July 31, 2019

Consolidated Financial Results (Japanese Accounting Standards) for the Three Months Ended June 30, 2019 (Q1 FY2019)

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Stock exchange listing: Tokyo Stock Exchange
Stock code: 2810
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Scheduled date for filing of securities report: August 8, 2019
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 Three Months Ended June 30, 2019 (April 1, 2019 – June 30, 2019)

(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	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2019	72,341	1.5	4,638	7.6	5,002	7.3	2,488	(8.4)
June 30, 2018	71,305	1.3	4,310	12.9	4,660	17.8	2,715	20.0

(Note) Comprehensive income: 1,834 million yen (-41.4%) for the three months ended June 30, 2019
3,129 million yen (-20.1%) for the three months ended June 30, 2018

	Profit per share (basic)	Profit per share (diluted)
Three months ended	Yen	Yen
June 30, 2019	24.69	–
June 30, 2018	26.42	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Three months ended June 30, 2019	365,827	277,750	67.3	2,442.18
Year ended March 31, 2019	371,025	279,144	66.6	2,454.34

(Reference) Shareholders' equity: As of June 30, 2019: 246,049 million yen
As of March 31, 2019: 247,275 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, 2019	–	22.00	–	22.00	44.00
Year ending March 31, 2020	–				
Year ending March 31, 2020 (forecasts)		23.00	–	23.00	46.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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, 2020	299,000	0.8	18,500	5.4	19,600	2.6	10,900	(20.8)	108.19

(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 shares):

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

As of June 30, 2019:	100,750,620 shares
As of March 31, 2019:	100,750,620 shares

(ii) Number of treasury shares at end of period

As of June 30, 2019:	650 shares
As of March 31, 2019:	337 shares

(iii) Average number of shares outstanding during the term

Three months ended June 30, 2019:	100,750,058 shares
Three months ended June 30, 2018:	102,751,618 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 Quarter Ended June 30, 2019" on page 5 of the accompanying materials.

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1. Qualitative Information on Results for the First Quarter Ended June 30, 2019

(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. In the current fiscal year, the second year of the Sixth Medium-Term Business Plan, House Foods 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 and improving productivity (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.

In the first quarter of the fiscal year under review, net sales of the Group increased 1.5% year on year, to 72,341 million yen, mainly due to the growth of the Spice/Seasoning/Processed Food Business, the International Food Business and the Restaurant Business, despite a year-on-year decline in sales in the Health Food Business and the impact of the spin-off of the logistics business excluding orders received and yard handling business operations to F-LINE Corporation in the Other Food Related Business.

Operating profit rose 7.6% year on year, to 4,638 million yen, thanks to the effect of price revisions at Ichibanya Co., Ltd. in the Restaurant Business, in addition to the effect of higher sales in the Spice/Seasoning/Processed Food Business and the International Food Business, despite the struggle of the Health Food Business and the impact of the spin-off of the logistics business to F-LINE Corporation. Ordinary profit increased 7.3% year on year, to 5,002 million yen due to an increase in non-operating income mainly driven by a rise in the share of profit of entities accounted for using equity method. Profit attributable to owners of parent declined 8.4% year on year, to 2,488 million yen because of an increase in extraordinary losses mainly due to a rise in loss on change in equity.

The Company entered into a capital and business alliance agreement with Yamami Company in May 2019. The Group will aim to create new businesses and propose value in the area peripheral to Tofu, taking advantage of technologies and know-how owned by both companies.

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	33,405	101.4	2,884	108.5
Health Food Business	7,520	92.3	144	21.7
International Food Business	7,390	122.5	1,310	136.3
Restaurant Business	13,186	103.5	303	–
Other Food Related Business	12,678	82.5	410	67.7
Subtotal	74,179	98.6	5,050	106.8
Adjustment (elimination)	(1,838)	–	(413)	–
Total	72,341	101.5	4,638	107.6

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

Spice / Seasoning / Processed Food Business

Curry products of House Foods Corporation remained solid overall, reflecting steady progress in the cultivation of retort pouched curry products in the mid-price range, while curry roux products were unchanged from a year earlier. In other products, sales of spice products where spice pastes grew, hashed beef sauce roux that proposed the new value of spicy taste and snack products increased from a year earlier.

