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May 8, 2014

Consolidated Financial Results (Japanese Accounting Standards) for the FY2013 (Ended March 31, 2014)

Company name: House Foods Group Inc.
Stock exchange listing: Tokyo Stock Exchange
Stock code: 2810
URL: http://housefoods-group.com
Representative: Hiroshi Urakami, President
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Scheduled date of ordinary shareholders' meeting: June 26, 2014
Scheduled date of commencement of dividend payment: June 27, 2014
Scheduled date for filing of annual securities report: June 26, 2014
Supplementary documents for financial results: Yes
Financial 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 Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2014	232,610	10.9	9,589	(16.2)	10,962	(18.5)	8,792	6.5
Year ended March 31, 2013	209,784	(2.1)	11,441	(18.6)	13,445	(13.3)	8,254	4.1

(Note) Comprehensive income: 11,961 million yen (-17.6%) for the fiscal year ended March 31, 2014
14,515 million yen (39.5%) for the fiscal year ended March 31, 2013

	Net income per share (basic)	Net income per share (diluted)	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2014	83.13	–	4.3	4.2	4.1
Year ended March 31, 2013	77.78	–	4.3	5.5	5.5

(Reference) Share of (profit) loss of entities accounted for using equity method:
458 million yen for the fiscal year ended March 31, 2014
415 million yen for the fiscal year ended March 31, 2013

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2014	273,368	210,097	76.4	1,974.31
Year ended March 31, 2013	250,780	199,328	79.2	1,879.06

(Reference) Shareholders' equity: As of March 31, 2014: 208,801 million yen
As of March 31, 2013: 198,731 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of fiscal year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2014	8,818	(7,471)	(68)	49,586
Year ended March 31, 2013	12,884	(1,841)	(4,943)	47,715

2. Dividends

	Dividend per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2013	–	15.00	–	15.00	30.00	3,173	38.6	1.6
Year ended March 31, 2014	–	15.00	–	20.00	35.00	3,702	42.1	1.8
Year ending March 31, 2015 (forecasts)	–	15.00	–	15.00	30.00		37.3	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(Percentage figures for the fiscal year represent the changes from the previous year, while percentage figures for the six months period represent the changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2014	120,000	4.7	4,800	3.0	5,500	(0.4)	3,600	5.4	34.04
Year ending March 31, 2015	238,000	2.3	11,500	19.9	12,900	17.7	8,500	(3.3)	80.37

* Notes

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

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

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

(Note) Effective from the end of the consolidated fiscal year under review, the Company has adopted the accounting standard, etc. for retirement benefits (the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)). Please refer to 4. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements, (Changes in Accounting Policies) on page 27 for the details of the effects from the change as described above.

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

(i) Number of shares outstanding at end of period (including treasury shares)
As of March 31, 2014: 105,761,763 shares
As of March 31, 2013: 105,761,763 shares

(ii) Number of treasury shares at end of period
As of March 31, 2014: 2,711 shares
As of March 31, 2013: 972 shares

(iii) Average number of shares outstanding during the term
Year ended March 31, 2014: 105,759,770 shares
Year ended March 31, 2013: 106,124,172 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)

(1) Non-Consolidated Financial Results (Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2014	75,067	(48.1)	4,046	(59.3)	6,555	(50.1)	(10,320)	–
Year ended March 31, 2013	144,748	(4.6)	9,930	(15.1)	13,141	(8.3)	8,095	2.7

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Year ended March 31, 2014	(97.58)	–
Year ended March 31, 2013	76.28	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2014	186,904	149,176	79.8	1,410.53
Year ended March 31, 2013	251,434	205,809	81.9	1,945.99

(Reference) Shareholders' equity: As of March 31, 2014: 149,176 million yen
As of March 31, 2013: 205,809 million yen

(Note) The Company changed to a holding company on October 1, 2013. As a result, non-consolidated results for the fiscal year ended March 31, 2014 have changed compared with those for the fiscal year ended March 31, 2013.

* Statement Relating to the Execution Status for Audit Procedures

This financial summary falls outside the scope of audit procedures based on the stipulations of the Financial Instruments and Exchange Act. The audit procedures for financial statements based on the stipulations of said Act were not completed at the time this financial summary was disclosed.

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

The consolidated and non-consolidated business performance forecasts given in this document are based on assumptions, prospects, and future business plans, currently available on the date this document was published. Actual results may differ from these forecasts for a variety of reasons.

For other matters relating to the forecasts, please refer to "1. Results of Operations, (1) Analysis of Operating Results" on page 2 of the accompanying materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Operating Results

(i) Operating Results for the Fiscal Year under Review

During the consolidated fiscal year under review, supported by the effects of a range of government policies, companies centered on those in export-oriented industries staged a clear recovery, given a turnaround in the stock market and the correction to the excessive strength of the yen. However, in the food industry, a domestic demand-oriented industry, the management environment remained unpredictable overall, given a rise in the costs of raw materials and fuels due to the weak yen, and uncertain trends in consumer spending on the back of an increase in austerity among households, despite the occurrence of last-minute demand in certain sectors at the end of the fiscal year under review before the consumption tax hike.

