November 1, 2019

Consolidated Financial Results (Japanese Accounting Standards) for the Six Months Ended September 30, 2019 (Q2 FY2019)

Company name: House Foods Group Inc.
Stock exchange listing: Tokyo Stock Exchange
Stock code: 2810
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Scheduled date for filing of securities report: November 14, 2019
Scheduled date of commencement of dividend payment: December 5, 2019
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, 2019 (April 1, 2019 – September 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	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2019	144,634	(0.8)	9,113	6.3	9,997	6.1	5,207	(6.4)
September 30, 2018	145,766	1.6	8,572	15.0	9,423	17.6	5,565	28.6

(Note) Comprehensive income: 5,851 million yen (-22.7%) for the six months ended September 30, 2019
7,566 million yen (-3.8 %) for the six months ended September 30, 2018

	Profit per share (basic)	Profit per share (diluted)
Six months ended	Yen	Yen
September 30, 2019	51.68	–
September 30, 2018	54.16	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Six months ended September 30, 2019	367,186	281,754	68.0	2,477.89
Year ended March 31, 2019	371,025	279,144	66.6	2,454.34

(Reference) Shareholders' equity: As of September 30, 2019: 249,647 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	–	23.00			
Year ending March 31, 2020 (forecasts)			–	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	297,000	0.1	18,500	5.4	19,600	2.6	10,900	(20.8)	108.19

(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, 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 September 30, 2019:	909 shares
As of March 31, 2019:	337 shares

(iii) Average number of shares outstanding during the term

Six months ended September 30, 2019: 100,749,910 shares
Six months ended September 30, 2018: 102,751,432 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, 2019” on page 5 of the accompanying materials.

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1. Qualitative Information on Results for the First Half Ended September 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 half of the fiscal year under review, net sales of the Group decreased 0.8% year on year, to 144,634 million yen, principally because of the impact of the spin-off of the major logistics business excluding orders received and yard handling business operations to F-LINE Corporation in the Other Food Related Business, in addition to difficulties experienced by the Health Food Business mainly because of the weather during the demand season in summer, although the Spice/Seasoning/Processed Food Business and the Restaurant Business remained firm, in addition to the continued expansion of business scale in the International Food Business.

Operating profit rose 6.3% year on year, to 9,113 million yen, mainly due to the effect of price revisions at Ichibanya Co., Ltd. in the Restaurant Business and higher sales in the International Food Business, which more than offset the struggle of the Health Food Business and the impact of the spin-off of the logistics business. Ordinary profit increased 6.1% year on year, to 9,997 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 6.4% year on year, to 5,207 million yen mainly because of the absence of gain on sales of investment securities recorded in the previous fiscal year, as well as loss on retirement of non-current assets and a rise in loss on change in equity.

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	69,123	101.8	5,890	106.3
Health Food Business	14,978	88.3	495	44.8
International Food Business	14,162	115.8	2,141	128.3
Restaurant Business	26,497	102.9	507	–
Other Food Related Business	23,590	76.7	954	80.1
Subtotal	148,351	96.6	9,985	106.7
Adjustment (elimination)	(3,717)	–	(872)	–
Total	144,634	99.2	9,113	106.3

(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 worked to strengthen existing businesses and to create new value given that the domestic market was maturing. As part of its efforts, a new manufacturing line of retort pouched products operated at the Kanto Plant in August 2019, and in September, HOUSE QWAEL SPICE, a directly managed store of dishes using spices, opened in Osaka. In the first half under review, sales of the mainstay curry roux business expanded, and the snack business also remained strong due to the campaign effect, in addition to the spice business where spice paste products increased.

The performance of Gaban Co., Ltd., which belongs to this business segment, also remained firm, and Malony Co., Ltd. focused on improving its appeal by renovating its mainstay products for the demand season in winter.

As a result of the above, sales in the Spice/Seasoning/Processed Food Business stood at 69,123 million yen, up 1.8% year on year, and operating profit was 5,890 million yen, up 6.3% year on year. As a result, the ratio of operating profit to net sales was 8.5%, improving 0.4 percentage point from the same period of the previous fiscal year.