In addition, the performance of Gaban Co., Ltd., which belongs to this business segment, also remained firm.

As a result of the above, sales in the Spice/Seasoning/Processed Food Business stood at 33,405 million yen, up 1.4% year on year, and operating profit was 2,884 million yen, up 8.5% year on year. As a result, the ratio of operating profit to net sales was 8.6%, improving 0.6 percentage point from the same period of the previous fiscal year.

Health Food Business

The functional spice business focused on the cultivation of foods with function claims to expand the area to provide daily health support capitalizing on the effect of spices, and the introduction of *Nerunoda* into the market progressed. On the other hand, the *Ukon No Chikara* series, the main brand, continued to face serious challenges, given the diversification of occasions when customers enjoyed a drink and the effect of competition.

In the vitamin business, sales remained weak partly due to weather factors, in addition to the prioritizing of cost control over existing brands.

The lactic acid bacterium business continued to work on the commercialization of *lactic acid bacterium L-137*, which is regarded as a strategic healthy ingredient, as in the previous fiscal year.

As a result of the above, sales in the Health Food Business declined 7.7% year on year, to 7,520 million yen. Operating profit decreased 78.3% year on year, to 144 million yen due to the spending of advertising expenses to cultivate brands mainly in the functional spice business and the lactic acid bacterium business, in addition to the factor of smaller sales. As a result, the ratio of operating profit to net sales was 1.9%, declining 6.2 percentage points from the same period of the previous fiscal year.

International Food Business

In the Tofu business in the United States, both sales and profits increased due to continued strong demand mainly in the American market fueled by rising health consciousness. However, management of patience continued, because shipment was forced to be controlled amid tight production capacity.

The curry business in China posted higher sales, reflecting the expansion of food service products in an environment where the consumption behavior of customers is rapidly changing. However, profits declined due to an increase in costs associated with the start of operations at the Zhejiang Plant in September 2018.

In the functional beverage business in Thailand, both sales and profits increased, reflecting continued growth in *C-vitt* driven by strong demand.

As a result of the above, sales in the International Food Business rose 22.5% year on year, to 7,390 million yen, and operating profit increased 36.3%, to 1,310 million yen. Consequently, the ratio of operating profit to net sales was 17.7%, improving 1.8 percentage point from a year earlier.

Restaurant Business

Ichibanya Co., Ltd. enjoyed higher sales and profits thanks to the effect of price revisions made in March 2019 and overseas subsidiaries, which remained solid. At stores of Ichibanya Co., Ltd. in Japan, sales remained firm, with the combined sales of all directly managed stores and franchised stores rising 1.9% year on year and sales at existing stores increasing 1.5%.

At the end of the first quarter of the fiscal year under review, the number of stores of Ichibanya Co., Ltd. in Japan was

1,302 (a decline of 3 stores from the end of the previous fiscal year) while the number of overseas stores was 179 (an increase of 7 stores).
As a result, sales in the Restaurant Business including Ichibanya Co., Ltd. and other restaurant subsidiaries increased 3.5% year on year, to 13,186 million yen. Operating profit was 303 million yen, an increase of 463 million yen from a year earlier due to the effect of price revisions and growth in earnings of overseas subsidiaries, despite the burden of the amortization of goodwill and intangible assets were recognized upon making Ichibanya Co., Ltd. a subsidiary included in the scope of consolidation. Consequently, the ratio of operating profit to net sales was 2.3%, rising 3.6 percentage points from a year earlier.

Other Food Related Business

Delica Chef Corporation, a Group company that produces prepared food for convenience stores, focused more on strengthening its development capabilities and improving productivity amid the continued expansion of demand for home meal replacements.
Vox Trading Co., Ltd., which imports, exports and sells agricultural products and food, worked on increasing the earnings strength of the core business and expanding sales of high value-added products.
House Logistics Service Corporation, which belongs to this business segment, conducted a spin-off of its logistics business, excluding orders received and yard handling business operations, to F-LINE Corporation in April 2019. Because F-LINE Corporation is an equity-method affiliate of the Company, the spin-off was not reflected in the results of this business segment.
As a result of the above, sales in Other Food Related Business decreased 17.5% year on year, to 12,678 million yen, and operating profit declined 32.3% year on year, to 410 million yen. Consequently, the ratio of operating profit to net sales was 3.2%, declining 0.7 percentage point from a year ago.