In this operating environment, the House Foods Group positioned the consolidated fiscal year under review, a year during which the Group marked its centenary, as the year of initiating changes for the next 100 years. Accordingly, the Group adopted a holding company structure in October 2013 to establish the optimum organizational structure in which each business segment is able to draw up growth strategies. It also took steps to “enhance profitability in domestic core businesses and accelerate the development of overseas core businesses” and “promote and strengthen development capabilities and cost competitiveness,” goals specified in the Group’s Fourth Medium-Term Business Plan that was launched in the previous consolidated fiscal year.

Consolidated net sales in the fiscal year under review rose 10.9% year on year, to 232,610 million yen, reflecting steady sales in the Spice / Seasoning / Processed Food Business, in addition to other positive factors, such as the expansion of the International Business and an increase in the number of consolidated subsidiaries, offsetting lower sales in the Health Food Business.

Consolidated operating income fell 16.2% year on year, to 9,589 million yen. This reflected a fall in the earnings capabilities of the Spice / Seasoning / Processed Food Business and the Health Food Business, the Group’s core earnings business segments, due to intensifying competition as a result of the domestic market becoming a mature market, and costs of upfront investments in marketing in the International Business, as well the recording of temporary costs related to the transformation to the holding company structure and the events for the centenary, which were only applicable to the fiscal year under review, offsetting the effects of cost cutting and a decline in the amortization of goodwill. Consolidated ordinary income decreased 18.5%, to 10,962 million yen. Consolidated net income rose 6.5%, to 8,792 million yen, given a significant rise in extraordinary income.

The following is an overview of results by segment.

	Consolidated net sales		Consolidated operating income (segment margin)	
	Amount (million yen)	Year-on-year change (%)	Amount (million yen)	Year-on-year change (%)
Spice / Seasoning / Processed Food Business	125,518	101.3	6,936	85.0
Health Food Business	39,532	92.4	1,585	83.3
International Business	19,733	134.2	617	91.2
Other Food Related Business	47,827	168.2	451	64.4
Reportable segments total	232,610	110.9	9,589	83.8

* Figures in the consolidated operating income (segment margin) column are figures before adjustment for impact of inter-segment transactions of negative 0 million yen.

Spice / Seasoning / Processed Food Business

Sales of roux products rose and their share in the segment also increased as a result of initiatives such as the adoption of a strategy of offering a full lineup of products in each price bracket and the product renewal following innovation in manufacturing methods, to further bolster brand value.

Sales of retort pouched products remained strong, given the strong popularity among customers of medium-price products that pursue authentic flavors, *The Hotel Curry* and *The Hotel Hashed Beef*, while sales of spice products also remained steady, reflecting the results of sales activities undertaken to expand trading volumes.

Strong sales of the *Mitsuboshi Shokkan* series that meet customer needs for quick and easy cooking products also contributed to overall sales.

As a result, sales in the Spice / Seasoning / Processed Food Business increased 1.3% year on year, to 125,518 million yen.

Operating income fell 15.0% year on year, to 6,936 million yen, mainly reflecting a rise in marketing costs as a result of intensifying competition and the recording of temporary costs that were only applicable to the fiscal year under review, offsetting steps taken to bolster earnings capabilities, such as the restructuring of production bases for curry roux products.

Health Food Business

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

Sales of *Ukon No Chikara*, which had been the market pioneer and leader, fell significantly due to the escalation of competition with products offered by competitors. However, sales of *Mega Shaki*, a growth brand, increased, given the favorable effects of sales promotion activities carried out in accordance with each period when demand peaked.

In the *C1000* series, sales of *Vitamin Lemon,* a bottled product, rose as a result of an increase in its sales channels, amidst intensifying competition. However, with sluggish sales of *Lemon Water,* a PET bottled beverage, overall sales of the *C1000* series declined.

As a result, sales in the Health Food Business declined 7.6% year on year, to 39,532 million yen, and operating income decreased 16.7%, to 1,585 million yen.

International Business

In the tofu business in the United States, profits in the second half of the fiscal year under review increased, reflecting the price revision introduced in October 2013, in addition to the expansion of operations on the strength of the growing market. However, given the significant impact from a surge in soybean prices in the first half of the fiscal year under review, the business recorded higher sales and lower profit on a full-year basis.

The curry business in China, which became profitable in the previous fiscal year, recorded higher sales and profits, reflecting a rise in sales due to sales from new areas and new companies and an improvement in the earnings structure as a result of cost cutting measures. Moreover, the Company established House Foods China Inc., a business control company, in November 2013 and it is committed to further expanding its business in the future.

In the curry restaurant business, the Company has developed an operational structure in each area by establishing

management companies in north China (Beijing) and south China (Guangzhou), in addition to Shanghai, to accelerate the pace of opening new stores in China where demand is expected to grow further in the future.
In Southeast Asia, sales of the vitamin functional drink business that was launched in Thailand in the previous fiscal year increased, mainly attributable to the launch of variety products. In addition, the Group established the home made desert business in Vietnam in the fiscal year under review.
As a result, sales in the International Business climbed 34.2% year on year, to 19,733 million yen, and operating income fell 8.8%, to 617 million yen.