Health Food Business

House Wellness Foods Corporation focused on the cultivation of foods with function claims to expand the area to provide daily health support for customers, and the introduction of *Nerunoda*, a product for those who want to improve their quality of sleep, into the market progressed. On the other hand, the *Ukon No Chikara* series, the main brand, continued to remain weaker than a year earlier, given the diversification of occasions when customers enjoyed a drink and the effect of competition.

In the vitamin business, the *C1000* series, which worked to strengthen profitability as a priority issue, was strongly affected by the bad weather in July, the demand season, and sales of *Ichinichibun No Vitamin* were also lower than a year earlier partly due to the effect of switching products because of changes in specifications.

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. In the first half under review, the Group focused on sales of raw materials through BtoBtoC channels, taking advantage of the characteristics of *lactic acid bacterium L-137*, which is suitable for processing into food and long-term storage.

As a result of the above, sales in the Health Food Business declined 11.7% year on year, to 14,978 million yen. Operating profit decreased 55.2% year on year, to 495 million yen due to the large impact from the decline in sales of main brands. As a result, the ratio of operating profit to net sales was 3.3%, declining 3.2 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 on the back of rising health consciousness. However, the production capacity is currently tight in comparison with increasing demand in recent years, and the Group is working to increase the production capacity toward January 2020.

The curry business in China increased the production capacity by starting operations at the Zhejiang Plant in September 2018 and posted higher sales in both products for household use and food service products, although profits declined due to an increase in costs.

In the functional beverage business in Thailand, both sales and profits increased, reflecting continued growth in *C-vitt* in both modern trade such as convenience stores and the traditional market, supported by strong demand.

As a result of the above, sales in the International Food Business rose 15.8% year on year, to 14,162 million yen, and operating profit increased 28.3%, to 2,141 million yen. Consequently, the ratio of operating profit to net sales was 15.1%, improving 1.5 percentage point from a year earlier.

Restaurant Business

Ichibanya Co., Ltd. enjoyed higher sales and profits due 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 1.7% year on year and sales at existing stores increasing 1.4%.

The restaurant business operated by House Foods America Corporation, which was included in this business segment, was transferred in June.

As a result, sales in the Restaurant Business including Ichibanya Co., Ltd. and other restaurant subsidiaries increased 2.9% year on year, to 26,497 million yen. Operating profit was 507 million yen, an increase of 648 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 1.9%, rising 2.5 percentage points from a year earlier.

Other Food Related Business

Delica Chef Corporation, a Group company that produces prepared food for convenience stores, secured profits on a par with the year ago level by focusing more on strengthening its development capabilities and improving productivity, despite the impact of the deteriorated employment environment.

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, span off its major 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 23.3% year on year, to 23,590 million yen, and operating profit declined 19.9% year on year, to 954 million yen. Consequently, the ratio of operating profit to net sales was 4.0%, improving 0.2 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:

Total assets were 367,186 million yen, a decrease of 3,839 million yen from the end of the previous consolidated fiscal year.

Current assets decreased 6,148 million yen, to 138,608 million yen, mainly due to decreases in cash and deposits, notes and accounts receivable – trade and merchandise and finished goods, despite an increase in securities. Non-current assets increased 2,309 million yen, to 228,578 million yen mainly due to increases in investment securities and construction in progress, offsetting decreases in goodwill and lease assets.

Liabilities stood at 85,432 million yen, a decrease of 6,449 million yen from the end of the previous consolidated fiscal year.

Current liabilities were down 5,162 million yen, to 50,146 million yen mainly due to decreases in notes and accounts payable – trade and accounts payable – other. Non-current liabilities declined 1,287 million yen, to 35,286 million yen chiefly due to a decrease in lease obligations.

Net assets stood at 281,754 million yen, an increase of 2,611 million yen from the end of the previous consolidated fiscal year mainly because of an increase in valuation difference on available-for-sale securities due to a rise in the market value of investment securities and an increase in retained earnings thanks to profit attributable to owners of parent, although foreign currency translation adjustment decreased.