(2) Details of Financial Position

The consolidated financial situation at the end of the first quarter of the fiscal year under review is as follows:
Total assets were 365,827 million yen, a decrease of 5,198 million yen from the end of the previous consolidated fiscal year.
Current assets stood at 140,824 million yen, a decrease of 3,931 million yen mainly due to decreases in cash and deposits, merchandise and finished goods, and notes and accounts receivable - trade, despite an increase in securities. Non-current assets declined 1,266 million yen, to 225,003 million yen mainly due to decreases in lease assets and goodwill, despite increases in construction in progress and investment securities.
Liabilities stood at 88,077 million yen, a decrease of 3,803 million yen from the end of the previous consolidated fiscal year.
Current liabilities were down 1,476 million yen, to 53,832 million yen mainly due to decreases in income taxes payable and accounts payable – other, while electronically recorded obligations - operating increased. Non-current liabilities declined 2,328 million yen, to 34,245 million yen chiefly due to decreases in lease obligations and deferred tax liabilities.
Net assets stood at 277,750 million yen, a decrease of 1,394 million yen from the end of the previous consolidated fiscal year mainly because of a decline in valuation difference on available-for-sale securities due to a fall in the market value of investment securities owned, while retained earnings increased thanks to profit attributable to owners of parent.
As a result, the equity ratio stood at 67.3% (compared with 66.6% at the end of the previous fiscal year), and net assets per share amounted to 2,442.18 yen (2,454.34 yen at the end of the previous fiscal year) at the end of the first quarter of the fiscal year under review.

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

There has been no change to the consolidated results forecasts announced on May 13, 2019, for the period ending March 31, 2020.

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

(Million yen)

	End of previous fiscal year (As of March 31, 2019)	End of first quarter of the fiscal year under review (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	62,484	56,632
Notes and accounts receivable - trade	48,601	47,937
Securities	7,082	8,510
Merchandise and finished goods	13,645	12,741
Work in process	1,935	1,915
Raw materials and supplies	4,706	4,905
Other	6,315	8,197
Allowance for doubtful accounts	(12)	(12)
Total current assets	144,755	140,824
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,528	30,727
Machinery, equipment and vehicles, net	14,598	14,079
Land	32,212	31,861
Lease assets, net	3,278	1,513
Construction in progress	2,111	4,518
Other, net	2,216	2,218
Total property, plant and equipment	85,943	84,915
Intangible assets		
Goodwill	5,980	5,125
Trademark right	24,660	24,501
Software	1,474	1,454
Contract-related intangible assets	25,854	25,612
Software in progress	310	465
Other	960	960
Total intangible assets	59,238	58,118
Investments and other assets		
Investment securities	66,472	67,606
Long-term loans receivable	329	2
Deferred tax assets	1,609	1,809
Long-term time deposits	1,000	1,000
Retirement benefit asset	4,823	5,079
Claims provable in bankruptcy, claims provable in rehabilitation and other	788	788
Other	7,038	6,656
Allowance for doubtful accounts	(971)	(971)
Total investments and other assets	81,088	81,970
Total non-current assets	226,269	225,003
Total assets	371,025	365,827

(Million yen)