Other Food Related Business

House Logistics Service Corporation, a Group company engaged in the transport and warehouse business, recorded lower profits, given an increase in subcontracting costs, despite the fact that it took steps to bolster logistics operations commissioned by companies outside the Group. Delica Chef Corporation, a Group company that produces prepared food for convenience stores, also recorded higher sales, reflecting growing demand for home meal replacements, but it posted lower profits, due to a rise in costs to develop a supply system to meet the diversification of customers' taste.
Moreover, the inclusion of Vox Trading Co., Ltd., a company mainly engaged in the import and sale of foodstuffs, as the Company's consolidated subsidiary following the additional acquisition of shares in May 2014 contributed to higher sales in this segment.
As a consequence, sales of the Other Food Related Business climbed 68.2% year on year, to 47,827 million yen, and operating income declined 35.6% year on year, to 451 million yen.

(ii) Outlook for the Next Fiscal Year

The business environment that surrounds the House Foods Group will remain uncertain, with a rise in materials and fuel costs and a possible slowdown in consumption as a result of the consumption tax hike, amid concerns over a downturn in overseas economies.
In this environment, under its philosophy, "Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives," the Group will further strengthen measures to ensure safety, security and compliance and will renew initiatives to create new value, through which it will strive to fulfill the responsibilities of a good corporate citizen.
In domestic business, the Group is committed to further increasing the brand value and the cost competitiveness of the Spice / Seasoning / Processed Food Business and the Health Food Business, the Group's two core businesses, taking proactive measures in research and development from a business perspective and new businesses to create new demand, and realizing a growth and enhancing its profitability in the domestic market.
In the International Business, the Group's core business to be developed, the Group will strive to accelerate the development of its operations through the business promotion systems that have been independently established in these three areas (the United States, China and Southeast Asia).
In the United States, the Group will seek to improve the lineups and the competitiveness of soybean-related products, as products related to the tofu business whose demand is expected to rise thanks to heightened health awareness.

In China, the Group will strengthen its business competitiveness centered on House Foods China Inc., which oversees operations in China, and will make preparations to begin operations of the second manufacturing base in the coming autumn as part of initiatives to further enhance the popularity of Japanese-style curry.

In Southeast Asia, the Group will focus on developing its business foundation by bolstering the brand power of the functional drink business in Thailand and strengthening the sales systems in Vietnam where the Group is entering the second year since the commencement of its operations.

In the curry restaurant business, the Group will take steps to expand its business scale and develop earnings foundations in each area where the Group is operating.

With these initiatives, for the next fiscal year, the Group expects consolidated net sales of 238,000 million yen (a year-on-year increase of 2.3%), consolidated operating income of 11,500 million yen (a year-on-year increase of 19.9%), consolidated ordinary income of 12,900 million yen (a year-on-year increase of 17.7%), and consolidated net income of 8,500 million yen (a year-on-year decrease of 3.3%).

(2) Analysis of Financial Position

(i) Analysis of Assets, Liabilities, and Net Assets

Total assets at the end of the consolidated fiscal year under review rose 22,589 million yen from the end of the previous consolidated fiscal year, to 273,368 million yen. Current assets stood at 117,551 million yen, an increase of 10,416 million yen compared to the end of the previous consolidated fiscal year. Non-current assets were 155,817 million yen, a year-on-year rise of 12,173 million yen.

The main factors for the increase in current assets include a 7,278 million yen increase in cash and deposits and a 3,158 million yen rise in merchandise and finished goods, offsetting a fall of 5,814 million yen in securities associated with a decline in negotiable certificates of deposit.

The main factors for the increase in non-current assets include an increase of 5,761 million yen in investment securities, mainly due to the effects of fair market valuation, and a rise in assets related to retirement benefits as a result of the application of the accounting standard, etc. for retirement benefits, offsetting a decline of 3,500 million yen in long-term time deposits.

Total liabilities at the end of the consolidated fiscal year under review were 63,272 million yen, an increase of 11,819 million yen compared to the end of the previous consolidated fiscal year. Current liabilities were up 9,716 million yen from the end of the previous consolidated fiscal year, to 49,230 million yen, and non-current liabilities were 14,041 million yen, a year-on-year increase of 2,104 million yen.

The main factors for the increase in current liabilities include a 6,714 million yen rise in short-term loans payable.

The principal components in the increase in non-current liabilities were a 1,486 million yen rise in deferred tax liabilities, mainly reflecting the application of the accounting standard for retirement benefits, as well as a 978 million yen increase in long-term loans payable.

Net assets at the end of the consolidated fiscal year under review stood at 210,097 million yen, an increase of 10,769 million yen from the end of the previous consolidated fiscal year, primarily reflecting an increase in retained earnings as a result of net income, an increase in foreign currency translation adjustment due to fluctuations of foreign exchange rates, as well as the recording of the re-measurement of defined benefit plans mainly attributable to the application of the accounting standard, etc. for retirement benefits

As a result, the equity ratio at the end of the consolidated fiscal year under review stood at 76.4%, compared with 79.2% at the end of the previous consolidated fiscal year, and net assets per share were 1,974.31 yen, compared with 1,879.06 yen at the end of the previous consolidated fiscal year.