As a result, the equity ratio stood at 68.0% (compared with 66.6% at the end of the previous fiscal year), and net assets per share amounted to 2,477.89 yen (2,454.34 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, 2020, which was published on May 13, 2019, 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, 2020 (from April 1, 2019 to March 31, 2020)

	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)	299,000	18,500	19,600	10,900	108.19
Revised forecast (B)	297,000	18,500	19,600	10,900	108.19
Change (B – A)	(2,000)	–	–	–	–
Percentage change (%)	(0.7)	–	–	–	–
(For reference) Performance in previous fiscal year (ended March 31, 2019)	296,695	17,559	19,100	13,767	134.32

(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, 2019)	End of first half of the fiscal year under review (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	62,484	58,089
Notes and accounts receivable - trade	48,601	46,717
Securities	7,082	7,557
Merchandise and finished goods	13,645	12,222
Work in process	1,935	1,911
Raw materials and supplies	4,706	5,090
Other	6,315	7,033
Allowance for doubtful accounts	(12)	(12)
Total current assets	144,755	138,608
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,528	30,971
Machinery, equipment and vehicles, net	14,598	16,078
Land	32,212	31,895
Lease assets, net	3,278	2,045
Construction in progress	2,111	3,904
Other, net	2,216	2,312
Total property, plant and equipment	85,943	87,204
Intangible assets		
Goodwill	5,980	4,271
Trademark right	24,660	24,341
Software	1,474	1,402
Contract-related intangible assets	25,854	25,371
Software in progress	310	502
Other	960	806
Total intangible assets	59,238	56,692
Investments and other assets		
Investment securities	66,472	70,396
Long-term loans receivable	329	3
Deferred tax assets	1,609	1,724
Long-term time deposits	1,000	1,000
Retirement benefit asset	4,823	5,152
Claims provable in bankruptcy, claims provable in rehabilitation and other	788	665
Other	7,038	6,590
Allowance for doubtful accounts	(971)	(848)
Total investments and other assets	81,088	84,682
Total non-current assets	226,269	228,578
Total assets	371,025	367,186

(Million yen)

	End of previous fiscal year (As of March 31, 2019)	End of first half of the fiscal year under review (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,178	18,831
Electronically recorded obligations - operating	1,562	1,498
Short-term borrowings	3,749	3,539
Current portion of bonds	26	26
Lease obligations	584	500
Accounts payable - other	16,657	15,997
Income taxes payable	3,504	3,650
Provision for bonuses	431	491
Provision for bonuses for directors (and other officers)	98	43
Provision for shareholder benefit program	90	90
Asset retirement obligations	1	4
Other	7,427	5,478
Total current liabilities	55,308	50,146
Non-current liabilities		
Bonds payable	26	13
Long-term borrowings	392	337
Lease obligations	2,770	1,639
Long-term accounts payable - other	219	204
Deferred tax liabilities	24,234	24,238
Provision for loss on guarantees	2	–
Retirement benefit liability	1,814	1,826
Asset retirement obligations	845	731
Long-term guarantee deposited	5,777	5,786
Other	495	512
Total non-current liabilities	36,573	35,286
Total liabilities	91,881	85,432
Net assets		
Shareholders' equity		
Share capital	9,948	9,948
Capital surplus	23,107	22,829
Retained earnings	188,920	191,910
Treasury shares	(1)	(4)
Total shareholders' equity	221,975	224,683
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	21,327	22,031
Deferred gains or losses on hedges	5	(31)
Foreign currency translation adjustment	756	(23)
Remeasurements of defined benefit plans	3,213	2,987
Total other accumulated comprehensive income	25,300	24,963
Non-controlling interests	31,869	32,108
Total net assets	279,144	281,754
Total liabilities and net assets	371,025	367,186