	End of previous fiscal year (As of March 31, 2019)	End of first quarter of the fiscal year under review (As of June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,178	21,078
Electronically recorded obligations - operating	1,562	2,325
Short-term borrowings	3,749	3,665
Current portion of bonds	26	26
Lease obligations	584	423
Accounts payable - other	16,657	16,006
Income taxes payable	3,504	2,057
Provision for bonuses	431	243
Provision for bonuses for directors (and other officers)	98	22
Provision for shareholder benefit program	90	72
Asset retirement obligations	1	1
Other	7,427	7,914
Total current liabilities	55,308	53,832
Non-current liabilities		
Bonds payable	26	13
Long-term borrowings	392	369
Lease obligations	2,770	1,175
Long-term accounts payable - other	219	208
Deferred tax liabilities	24,234	23,641
Provision for loss on guarantees	2	–
Retirement benefit liability	1,814	1,812
Asset retirement obligations	845	731
Long-term guarantee deposited	5,777	5,797
Other	495	500
Total non-current liabilities	36,573	34,245
Total liabilities	91,881	88,077
Net assets		
Shareholders' equity		
Share capital	9,948	9,948
Capital surplus	23,107	22,829
Retained earnings	188,920	189,192
Treasury shares	(1)	(3)
Total shareholders' equity	221,975	221,966
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	21,327	20,051
Deferred gains or losses on hedges	5	2
Foreign currency translation adjustment	756	926
Remeasurements of defined benefit plans	3,213	3,104
Total other accumulated comprehensive income	25,300	24,083
Non-controlling interests	31,869	31,700
Total net assets	279,144	277,750
Total liabilities and net assets	371,025	365,827

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(First three-month period)

(Million yen)

	First three-month period of previous fiscal year (April 1, 2018 - June 30, 2018)	First three-month period of the fiscal year under review (April 1, 2019 - June 30, 2019)
Net sales	71,305	72,341
Cost of sales	39,825	40,037
Gross profit	31,480	32,305
Selling, general and administrative expenses	27,170	27,667
Operating profit	4,310	4,638
Non-operating income		
Interest income	73	77
Dividend income	60	62
Share of profit of entities accounted for using equity method	7	402
Rental income from buildings	191	188
Foreign exchange gains	113	–
Other	110	131
Total non-operating income	554	861
Non-operating expenses		
Interest expenses	19	17
Rental expenses	151	154
Foreign exchange losses	–	270
Other	34	55
Total non-operating expenses	204	496
Ordinary profit	4,660	5,002
Extraordinary income		
Gain on sales of non-current assets	3	3
Gain on sales of investment securities	0	–
Compensation income	37	–
Gain on sales of restaurants	59	4
Other	1	0
Total extraordinary income	99	8
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	25	113
Loss on valuation of investment securities	2	–
Impairment loss	2	0
Loss on change in equity	–	212
Other	4	7
Total extraordinary losses	33	332
Profit before income taxes	4,726	4,678
Income taxes	1,636	1,584
Profit	3,090	3,094
Profit attributable to		
Profit attributable to owners of parent	2,715	2,488
Profit attributable to non-controlling interests	375	606

(Million yen)

	First three-month period of previous fiscal year (April 1, 2018 - June 30, 2018)	First three-month period of the fiscal year under review (April 1, 2019 - June 30, 2019)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,109	(1,347)
Deferred gains or losses on hedges	(52)	(1)
Foreign currency translation adjustment	(996)	182
Remeasurements of defined benefit plans, net of tax	(19)	(105)
Share of other comprehensive income of entities accounted for using equity method	(3)	11
Total other comprehensive income	39	(1,260)
Comprehensive income	3,129	1,834
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,815	1,271
Comprehensive income attributable to non-controlling interests	314	563

(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.

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 quarter 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 three-month period of previous fiscal year (April 1, 2018 - June 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	31,840	8,069	6,009	12,740	12,637	71,295	–	71,295	11	71,305
Sales and transfer – inter-segment	1,093	79	23	4	2,734	3,934	–	3,934	(3,934)	–
Total	32,932	8,149	6,033	12,744	15,371	75,229	–	75,229	(3,923)	71,305
Segment profit (loss)	2,657	663	961	(160)	605	4,727	–	4,727	(416)	4,310

(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 -416 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 quarter of the consolidated fiscal year under review, the Company recorded an impairment loss of 2 million yen associated with a fall in profitability of store assets, etc. in the Restaurant Business segment.

II. First three-month period of the fiscal year under review (April 1, 2019 - June 30, 2019)

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	32,380	7,449	7,374	13,176	11,956	72,336	–	72,336	6	72,341
Sales and transfer – inter-segment	1,025	71	16	10	721	1,843	–	1,843	(1,843)	–
Total	33,405	7,520	7,390	13,186	12,678	74,179	–	74,179	(1,838)	72,341
Segment profit (loss)	2,884	144	1,310	303	410	5,050	–	5,050	(413)	4,638

(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 -413 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments.