(ii) Analysis of Cash Flows

With respect to cash flows for the consolidated fiscal year under review, net cash provided by operating activities amounted to 8,818 million yen, net cash used by investing activities, including the purchase of property, plant and equipment and the purchase of investment securities, amounted to 7,471 million yen, and net cash used by financing activities, including a decrease in short-term loans payable, an increase in short-term loans payable and cash dividends paid, was 68 million yen. As a result, cash and cash equivalents at the end of the consolidated fiscal year under review stood at 49,586 million yen, an increase of 1,871 million yen compared with the balance at the beginning of the year.

The status and primary contributing factors for each cash flows category were as follows:

(Cash flows from operating activities)

Cash provided by operating activities during the consolidated fiscal year under review was 8,818 million yen, a decrease of 4,066 million yen from the previous consolidated fiscal year. Key factors included 13,424 million yen in income before income taxes and minority interests.

The decrease in comparison to the previous consolidated fiscal year is mainly attributable to a change in notes and accounts payable-trade (a year-on-year decrease of 4,483 million yen), an increase in loss on sale of non-current assets (a year-on-year decrease of 2,972 million yen), a change in allowance for doubtful accounts (a year-on-year decrease of 1,229 million yen) and a decline in income taxes paid (a year-on-year increase of 1,976 million yen).

(Cash flows from investing activities)

Cash used by investing activities during the consolidated fiscal year under review was 7,471 million yen, which was 5,630 million yen more than cash used in the previous consolidated fiscal year. Key factors included payments into time deposits of 12,040 million yen, the purchase of property, plant and equipment of 9,620 million yen, the purchase of investment securities of 7,533 million yen and proceeds from the withdrawal of time deposits of 15,141 million yen.

The primary factors for the decrease compared with the previous consolidated fiscal year were an increase in payments into time deposits (a year-on-year decrease of 5,036 million yen), an increase in the purchase of property, plant and equipment (a year-on-year decrease of 4,749 million yen), a decline in proceeds from the sale of investment securities (a year-on-year decrease of 3,206 million yen), an increase in proceeds from the sale of property, plant and equipment (a year-on-year rise of 3,025 million yen) and an increase in proceeds from the withdrawal of time deposits (a year-on-year increase of 2,789 million yen).

(Cash flows from financing activities)

Cash used by financing activities during the consolidated fiscal year under review was 68 million yen, which was 4,874 million yen less than cash used in the previous consolidated fiscal year. Key factors included a decrease in short-term loans payable of 38,744 million yen, cash dividends paid of 3,171 million yen and an increase in short-term loans payable of 42,532 million yen. .

The primary factors for the increase compared with the previous consolidated fiscal year were an increase in the increase in short-term loans payable (a year-on-year increase of 40,113 million yen), a decline in the purchase of treasury shares (a year-on-year increase of 1,306 million yen) and an increase in the decrease in short-term loans payable (a year-on-year decrease of 36,223 million yen).

(Million yen)

	Year ended March 31, 2013	Year ended March 31, 2014	Year-on-year change
Cash flows from operating activities	12,884	8,818	(4,066)
Cash flows from investing activities	(1,841)	(7,471)	(5,630)
Cash flows from financing activities	(4,943)	(68)	4,874
Effect of exchange rate changes on cash and cash equivalents	424	593	168
Net increase (decrease) in cash and cash equivalents	6,525	1,871	(4,654)
Cash and cash equivalents at beginning of period	41,190	47,715	6,525
Cash and cash equivalents at end of period	47,715	49,586	1,871

Cash flow indicators for the Group are as follows:

	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014
Equity ratio (%)	78.6	79.1	78.6	79.2	76.4
Equity ratio (market value basis) (%)	64.3	63.5	62.9	69.1	66.3
Cash flow/interest bearing liabilities ratio (%)	37.6	30.1	32.4	41.2	148.8
Interest coverage ratio (times)	383.2	517.3	444.3	287.2	40.3

(Notes) Equity ratio: Shareholders' equity / Total assets

Equity ratio (market value basis): Market capitalization / Total assets

Cash flow / interest bearing liabilities ratio: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

1. Each indicator is calculated based on consolidated financial figures.
2. Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year with the number of outstanding shares (excluding treasury shares) as of that date.
3. Operating cash flow uses net cash provided by operating activities on the consolidated cash flow statements.
4. Interest-bearing debt includes all liabilities requiring the payment of interest under the liabilities section of the consolidated balance sheet. Interest payments equal the amount of interest paid on the consolidated cash flow statements.

(3) Basic Policy on the Payment of Dividends and Dividends for the Fiscal Year under Review and Next Fiscal Year

The Group considers the return of earnings to shareholders to be a top management priority. Our basic policy is to improve profitability and strengthen the Group's financial condition while continuing to provide stable dividends in consideration of overall business performance and strategy.