(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, 2018 - September 30, 2018)	First six-month period of the fiscal year under review (April 1, 2019 - September 30, 2019)
Net sales	145,766	144,634
Cost of sales	81,217	79,166
Gross profit	64,549	65,468
Selling, general and administrative expenses	55,978	56,355
Operating profit	8,572	9,113
Non-operating income		
Interest income	152	166
Dividend income	360	363
Share of profit of entities accounted for using equity method	24	431
Rental income from buildings	382	378
Foreign exchange gains	235	–
Other	173	225
Total non-operating income	1,325	1,562
Non-operating expenses		
Interest expenses	40	35
Rental expenses	307	311
Foreign exchange losses	–	268
Other	127	65
Total non-operating expenses	474	678
Ordinary profit	9,423	9,997
Extraordinary income		
Gain on sales of non-current assets	3	30
Gain on sales of investment securities	376	–
Compensation income	37	–
Gain on sales of restaurants	84	9
Other	4	0
Total extraordinary income	504	38
Extraordinary losses		
Loss on sales of non-current assets	5	0
Loss on retirement of non-current assets	75	293
Loss on sales of investment securities	–	0
Loss on valuation of investment securities	2	–
Impairment loss	241	114
Loss on change in equity	–	212
Loss on sale of businesses	–	42
Other	9	21
Total extraordinary losses	331	682
Profit before income taxes	9,595	9,353
Income taxes	3,291	3,109
Profit	6,305	6,245
Profit attributable to		
Profit attributable to owners of parent	5,565	5,207
Profit attributable to non-controlling interests	740	1,038

(Million yen)

	First six-month period of previous fiscal year (April 1, 2018 - September 30, 2018)	First six-month period of the fiscal year under review (April 1, 2019 - September 30, 2019)
Other comprehensive income		
Valuation difference on available-for-sale securities	2,062	671
Deferred gains or losses on hedges	43	(40)
Foreign currency translation adjustment	(800)	(806)
Remeasurements of defined benefit plans, net of tax	(37)	(220)
Share of other comprehensive income of entities accounted for using equity method	(6)	0
Total other comprehensive income	1,262	(394)
Comprehensive income	7,566	5,851
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,767	4,869
Comprehensive income attributable to non-controlling interests	799	981

(3) Consolidated Statements of Cash Flows

(Million yen)

	First six-month period of previous fiscal year (April 1, 2018 - September 30, 2018)	First six-month period of the fiscal year under review (April 1, 2019 - September 30, 2019)
Cash flows from operating activities		
Profit before income taxes	9,595	9,353
Depreciation	4,443	4,696
Amortization of goodwill	1,710	1,709
Impairment loss	241	114
Share of (profit) loss of entities accounted for using equity method	(24)	(431)
Loss (gain) on valuation of investment securities	2	–
Increase (decrease) in allowance for doubtful accounts	(63)	(123)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	10	–
Increase (decrease) in provision for bonuses for directors (and other officers)	(44)	(56)
Increase (decrease) in provision for shareholder benefit program	3	0
Increase (decrease) in provision for loss on guarantees	(0)	(2)
Increase (decrease) in other provision	(15)	–
Increase (decrease) in retirement benefit liability	(364)	(146)
Interest and dividend income	(512)	(529)
Interest expenses	40	35
Foreign exchange losses (gains)	(162)	192
Loss (gain) on sales of investment securities	(376)	0
Loss (gain) on sales of non-current assets	2	(29)
Loss on retirement of non-current assets	75	293
Loss (gain) on change in equity	–	212
Loss (gain) on sale of businesses	–	42
Loss (gain) on sales of restaurants	(84)	(9)
Decrease (increase) in trade receivables	(3,383)	1,812
Decrease (increase) in inventories	(679)	987
Increase (decrease) in trade payables	1,576	(1,700)
Increase (decrease) in accounts payable - bonuses	25	60
Decrease (increase) in other assets	(848)	(1,821)
Increase (decrease) in other liabilities	(729)	(2,839)
Subtotal	10,438	11,820
Interest and dividends received	540	551
Interest paid	(42)	(32)
Income taxes paid	(4,153)	(3,222)
Net cash provided by (used in) operating activities	6,784	9,116

(Million yen)