(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 quarter of the consolidated fiscal year under review, the Company recorded an impairment loss of 0 million yen associated with a fall in profitability of store assets, etc. in the Restaurant Business segment.

Business Combination, etc.

(Business Divestiture)

(1) Outline of the business divestiture

1) Name of successor enterprise

Ajinomoto Logistics Corporation

2) Details of divested business

Freight forwarding business, etc.

3) Main reason for conducting business divestiture

The Group decided to spin off the business (excluding certain operations) of House Logistics Service Corporation to a company that has integrated all businesses of Kagome Distribution Service Co., Ltd., F-LINE Corporation, and Kyushu F-LINE Corporation, into Ajinomoto Logistics Corporation (the company name was changed to F-LINE Corporation (hereinafter "current F-LINE Corporation") on April 1, 2019) for the purpose of realizing an efficient and stable logistics structure to address various food product distribution issues.

4) Date of business divestiture

April 1, 2019

5) Outline of transaction, including its legal form

Absorption-type company split in which House Logistics Service Corporation is the splitting company and Ajinomoto Logistics Corporation (current F-LINE Corporation) is the successor company.

(2) Details of accounting carried out

1) Share of profit of entities accounted for using equity method 407 million yen
Loss on change in equity 212 million yen

(Note) 1. Amount equivalent to negative goodwill is posted as the share of profit of entities accounted for using equity method

2) Type of consideration received

Common stock of Ajinomoto Logistics Corporation (current F-LINE Corporation)

3) Appropriate book value of assets and liabilities relating to the business transferred and the major breakdown thereof

Current assets	2,761 million yen
Non-current assets	4,544 million yen
Total assets	7,305 million yen
Current liabilities	269 million yen
Non-current liabilities	2,249 million yen
Total liabilities	2,519 million yen

4) Accounting

The Group has accounted for the transaction in accordance with "Accounting Standard for Business Divestitures"

(ASBJ Statement No. 7, September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(3) Name of the reportable segment in which the divested business is included

Other Food-related Business

(4) Estimated amount of profit and loss of the divested business posted in the quarterly consolidated statement of income for the first three-month period

It is not posted because the company split was conducted at the beginning of the period.

3. Supplementary Information

(1) Business Results

Consolidated (Million yen)

	First quarter of FY2018		First quarter of FY2019		FY2018		FY2019 Target	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	71,305	101.3%	72,341	101.5%	296,695	101.6%	299,000	100.8%
Operating profit	4,310	112.9%	4,638	107.6%	17,559	107.8%	18,500	105.4%
Ordinary profit	4,660	117.8%	5,002	107.3%	19,100	111.0%	19,600	102.6%
Profit attributable to owners of parent	2,715	120.0%	2,488	91.6%	13,767	147.2%	10,900	79.2%
Comprehensive income	3,129	79.9%	1,834	58.6%	9,754	45.3%	–	–

Net sales by business segment

Net sales	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Spice / Seasoning / Processed Food Business	32,932	101.1%	33,405	101.4%	141,225	100.9%	146,200	103.5%
Health Food Business	8,149	95.0%	7,520	92.3%	30,899	97.8%	31,000	100.3%
International Food Business	6,033	111.3%	7,390	122.5%	26,317	115.1%	29,600	112.5%
Restaurant Business	12,744	98.6%	13,186	103.5%	52,083	100.2%	53,100	102.0%
Other Food Related Business	15,371	105.1%	12,678	82.5%	61,882	101.4%	46,400	75.0%
Adjustment	(3,923)	–	(1,838)	–	(15,710)	–	(7,300)	–

Operating profit by business segment

Operating profit	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Spice / Seasoning / Processed Food Business	2,657	128.0%	2,884	108.5%	12,669	104.9%	13,300	105.0%
Health Food Business	663	103.2%	144	21.7%	1,421	156.6%	1,600	112.6%
International Food Business	961	117.6%	1,310	136.3%	3,584	125.9%	3,600	100.4%
Restaurant Business	(160)	–	303	–	(561)	–	(400)	–
Other Food Related Business	605	128.0%	410	67.7%	2,045	109.6%	1,800	88.0%
Adjustment	(416)	–	(413)	–	(1,599)	–	(1,400)	–