With respect to dividends, the Group intends to pay stable dividends under this policy with a standard dividend payout ratio of at least 30% on a consolidated basis.

In terms of internal reserves, the Group seeks to use such reserves to fund investment in manufacturing equipment, research and development, and new businesses development, to prepare for future business. The Group will also take a flexible approach with respect to the acquisition of treasury shares in light of the business environment, capital requirements and the trends of stock prices and the stock market.

The Group plans to pay, as year-end dividends, a commemorative dividend of 5 yen per share for its centenary, in addition to an ordinary dividend of 15 yen per share. As a result, with the interim dividend of 15 yen per share, it

expects to pay an annual dividend of 35 yen per share, up 5 yen from the previous fiscal year.
For the next fiscal year, the Group expects to pay an annual dividend of 30 yen (an interim dividend of 15 yen).

(4) Business and Other Risks

Risks that could influence the Group's performance and financial standing include the following.
Considering the possibility of these risks occurring (emerging), the Group will seek to minimize or prevent them and to deal with them when they do occur.

(i) Food Safety Issues

Consumer demand for quality has increased in the food industry. In response, the Company is taking steps to strengthen its quality assurance system, including constructing a traceability mechanism headed by the Quality Assurance Management Division, which is dedicated exclusively to product quality assurance, as well as holding Group quality assurance meetings, with the participation of people from outside the Group who can deliver useful insights. Nevertheless, should an incident that exceeds the scope of the Group's initiatives as described above take place – for instance, a quality issue that encompasses the entire community – and the image of the products of the Group is harmed, or should other events in which the image of the products of the Group is harmed by rumors take place, even if the Group's products are not directly related to the relevant incidents, the Group's performance and financial standing could be affected.

(ii) Weather and Natural Disasters and Widespread Outbreak of Serious Infectious Diseases

Weather-related factors, such as relatively cold summers, heat waves and relatively mild winters, the occurrence of a large-scale natural disaster or the widespread outbreak of serious infectious disease, have the potential to become risks for the Group's businesses and could affect the Group's performance and financial standing.
The Group creates a task force immediately after a large-scale disaster or widespread outbreak of serious infectious disease and establishes a Group-wide system to respond to the disaster or disease. Considering relief supplies and product supply the primary mission of a food corporation, the Group creates a production and supply system to deal with the disaster or disease. The Group also revises its business continuity plan every year, in order to resume business without delay should the Group suffer damage as a result of disaster.

(iii) Procurement of Raw Materials and Price Fluctuations

The main ingredients of the Group's products are agricultural products such as wheat and spices, as well as petroleum products used in packaging, among others. There is a risk of stable procurement of these ingredients becoming difficult in the event of crop failure associated with extraordinary weather in their places of origin, because of the occurrence of conflicts and incidents, or unexpected changes in laws or regulations. There is also a risk of manufacturing costs rising because of soaring prices associated with supply and demand relationships or price fluctuations in markets. Those risks could influence the Group's performance and financial standing.
The Group procures part of its ingredients from overseas, and their prices could be affected by exchange rate fluctuations. Medium- to long-term exchange rate fluctuations are at risk of affecting the Group's performance and financial standing.

(iv) Risks in Overseas Businesses

The Group is engaged in various food-related businesses overseas, including manufacturing and selling tofu products and curry products and operating restaurant chains in countries such as the United States, China, Taiwan, South Korea, Thailand and Vietnam. Economic slowdowns, political issues, and situations jeopardizing food safety in these countries have the potential to become risks that influence the Group's performance and financial standing.

(v) Changes in the Value of Held Assets

The Group holds a range of assets, including land and securities. Should the asset values of land and securities fall, impairment accounting could be necessary. Impairment accounting could influence the Group's performance and financial standing.

(vi) Effects of Laws and Regulations

The Group is subject to a number of laws and regulations, including the Food Sanitation Act, the Product Liability Act, the Act against Unjustifiable Premiums and Misleading Representations, and laws and regulations concerning the environment and recycling, and local laws and regulations overseas. Each division in the Group collaborates with the legal division to take all possible measures to comply with relevant laws and regulations. However, our business activities could be restricted should regulations be tightened and new regulations imposed, and this could influence the Group's performance and financial standing.

(vii) Risks in Data and System Management

The Group manages data in computerized form about development, production, logistics, sales and other aspects, and the personal information of many customers associated with sales promotion campaigns and mail-order marketing. The Group prepares for unlikely events such as system failures by taking all possible maintenance and security measures, while operating a comprehensive data management system. Nonetheless, systems could become inoperative, or sensitive information could be lost if software or equipment were to be damaged in a disaster. The potential for system failures, unauthorized disclosure, or falsification of data does exist, for instance from unauthorized access involving new technologies and the infection of computers with unknown viruses. In those cases, the Group's performance, financial standing, and social trust could be influenced.

2. Corporate Group

The Company's corporate group consists of the Company, 28 consolidated subsidiaries, and 5 affiliates. The Group engages primarily in the production and sale of food products, as well as related logistics and other services.