	First six-month period of previous fiscal year (April 1, 2018 - September 30, 2018)	First six-month period of the fiscal year under review (April 1, 2019 - September 30, 2019)
Cash flows from investing activities		
Payments into time deposits	(404)	(777)
Proceeds from withdrawal of time deposits	355	172
Purchase of securities	(1,000)	(1,000)
Proceeds from sales of securities	4,400	3,549
Purchase of property, plant and equipment	(4,858)	(7,927)
Proceeds from sales of property, plant and equipment	7	31
Gain on sales of restaurants	195	67
Purchase of intangible assets	(427)	(514)
Purchase of investment securities	(4,632)	(1,356)
Proceeds from sales of investment securities	670	598
Purchase of investments in capital of subsidiaries	–	(13)
Proceeds from sales of shares of subsidiaries and associates	–	99
Proceeds from sales of membership	–	0
Proceeds from sale of businesses	–	10
Proceeds from divestments	3	3
Net cash provided by (used in) investing activities	(5,693)	(7,057)
Cash flows from financing activities		
Proceeds from short-term borrowings	31,974	16,875
Repayments of short-term borrowings	(31,507)	(17,145)
Repayments of lease obligations	(343)	(318)
Repayments of long-term borrowings	(50)	(8)
Redemption of bonds	(13)	(13)
Purchase of treasury shares	(2)	(2)
Purchase of treasury shares of subsidiaries	–	(0)
Dividends paid	(2,055)	(2,216)
Dividends paid to non-controlling interests	(635)	(621)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(400)
Net cash provided by (used in) financing activities	(2,631)	(3,848)
Effect of exchange rate change on cash and cash equivalents	(157)	(425)
Net increase (decrease) in cash and cash equivalents	(1,698)	(2,215)
Cash and cash equivalents at beginning of period	60,202	62,495
Decrease in cash and cash equivalents resulting from corporate division	–	(2,729)
Cash and cash equivalents at end of period	58,504	57,552

(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, 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.

II. First six-month period of the fiscal year under review (April 1, 2019 - September 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	67,091	14,845	14,114	26,464	22,107	144,621	–	144,621	12	144,634
Sales and transfer – inter-segment	2,032	133	48	32	1,483	3,729	–	3,729	(3,729)	–
Total	69,123	14,978	14,162	26,497	23,590	148,351	–	148,351	(3,717)	144,634
Segment profit (loss)	5,890	495	2,141	507	954	9,985	–	9,985	(872)	9,113

(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 -872 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 half of the consolidated fiscal year under review, the Company recorded an impairment loss of 114 million yen associated with a fall in profitability of store assets and assets for lease, etc. in the Restaurant Business segment.

3. Supplementary Information

(1) Business Results

Consolidated (Million yen)

	First half of FY2018		First half of FY2019		FY2018		FY2019 Revised Target	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	145,766	101.6%	144,634	99.2%	296,695	101.6%	297,000	100.1%
Operating profit	8,572	115.0%	9,113	106.3%	17,559	107.8%	18,500	105.4%
Ordinary profit	9,423	117.6%	9,997	106.1%	19,100	111.0%	19,600	102.6%
Profit attributable to owners of parent	5,565	128.6%	5,207	93.6%	13,767	147.2%	10,900	79.2%
Comprehensive income	7,566	96.2%	5,851	77.3%	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	67,909	101.5%	69,123	101.8%	141,225	100.9%	146,200	103.5%
Health Food Business	16,966	99.1%	14,978	88.3%	30,899	97.8%	30,000	97.1%
International Food Business	12,233	114.0%	14,162	115.8%	26,317	115.1%	30,300	115.1%
Restaurant Business	25,739	99.7%	26,497	102.9%	52,083	100.2%	52,500	100.8%
Other Food Related Business	30,757	100.6%	23,590	76.7%	61,882	101.4%	45,300	73.2%
Adjustment	(7,837)	–	(3,717)	–	(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	5,539	116.1%	5,890	106.3%	12,669	104.9%	13,300	105.0%
Health Food Business	1,104	131.4%	495	44.8%	1,421	156.6%	1,200	84.4%
International Food Business	1,668	117.8%	2,141	128.3%	3,584	125.9%	4,000	111.6%
Restaurant Business	(142)	–	507	–	(561)	–	(400)	–
Other Food Related Business	1,190	123.2%	954	80.1%	2,045	109.6%	1,800	88.0%
Adjustment	(788)	–	(872)	–	(1,599)	–	(1,400)	–