(2) Number of Group Companies

	First quarter of FY2018	First quarter of FY2019	FY2018
Consolidated subsidiaries	37	36	36
Japan	14	14	14
Overseas	23	22	22
Equity-method affiliate	4	4	4
Japan	2	2	2
Overseas	2	2	2

Financial results of major subsidiaries in the first quarter of the fiscal year ending March 31, 2020 (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	31,051	101.8%	2,659	106.6%	1,988	105.7%
House Wellness Foods Corporation	7,520	92.3%	143	21.6%	95	18.8%
House Foods America Corporation (Consolidated)	3,674	106.5%	514	118.2%	375	118.2%
Ichibanya Co., Ltd. (Consolidated)	12,757	103.9%	1,539	140.7%	1,067	127.4%

* Period included in consolidated financial statements: House Foods America Corporation - from January to March 2019; Ichibanya Co., Ltd. - from March to May 2019

Average exchange rate during the period

	Currency unit	First quarter of FY2018	First quarter of FY2019	FY2019 Target
United States	USD	107.47	110.27	110.00

(3) Consolidated Statements of Income

1. Consolidated Statements of Income (Million yen)

	First quarter of FY2018		First quarter of FY2019		Year-on-year change	
	Amount	Percentage	Amount	Percentage	Amount	Rate of change
Net sales	**71,305**	**100.0%**	**72,341**	**100.0%**	**1,036**	**1.5%**
<By business segment>						
Spice / Seasoning / Processed Food Business	32,932	46.1%	33,405	46.2%	472	1.4%
Health Food Business	8,149	11.4%	7,520	10.4%	(629)	(7.7%)
International Food Business	6,033	8.5%	7,390	10.2%	1,357	22.5%
Restaurant Business	12,744	17.9%	13,186	18.2%	442	3.5%
Other Food Related Business	15,371	21.6%	12,678	17.5%	(2,693)	(17.5%)
Adjustment	(3,923)	(5.5%)	(1,838)	(2.5%)	2,086	–
Cost of sales	39,825	55.9%	40,037	55.3%	211	0.5%
Selling, general and administrative expenses	27,170	38.1%	27,667	38.2%	497	1.8%
Advertising expenses	2,209	3.1%	2,179	3.0%	(30)	(1.4%)
Transportation and warehousing expenses	2,519	3.5%	2,828	3.9%	309	12.3%
Sales commission	397	0.6%	403	0.6%	6	1.4%
Promotion expenses	7,402	10.4%	7,480	10.3%	78	1.0%
Personnel expenses	7,341	10.3%	7,253	10.0%	(88)	(1.2%)
Research and development expenses	984	1.4%	1,079	1.5%	95	9.7%
Amortization of goodwill	855	1.2%	854	1.2%	(1)	(0.1%)
Other	5,462	7.7%	5,590	7.7%	128	2.3%
Operating profit	**4,310**	**6.0%**	**4,638**	**6.4%**	**327**	**7.6%**
Non-operating income	554	0.8%	861	1.2%	306	55.3%
Non-operating expenses	204	0.3%	496	0.7%	292	142.9%
Ordinary profit	**4,660**	**6.5%**	**5,002**	**6.9%**	**342**	**7.3%**
Extraordinary income	99	0.1%	8	0.0%	(91)	(92.1%)
Extraordinary losses	33	0.0%	332	0.5%	299	895.7%
Profit before income taxes	4,726	6.6%	4,678	6.5%	(48)	(1.0%)
Income taxes	1,636	2.3%	1,584	2.2%	(51)	(3.1%)
Profit	3,090	4.3%	3,094	4.3%	4	0.1%
Profit attributable to						
Profit attributable to owners of parent	**2,715**	**3.8%**	**2,488**	**3.4%**	**(227)**	**(8.4%)**
Profit attributable to non-controlling interests	375	0.5%	606	0.8%	231	61.6%
Comprehensive income	**3,129**	**4.4%**	**1,834**	**2.5%**	**(1,296)**	**(41.4%)**