A description of the position of each company within the operations of the Group and each company's relationships with segments are as follows.

The affiliates do not belong to any segment.

Spice / Seasoning / Processed Food Business

The Group is engaged in the business of manufacturing and selling spices, seasonings and processed foods such as curry roux products, and food-service products in the domestic market.

House Foods Corporation manufactures and sells spices, seasonings and processed foods such as curry roux products, and food-service products.

Sun House Foods Corporation manufactures mainly retort pouched products.

Sun Supply Corporation processes meat.

House Ai-Factory Corporation manufactures, packs and processes mainly spice products.

Asaoka Spice K.K. sells spices.

Health Food Business

The Group is engaged in the business of manufacturing, selling and direct marketing of health foods in the domestic market.

House Wellness Foods Corporation produces and sells products including health foods and beverages.

International Business

The Group is engaged in the business of manufacturing and selling foods and operating restaurants overseas.

House Foods Corporation exports and sells spices, seasonings and prepared foods.

House Wellness Foods Corporation exports and sells products including health foods and beverages.

House Foods America Corporation manufactures and sells soybean-related products such as tofu, operates restaurants, and imports and sells House Foods Corporation's products in the United States.

El Burrito Mexican Food Products Corporation manufactures and sells products including soybean-related products in the United States.

House Foods Holding USA Inc. exercises overall supervision of the businesses of the House Foods Group in the United States.

Shanghai House Foods Co., Ltd. manufactures and sells spices and condiments such as curry roux products in China.

House Foods China Inc. oversees operations in China.

House Osotspa Foods Co., Ltd. manufactures and sells beverages in Thailand.

House Foods Vietnam Co., Ltd. manufactures and sells processed foods in Vietnam.

Shanghai House Curry Coco Ichibanya Restaurant, Inc., House Restaurant Management (Beijing) Co., Ltd. and House Restaurant Management (Guangzhou) Co., Ltd. operate restaurants in China, and Taiwan Curry House Restaurant, Inc. and Curry House Korea Corporation operate restaurants in Taiwan and in South Korea respectively.

Other Food Related Business

The Group is engaged in businesses such as transportation and warehousing, manufacturing and selling prepared foods, analysis of foods, and imports and sales of foodstuffs.

House Logistics Service Corporation and High Net Corporation are engaged in transportation and warehousing.

Delica Chef Corporation manufactures and sells products such as prepared foods, baked bread and desserts for convenience stores.

House Food Analytical Laboratory Inc. conducts mainly analysis on food safety and sanitation.

Horie Yamatoya Co., Ltd. imports, exports and sells agricultural and processed products.

Dalian Horie Yamatoya Food Co., Ltd. manufactures and sells foods in China and exports and sells foods.

Vox Trading Co., Ltd. is engaged in imports and exports operations and domestic sales of agricultural products, foods and other products.

Tim Food Co., Ltd. and PT. Java Agritech produce and sell vegetables and other agricultural products in Thailand and Indonesia respectively.

Other Businesses

(Subsidiaries not belonging to a segment)

House Business Partners Corporation is commissioned by the Group to handle indirect operations.

(Affiliates not belonging to a segment)

Ichibanya Co., Ltd. operates restaurants.

Sanyo Can Corporation manufactures and sells mainly retort pouched products and cans.

Ichibanya USA, Inc. and Ichibanya Hong Kong Limited operate restaurants in the United States and China, respectively.

Vox Trading (Thailand) Co., Ltd. produces and sells vegetables in Thailand.

Flow Chart of Business Activities

Customers

Spice / Seasoning / Processed Food Business

Production & sales of spices, seasonings and processed foods and business incidental thereto

- House Foods Corporation
- Sun House Foods Corporation
- Sun Supply Corporation
- House Ai-Factory Corporation
- Asaoka Spice K.K.

Health Food Business

Production & sales mainly of health foods and business incidental thereto

- House Wellness Foods Corporation

International Business

Production & sales of foods, operation of restaurants, and business incidental thereto overseas

- House Foods Corporation
- House Wellness Foods Corporation
- Shanghai House Foods Co., Ltd.
- House Foods China Inc.
- House Osotspa Foods Co., Ltd.
- House Foods Vietnam Co., Ltd.
- House Foods America Corporation
- El Burrito Mexican Food Products Corporation
- House Foods Holding USA Inc.
- Shanghai House Curry Coco Ichibanya Restaurant, Inc.
- Taiwan Curry House Restaurant, Inc.
- Curry House Korea Corporation
- House Restaurant Management (Beijing) Co., Ltd.
- House Restaurant Management (Guangzhou) Co., Ltd.

Other Food Related Business

Transport and warehouse operations

- House Logistics Service Corporation
- High Net Corporation

Production & sales of prepared foods

- Delica Chef Corporation

Analysis of food safety and sanitation

- House Food Analytical Laboratory Inc.

Imports, exports and sales of foodstuffs, agricultural processed products, etc.

- Horie Yamatoya Co., Ltd.
- Vox Trading Co., Ltd.