(2) Number of Group Companies

	First half of FY2018	First half 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 half 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	64,284	101.9%	5,410	104.6%	3,876	102.7%
House Wellness Foods Corporation	14,978	88.3%	492	44.7%	375	44.0%
House Foods America Corporation (Consolidated)	7,132	107.2%	785	130.8%	569	131.4%
Ichibanya Co., Ltd. (Consolidated)	25,680	103.5%	2,997	127.0%	1,910	120.1%

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

Average exchange rate during the period

	Currency unit	First half of FY2018	First half of FY2019	FY2019 Forecast
United States	USD	108.50	109.97	109.97

(3) Consolidated Statements of Income

1. Consolidated Statements of Income (Million yen)

	First half of FY2018		First half of FY2019		Year-on-year change	
	Amount	Percentage	Amount	Percentage	Amount	Rate of change
Net sales	**145,766**	**100.0%**	**144,634**	**100.0%**	**(1,132)**	**(0.8%)**
<By business segment>						
Spice / Seasoning / Processed Food Business	67,909	46.6%	69,123	47.8%	1,215	1.8%
Health Food Business	16,966	11.6%	14,978	10.4%	(1,988)	(11.7%)
International Food Business	12,233	8.4%	14,162	9.8%	1,930	15.8%
Restaurant Business	25,739	17.7%	26,497	18.3%	758	2.9%
Other Food Related Business	30,757	21.1%	23,590	16.3%	(7,167)	(23.3%)
Adjustment	(7,837)	(5.4%)	(3,717)	(2.6%)	4,120	–
Cost of sales	81,217	55.7%	79,166	54.7%	(2,050)	(2.5%)
Selling, general and administrative expenses	55,978	38.4%	56,355	39.0%	377	0.7%
Advertising expenses	4,516	3.1%	4,431	3.1%	(85)	(1.9%)
Transportation and warehousing expenses	5,115	3.5%	5,747	4.0%	633	12.4%
Sales commission	806	0.6%	826	0.6%	20	2.5%
Promotion expenses	15,966	11.0%	15,809	10.9%	(158)	(1.0%)
Personnel expenses	14,704	10.1%	14,461	10.0%	(243)	(1.7%)
Research and development expenses	2,015	1.4%	2,162	1.5%	147	7.3%
Amortization of goodwill	1,710	1.2%	1,709	1.2%	(2)	(0.1%)
Other	11,145	7.6%	11,209	7.8%	64	0.6%
Operating profit	**8,572**	**5.9%**	**9,113**	**6.3%**	**541**	**6.3%**
Non-operating income	1,325	0.9%	1,562	1.1%	237	17.9%
Non-operating expenses	474	0.3%	678	0.5%	204	43.1%
Ordinary profit	**9,423**	**6.5%**	**9,997**	**6.9%**	**574**	**6.1%**
Extraordinary income	504	0.3%	38	0.0%	(465)	(92.4%)
Extraordinary losses	331	0.2%	682	0.5%	351	105.9%
Profit before income taxes	9,595	6.6%	9,353	6.5%	(242)	(2.5%)
Income taxes	3,291	2.3%	3,109	2.1%	(182)	(5.5%)
Profit	6,305	4.3%	6,245	4.3%	(60)	(1.0%)
Profit attributable to						
Profit attributable to owners of parent	**5,565**	**3.8%**	**5,207**	**3.6%**	**(359)**	**(6.4%)**
Profit attributable to non-controlling interests	740	0.5%	1,038	0.7%	299	40.4%
Comprehensive income	**7,566**	**5.2%**	**5,851**	**4.0%**	**(1,715)**	**(22.7%)**

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

Increase in gross profit	918
Decrease in marketing costs (sum of advertising expenses, sales commission and promotion expenses)	223
Increase in transportation and warehousing expenses	(633)
Increase in research and development expenses	(147)
Decrease in other expenses	180