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

Increase in gross profit	824
Increase in transportation and warehousing expenses	(309)
Increase in research and development expenses	(95)
Decrease in marketing costs (sum of advertising expenses, sales commission and promotion expenses)	(53)
Decrease in other expenses	(40)

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

	First quarter of FY2018	First quarter of FY2019	Year-on-year change
Interest income	73	77	4
Dividend income	60	62	3
Share of profit of entities accounted for using equity method	7	402	395
Foreign exchange gains	113	–	(113)
Rental income from buildings	191	188	(3)
Other	110	131	21
Total non-operating income	554	861	306
Interest expenses	19	17	(2)
Foreign exchange losses	–	270	270
Rental expenses	151	154	3
Other	34	55	21
Total non-operating expenses	204	496	292

4. Extraordinary Income (Losses) (Million yen)

	First quarter of FY2018	First quarter of FY2019	Year-on-year change
Gain on sales of non-current assets	3	3	1
Gain on sales of investment securities	0	–	(0)
Gain on sales of restaurants	59	4	(55)
Other	37	0	(37)
Total extraordinary income	99	8	(91)
Loss on retirement of non-current assets	25	113	88
Loss on sales of non-current assets	0	0	(0)
Loss on valuation of investment securities	2	–	(2)
Impairment loss	2	0	(2)
Loss on change in equity	–	212	212
Other	4	7	4
Total extraordinary losses	33	332	299

5. Quarterly Statements

Consolidated (Million yen)

	FY2018					FY2019				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Net sales	71,305	74,461	79,853	71,077	296,695	72,341				
Operating profit	4,310	4,261	7,193	1,795	17,559	4,638				
Ordinary profit	4,660	4,762	7,440	2,237	19,100	5,002				
Profit attributable to owners of parent	2,715	2,850	4,689	3,513	13,767	2,488				
Comprehensive income	3,129	4,437	560	1,627	9,754	1,834				

Net sales by business segment

Net sales	FY2018					FY2019				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Spice / Seasoning / Processed Food Business	32,932	34,976	39,552	33,764	141,225	33,405				
Health Food Business	8,149	8,817	8,303	5,630	30,899	7,520				
International Food Business	6,033	6,200	7,105	6,979	26,317	7,390				
Restaurant Business	12,744	12,995	13,092	13,252	52,083	13,186				
Other Food Related Business	15,371	15,387	15,897	15,229	61,882	12,678				
Adjustment	(3,923)	(3,914)	(4,096)	(3,777)	(15,710)	(1,838)				

Operating profit by business segment

Operating profit	FY2018					FY2019				
	1Q	2Q	3Q	4Q	Cumulative total	1Q	2Q	3Q	4Q	Cumulative total
Spice / Seasoning / Processed Food Business	2,657	2,882	5,111	2,019	12,669	2,884				
ROS	8.1%	8.2%	12.9%	6.0%	9.0%	8.6%				
Health Food Business	663	441	806	(488)	1,421	144				
ROS	8.1%	5.0%	9.7%	(8.7%)	4.6%	1.9%				
International Food Business	961	707	1,063	853	3,584	1,310				
ROS	15.9%	11.4%	15.0%	12.2%	13.6%	17.7%				
Restaurant Business	(160)	18	(230)	(189)	(561)	303				
ROS	(1.3%)	0.1%	(1.8%)	(1.4%)	(1.1%)	2.3%				
Other Food Related Business	605	585	645	210	2,045	410				
ROS	3.9%	3.8%	4.1%	1.4%	3.3%	3.2%				
Adjustment	(416)	(371)	(202)	(609)	(1,599)	(413)				

(4) Consolidated Balance Sheets

Consolidated Balance Sheets (Million yen)