Production & sales of vegetables and other agricultural products

- PT. Java Agritech
- Tim Food Co., Ltd.

Production & sales of foods

- Dalian Horie Yamatoya Food Co., Ltd.

Support for indirect operations among Group companies

- House Business Partners Corporation

Equity-method affiliate

- Sanyo Can Corporation
- Vox Trading (Thailand) Co., Ltd.
- Ichibanya USA, Inc.
- Ichibanya Hong Kong Limited
- Ichibanya Co., Ltd.

House Foods Group Inc.

Consolidated subsidiaries

3. Management Policy

(1) Basic Corporate Management Policy

Under its “Customer Oriented Management,” the Group has adopted its basic management policy, contributing to customers’ healthy dietary lifestyles by continuously offering products and services whose value is recognized by customers.

Taking advantage of the opportunity of adopting the holding company structure on October 1, 2013, the Group has established a new Group philosophy, “Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives.” By positioning this Group philosophy and the existing “Our Founding philosophy” and “House No Kokoro,” the three factors, as its corporate philosophy, the Group has been striving to expand its businesses through consistent business activities by clarifying the targets it aims to achieve.

We will enhance capital efficiency and profitability by narrowing the focus of our investment of resources and increasing cost competitiveness. We will also cultivate growth seeds by investing in areas that we should develop. The Company also seeks to be more attractive for shareholders, for example by paying stable dividends so that it can earn their long-term support and assistance.

(2) Medium- to Long-Term Management Strategies

Aiming to “create new value with health and taste,” the Group formulates a medium-term business plan every three years, clarifying the directions for each of our businesses and the distribution of our management resources. It then formulates and executes specific actions plans so that it can achieve its targets.

Under the Fourth Medium-term Business Plan, launched in April 2012, the Group will seek to achieve robust profit growth through effective utilization of capital, and will further accelerate overseas expansion and pursue the following initiatives aimed at expansion in corporate scale and enhancement of profitability.

(i) Business Strategies

In its domestic Spice / Seasoning / Processed Food Business and Health Food Business, which are ranked as core businesses, the Group plans to further develop existing business and offer new value to achieve growth and improve profitability.

In International Business, which is ranked as a “Growing business,” the Group intends to strengthen and build the foundations of its processed food business in the United States, China and Southeast Asia. Meanwhile, in the curry restaurant business, the Group aims to become the leading curry restaurant chain in each of the countries in which it operates.

(ii) Reforming Organizational Structure

The Group shifted to a holding company structure with effect October 1, 2013, to enhance value creation capability in each business, respectively, and to maximize the corporate value of the entire House Foods Group. The adoption of a holding company structure makes it possible for the Company, as the holding company, to plan and propose the optimum management strategies for the Group, to focus on developing and growing new businesses, and to strategically allocate the Group’s management resources.

The reorganization enables the Group to pursue the enhancement of value creation capability in each of its businesses, by speeding up managerial decision-making and allowing flexible and efficient business operations under the Group's management strategies. The Company, as holding company, continues to exercise overall supervision of the Group's International Business.

(iii) Cost Competitiveness

The Group plans to focus on strengthening its development capabilities which are essential for continued survival and also aims to optimize its production and distribution organization from a group perspective to improve its cost competitiveness, recognizing that its costs are borne by its customers.

(3) Issues Facing the Group

We are addressing the following specific action items to enhance synergies in the Group and to improve corporate value and profitability:

(i) Quality Assurance System

To constantly provide secure and safe products as a food manufacturer, we review our standards and policies on quality as needed and hold Group quality assurance meetings, with the participation of people from outside the Company who can deliver useful insights, to share information about food quality and to discuss issues. To continue providing customers with products they know they can use safely, we also engage in quality improvement activities based on customer feedback to further strengthen our manufacturing capabilities.

(ii) Corporate Governance

The Company believes that a system of internal controls is a mechanism for strengthening its corporate governance system, embodying its corporate philosophy and achieving its management goals. We plan to step up construction and operation of governance systems for risk management, compliance and other areas from a Group management perspective, to improve our corporate value and achieve sustainable development. In terms of corporate bodies, the Company appointed an outside director and is focusing on reinforcing the supervisory function in relation to the management strategy body. Five corporate auditors, including three outside auditors, inspect the directors' performance of their duties. Two standing auditors strive to ensure the effectiveness of auditors' auditing in the Group by concurrently becoming non-standing auditors of major Group companies.

We plan to make ongoing improvements to our system of internal controls so that it functions effectively for the entire Group.

(iii) Corporate Social Responsibility

We recognize that a sincere approach to corporate social responsibility is a necessary condition for earning the trust and goodwill of customers, we are redoubling our commitment to legal compliance and corporate ethics.

In our environmental activities, we have adopted the ISO14001 environmental management system to constantly undertaking activities designed to protect the environment, based on a declaration of environmental responsibility and environmental policies. We have also completed certification throughout the Group. In doing so, we aim to encourage all sections of the Group to share a commitment to activities that are compatible with the environment.