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

	First half of FY2018	First half of FY2019	Year-on-year change
Interest income	152	166	14
Dividend income	360	363	3
Share of profit of entities accounted for using equity method	24	431	406
Foreign exchange gains	235	–	(235)
Rental income from buildings	382	378	(4)
Other	173	225	52
Total non-operating income	1,325	1,562	237
Interest expenses	40	35	(6)
Foreign exchange losses	–	268	268
Rental expenses	307	311	4
Other	127	65	(62)
Total non-operating expenses	474	678	204

4. Extraordinary Income (Losses) (Million yen)

	First half of FY2018	First half of FY2019	Year-on-year change
Gain on sales of non-current assets	3	30	27
Gain on sales of investment securities	376	–	(376)
Gain on sales of restaurants	84	9	(76)
Other	41	0	(41)
Total extraordinary income	504	38	(465)
Loss on sales of non-current assets	5	0	(4)
Loss on retirement of non-current assets	75	293	218
Impairment loss	241	114	(126)
Loss on change in equity	–	212	212
Other	11	63	52
Total extraordinary losses	331	682	351

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	72,292			144,634
Operating profit	4,310	4,261	7,193	1,795	17,559	4,638	4,475			9,113
Ordinary profit	4,660	4,762	7,440	2,237	19,100	5,002	4,995			9,997
Profit attributable to owners of parent	2,715	2,850	4,689	3,513	13,767	2,488	2,719			5,207
Comprehensive income	3,129	4,437	560	1,627	9,754	1,834	4,017			5,851

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	35,718			69,123
Health Food Business	8,149	8,817	8,303	5,630	30,899	7,520	7,458			14,978
International Food Business	6,033	6,200	7,105	6,979	26,317	7,390	6,772			14,162
Restaurant Business	12,744	12,995	13,092	13,252	52,083	13,186	13,310			26,497
Other Food Related Business	15,371	15,387	15,897	15,229	61,882	12,678	10,912			23,590
Adjustment	(3,923)	(3,914)	(4,096)	(3,777)	(15,710)	(1,838)	(1,879)			(3,717)

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	3,006			5,890
ROS	8.1%	8.2%	12.9%	6.0%	9.0%	8.6%	8.4%			8.5%
Health Food Business	663	441	806	(488)	1,421	144	351			495
ROS	8.1%	5.0%	9.7%	(8.7%)	4.6%	1.9%	4.7%			3.3%
International Food Business	961	707	1,063	853	3,584	1,310	831			2,141
ROS	15.9%	11.4%	15.0%	12.2%	13.6%	17.7%	12.3%			15.1%
Restaurant Business	(160)	18	(230)	(189)	(561)	303	204			507
ROS	(1.3%)	0.1%	(1.8%)	(1.4%)	(1.1%)	2.3%	1.5%			1.9%
Other Food Related Business	605	585	645	210	2,045	410	544			954
ROS	3.9%	3.8%	4.1%	1.4%	3.3%	3.2%	5.0%			4.0%
Adjustment	(416)	(371)	(202)	(609)	(1,599)	(413)	(460)			(872)

(4) Consolidated Balance Sheets

Consolidated Balance Sheets (Million yen)

