment	(729)
Non-controlling interests	31,905	8.4%	32,069	8.4%	164		
Total net assets	**283,719**	**74.9%**	**288,593**	**75.3%**	**4,874**		
Total liabilities and net assets	**378,864**	**100.0%**	**383,158**	**100.0%**	**4,294**		

(5) Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows (Million yen)

	First half of FY2017	First half of FY2018	Year-on-year change	Major factors for increase/ decrease	
Cash flows from operating activities	9,017	6,784	(2,233)	Income taxes paid	(1,527)
				Decrease (increase) in other assets	(963)
				Increase (decrease) in other liabilities	(951)
				Increase (decrease) in notes and accounts payable - trade	(899)
				Increase (decrease) in net defined benefit liability	(507)
				Profit before income taxes	1,865
Cash flows from investing activities	(2,456)	(5,693)	(3,237)	Purchase of investment securities	(3,067)
				Proceeds from withdrawal of time deposits	(2,088)
				Purchase of shares of subsidiaries resulting in change in scope of consolidation	1,266
Cash flows from financing activities	(2,175)	(2,631)	(456)	Increase in short-term loans payable	(1,255)
				Dividends paid to non-controlling interests	(332)
				Cash dividends paid	(308)
				Decrease in short-term loans payable	1,247
Cash and cash equivalents at end of period	59,807	58,504	(1,302)		

(6) Capital Investment

Consolidated (Million yen)

	First half of FY2017	First half of FY2018
Capital investment	3,210	4,634
Leases	362	288
Total	3,572	4,922

(7) Depreciation

Consolidated (Million yen)

	First half of FY2017	First half of FY2018
Depreciation	4,442	4,443
Lease payments	160	184
Total	4,602	4,627

* 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 FY2018	FY2017
Profit per share	54.16 yen	91.02 yen
Net assets per share	2,496.56 yen	2,450.71 yen
ATO	–	0.80 times
Ratio of operating profit to net sales	5.9%	5.6%
Ratio of ordinary profit to net sales	6.5%	5.9%
Ratio of ordinary profit to total assets	–	4.7%
ROE	–	3.8%
Equity ratio	67.0%	66.5%
Current ratio	258.8%	249.3%
Fixed ratio	93.6%	94.4%
Debt to equity ratio	36.9%	37.8%
Dividend (per share)	22.00 yen	38.00 yen
Payout ratio	40.6%	41.7%
Payout ratio based on the basic policy on the payment of dividends	31.1%	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	6,275 people	6,273 people

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

(9) Full-Year Target

Consolidated (Million yen)

	FY2017	FY2018 Revised Target	Year-on-year change
<By business segment>			
Spice / Seasoning / Processed Food Business	139,937	143,200	3,263
Health Food Business	31,599	32,000	401
International Food Business	22,855	26,300	3,445
Restaurant Business	51,974	53,100	1,126
Other Food Related Business	61,024	62,900	1,876
Adjustment	(15,492)	(15,800)	(308)
Net Sales	**291,897**	**301,700**	**9,803**
<By business segment>			
Spice / Seasoning / Processed Food Business	12,081	13,000	919
Health Food Business	907	1,500	593
International Food Business	2,847	3,400	553
Restaurant Business	(406)	(300)	106
Other Food Related Business	1,865	2,000	135
Adjustment	(1,008)	(1,600)	(592)
Operating profit	**16,288**	**18,000**	**1,712**
Ordinary profit	**17,207**	**19,600**	**2,393**
Profit attributable to owners of parent	**9,353**	**11,600**	**2,247**
Comprehensive income	**21,547**	**–**	**–**

Consolidated Capital Investment (Million yen)

	FY2017	FY2018 Revised Target
Capital investment	10,215	12,000
Leases	484	1,000
Total	10,699	13,000

Consolidated Depreciation (Million yen)

	FY2017	FY2018 Revised Target
Depreciation	9,126	9,000
Lease payments	330	300
Total	9,456	9,300

Dividends

	FY2017	FY2018 Revised Target
Dividend (per share)	38.00 yen	44.00 yen
Payout ratio	41.7%	39.0%
Payout ratio based on the basic policy on the payment of dividends	30.4%	30.1%

* 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

(10) Reference Information

1. Domestic market scale (according to the survey by House Foods) (Billion yen)

	FY2013	FY2014	FY2015	FY2016	FY2017
Curry roux	49.9	48.5	51.9	50.3	47.4
Stew roux	18.8	18.1	18.7	18.0	18.1
Hashed beef sauce roux	6.2	6.1	6.5	6.3	6.1
Retort pouched curry	51.2	50.8	51.6	53.9	55.9
Spice in total	66.9	67.4	69.1	70.3	71.5

2. Curry roux market trends (SRI)

FY2018		1Q	2Q	3Q	4Q	1H	2H	Full year
Overall market	Average selling price	189 yen	190 yen			189 yen		
	Change from the previous year	-1 yen	-1 yen			-1 yen		
House Foods	Average selling price	192 yen	191 yen			192 yen		
	Change from the previous year	+0 yen	-1 yen			-1 yen		
	Share of amount	62.1%	61.9%			62.0%		

Source: SRI monthly data of INTAGE Inc. (April 2018 – September 2018)

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

FY2018		1Q	2Q	3Q	4Q	1H	2H	Full year
Spice / Seasoning / Processed Food Business								
	Curry roux in total	99.0%	99.2%			99.1%		
	Retort pouched curry in total	98.7%	109.5%			104.1%		
	Stew roux in total	107.9%	88.8%			93.6%		
	Hashed beef sauce roux in total	99.4%	104.2%			101.6%		
	Spice in total	99.3%	101.4%			100.3%		
Health Food Business								
	Ukon No Chikara	89.1%	85.1%			87.0%		
	C1000	90.2%	100.3%			95.3%		
	Ichinichibun No Vitamin	133.1%	135.2%			134.2%		