	FY2018		First quarter of FY2019		Increase/decrease from end of FY2018	Major factors for increase/ decrease	
	Amount	Percentage	Amount	Percentage	Amount		
Current assets	144,755	39.0%	140,824	38.5%	(3,931)	Decrease in cash and deposits	(5,852)
						Decrease in merchandise and finished goods	(903)
						Decrease in notes and accounts receivable - trade	(664)
						Increase in securities	1,428
Non-current assets	226,269	61.0%	225,003	61.5%	(1,266)	Decrease in lease assets	(1,766)
						Decrease in goodwill	(854)
						Decrease in buildings and structures	(801)
						Increase in construction in progress	2,408
						Increase in investment securities	1,134
Total assets	**371,025**	**100.0%**	**365,827**	**100.0%**	**(5,198)**		
Current liabilities	55,308	14.9%	53,832	14.7%	(1,476)	Decrease in income taxes payable	(1,446)
						Decrease in accounts payable - other	(651)
						Increase in electronically recorded obligations - operating	763
Non-current liabilities	36,573	9.9%	34,245	9.4%	(2,328)	Decease in lease obligations	(1,595)
						Decrease in deferred tax liabilities	(593)
Total liabilities	**91,881**	**24.8%**	**88,077**	**24.1%**	**(3,803)**		
Total shareholders' equity	221,975	59.8%	221,966	60.6%	(9)	Decrease in capital surplus	(279)
						Increase in retained earnings	271
Total other accumulated comprehensive income	25,300	6.8%	24,083	6.6%	(1,217)	Decrease in valuation difference on available-for-sale securities	(1,276)
Non-controlling interests	31,869	8.6%	31,700	8.7%	(168)		
Total net assets	**279,144**	**75.2%**	**277,750**	**75.9%**	**(1,394)**		
Total liabilities and net assets	**371,025**	**100.0%**	**365,827**	**100.0%**	**(5,198)**		

(5) Capital Investment

Consolidated (Million yen)

	First quarter of FY2018	First quarter of FY2019	FY2019 Forecast
Capital investment	2,318	3,863	20,200
Leases	41	774	800
Total	2,359	4,637	21,000

(6) Depreciation

Consolidated (Million yen)

	First quarter of FY2018	First quarter of FY2019	FY2019 Forecast
Depreciation	2,199	2,279	10,400
Lease payments	90	92	400
Total	2,289	2,371	10,800

* Lease payments for leased property which is recorded as an asset according to the method for sales transactions are included in "depreciation."

(7) Major Management Indicators, etc.

Consolidated

	FY2018	First quarter of FY2019	FY2019 Target
Profit per share	134.32 yen	24.69 yen	108.19 yen
Net assets per share	2,454.34 yen	2,442.18 yen	–
ATO	0.79 times	–	–
Ratio of operating profit to net sales	5.9%	6.4%	6.2%
Ratio of ordinary profit to net sales	6.4%	6.9%	6.6%
Ratio of ordinary profit to total assets	5.1%	–	–
ROE	5.5%	–	–
Equity ratio	66.6%	67.3%	–
Dividend per share	44.00 yen	–	46.00 yen
Dividend payout ratio	32.8%	–	42.5%
Dividend payout ratio according to the basic policy on the return of earnings to shareholders	26.2%	–	32.4%

* 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 arising from business combination and the amortization of goodwill

Number of employees	6,066 people	6,265 people	–

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

(8) Reference Information

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

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Curry roux	49.9	48.5	51.9	50.3	47.4	45.0
Stew roux	18.8	18.1	18.7	18.0	18.1	17.0
Hashed beef sauce roux	6.2	6.1	6.5	6.3	6.1	6.0
Retort pouched curry	51.2	50.8	51.6	53.9	55.9	58.1
Spice in total	66.9	67.4	69.1	70.3	71.5	73.8

2. Curry roux market trends (SRI)

FY2019		1Q	2Q	3Q	4Q	1H	2H	Full year
Overall market	Average selling price	189 yen						
	Change from the previous year	-1 yen						
House Foods	Average selling price	190 yen						
	Change from the previous year	-1 yen						
	Share of amount	61.8%						

Source: SRI monthly data of INTAGE Inc. (April 2019 – June 2019)

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

FY2019		1Q	2Q	3Q	4Q	1H	2H	Full year
Spice / Seasoning / Processed Food Business								
	Curry roux in total	99.8 %						
	Retort pouched curry in total	103.2 %						
	Stew roux in total	99.9 %						
	Hashed beef sauce roux in total	105.7 %						
	Spice in total	102.2 %						
Health Food Business								
	Ukon No Chikara	86.0 %						
	C1000	81.4 %						
	Ichinichibun No Vitamin	82.3 %						