	FY2018		First half of FY2019		Increase/decrease from end of FY2018	Major factors for increase/ decrease	
	Amount	Percentage	Amount	Percentage	Amount		
Current assets	144,755	39.0%	138,608	37.7%	(6,148)	Decrease in cash and deposits	(4,394)
						Decrease in notes and accounts receivable - trade	(1,884)
						Decrease in merchandise and finished goods	(1,422)
						Increase in securities	475
Non-current assets	226,269	61.0%	228,578	62.3%	2,309	Increase in investment securities	3,924
						Increase in construction in progress	1,794
						Increase in machinery, equipment and vehicles	1,481
						Decrease in goodwill	(1,709)
						Decrease in lease assets	(1,234)
Total assets	**371,025**	**100.0%**	**367,186**	**100.0%**	**(3,839)**		
Current liabilities	55,308	14.9%	50,146	13.7%	(5,162)	Decrease in notes and accounts payable - trade	(2,347)
						Decrease in accounts payable - other	(661)
						Decrease in short-term borrowings	(210)
Non-current liabilities	36,573	9.9%	35,286	9.6%	(1,287)	Decease in lease obligations	(1,130)
						Decrease in asset retirement obligations	(115)
Total liabilities	**91,881**	**24.8%**	**85,432**	**23.3%**	**(6,449)**		
Total shareholders' equity	221,975	59.8%	224,683	61.2%	2,709	Increase in retained earnings	2,990
						Decrease in capital surplus	(279)
Total other accumulated comprehensive income	25,300	6.8%	24,963	6.8%	(337)	Decrease in foreign currency translation adjustment	(778)
						Increase in valuation difference on available-for-sale securities	704
Non-controlling interests	31,869	8.6%	32,108	8.7%	239		
Total net assets	**279,144**	**75.2%**	**281,754**	**76.7%**	**2,611**		
Total liabilities and net assets	**371,025**	**100.0%**	**367,186**	**100.0%**	**(3,839)**		

(5) Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows (Million yen)

	First half of FY2018	First half of FY2019	Year-on-year change	Major factors for increase/ decrease	
Cash flows from operating activities	6,784	9,116	2,333	Decrease (increase) in trade receivables	5,195
				Decrease (increase) in inventories	1,666
				Income taxes paid	931
				Increase (decrease) in trade payables	(3,276)
				Increase (decrease) in other liabilities	(2,110)
Cash flows from investing activities	(5,693)	(7,057)	(1,364)	Purchase of property, plant and equipment	(3,069)
				Proceeds from sales of securities	(851)
				Payments into time deposits	(372)
				Purchase of investment securities	3,277
Cash flows from financing activities	(2,631)	(3,848)	(1,217)	Proceeds from short-term borrowings	(15,099)
				Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(400)
				Repayments of short-term borrowings	14,362
Cash and cash equivalents at end of period	58,504	57,552	(953)		

(6) Capital Investment

Consolidated (Million yen)

	First half of FY2018	First half of FY2019	FY2019 Forecast
Capital investment	4,634	8,097	20,200
Leases	288	1,579	800
Total	4,922	9,676	21,000

(7) Depreciation

Consolidated (Million yen)

	First half of FY2018	First half of FY2019	FY2019 Forecast
Depreciation	4,443	4,696	10,400
Lease payments	184	182	400
Total	4,627	4,878	10,800

* 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

	FY2018	First half of FY2019	FY2019 Revised Target
Profit per share	134.32 yen	51.68 yen	108.19 yen
Net assets per share	2,454.34 yen	2,477.89 yen	–
ATO	0.79 times	–	–
Ratio of operating profit to net sales	5.9%	6.3%	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%	68.0%	–
Dividend per share	44.00 yen	23.00 yen	46.00 yen
Dividend payout ratio	32.8%	44.5%	42.5%
Dividend payout ratio according to the basic policy on the return of earnings to shareholders	26.2%	34.5%	32.8%

* 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	6,202 people	–

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

(9) Reference Information

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

	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	190 yen			189 yen		
	Change from the previous year	-1 yen	+0 yen			+0 yen		
House Foods	Average selling price	190 yen	191 yen			191 yen		
	Change from the previous year	-1 yen	+0 yen			-1 yen		
	Share of amount	61.8%	61.8%			61.8%		

Source: SRI monthly data of INTAGE Inc. (April 2019 – September 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%	105.0%			102.3%		
Retort pouched curry in total	103.2%	97.9%			100.4%		
Stew roux in total	99.9%	100.6%			100.4%		
Hashed beef sauce roux in total	105.7%	106.0%			105.8%		
Spice in total	102.2%	102.3%			102.2%		
Health Food Business							
Ukon No Chikara	86.0%	97.0%			91.6%		
C1000	81.4%	67.1%			73.8%		
Ichinichibun No Vitamin	82.3%	80.5%			81.4%		