In addition, we seek to contribute to our community, for instance through our work in dietary education, which helps promote healthy eating. We aim to step up our activities to interact with and benefit our community.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Assets		
Current assets		
Cash and deposits	19,371	26,649
Notes and accounts receivable - trade	37,866	40,846
Securities	35,445	29,631
Merchandise and finished goods	6,223	9,382
Work in process	1,012	1,200
Raw materials and supplies	2,817	3,162
Deferred tax assets	2,277	2,757
Other	2,130	3,929
Allowance for doubtful accounts	(7)	(4)
Total current assets	107,135	117,551
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,038	19,571
Machinery, equipment and vehicles, net	7,769	9,195
Land	24,152	26,001
Lease assets, net	4,338	4,128
Construction in progress	883	2,449
Other, net	932	1,190
Total property, plant and equipment	56,112	62,534
Intangible assets		
Goodwill	268	619
Software	889	971
Software in progress	161	1,044
Other	467	848
Total intangible assets	1,787	3,482
Investments and other assets		
Investment securities	75,689	81,451
Long-term loans receivable	239	334
Deferred tax assets	213	428
Long-term time deposits	6,000	2,500
Prepaid pension cost	1,193	–
Net defined benefit asset	–	2,657
Claims provable in bankruptcy, claims provable in rehabilitation and other	–	448
Other	2,682	2,670
Allowance for doubtful accounts	(270)	(687)
Total investments and other assets	85,746	89,802
Total non-current assets	143,645	155,817
Total assets	250,780	273,368

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,613	18,005
Electronically recorded obligations - operating	1,162	1,258
Short-term loans payable	570	7,284
Lease obligations	400	545
Accounts payable - other	12,453	12,878
Income taxes payable	1,872	2,640
Provision for directors’ bonuses	67	93
Other	4,378	6,528
Total current liabilities	39,515	49,230
Non-current liabilities		
Long-term loans payable	–	978
Lease obligations	3,938	3,795
Long-term accounts payable - other	834	682
Deferred tax liabilities	5,194	6,680
Provision for retirement benefits	1,203	–
Net defined benefit liability	–	871
Asset retirement obligations	278	282
Other	490	753
Total non-current liabilities	11,938	14,041
Total liabilities	51,452	63,272
Net assets		
Shareholders’ equity		
Capital stock	9,948	9,948
Capital surplus	23,868	23,868
Retained earnings	155,148	160,767
Treasury shares	(1)	(4)
Total shareholders’ equity	188,963	194,579
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	10,840	11,665
Deferred gains or losses on hedges	–	(5)
Foreign currency translation adjustment	(1,072)	1,053
Remeasurements of defined benefit plans	–	1,509
Total other accumulated comprehensive income	9,768	14,222
Minority interests	596	1,296
Total net assets	199,328	210,097
Total liabilities and net assets	250,780	273,368

(2) Consolidated Statements of Income and Comprehensive Income

(Million yen)

	Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)	Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)
Net sales	209,784	232,610
Cost of sales	114,468	135,080
Gross profit	95,315	97,530
Selling, general and administrative expenses		
Advertising expenses	11,242	11,411
Transportation and warehousing expenses	5,975	6,744
Sales commission	4,064	3,314
Promotion expenses	29,838	31,868
Salaries, allowances and bonuses	12,703	13,424
Provision for directors’ bonuses	72	128
Depreciation	1,024	846
Amortization of goodwill	706	170
Rent expenses	1,483	1,611
Experiment and research expenses	3,810	3,482
Other	12,957	14,945
Total selling, general and administrative expenses	83,874	87,942
Operating income	11,441	9,589
Non-operating income		
Interest income	486	549
Dividend income	559	599
Share of profit of entities accounted for using equity method	415	458
Foreign exchange gains	360	305
Other	277	376
Total non-operating income	2,096	2,287
Non-operating expenses		
Interest expenses	44	221
Commission fee	–	141
Compensation expenses	–	287
Other	48	265
Total non-operating expenses	92	913
Ordinary income	13,445	10,962

(Million yen)

	Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)	Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)
Extraordinary income		
Gain on sales of non-current assets	25	3,110
Gain on sales of investment securities	10	108
Other	13	22
Total extraordinary income	49	3,240
Extraordinary losses		
Loss on sales of non-current assets	11	124
Loss on retirement of non-current assets	189	240
Loss on valuation of investment securities	–	1
Loss on valuation of membership	29	24
Impairment loss	–	129
Provision for loss on guarantees	–	152
Loss on step acquisitions	–	69
Loss on disaster	–	33
Other	27	7
Total extraordinary losses	256	778
Income before income taxes	13,238	13,424
Income taxes - current	4,741	4,705
Income taxes - deferred	258	(147)
Total income taxes	4,999	4,559
Income before minority interests	8,238	8,866
Minority interests in income (loss)	(16)	74
Net income	8,254	8,792
Minority interests in income (loss)	(16)	74
Income before minority interests	8,238	8,866
Other comprehensive income		
Valuation difference on available-for-sale securities	5,310	844
Deferred gains or losses on hedges	–	(13)
Foreign currency translation adjustment	951	2,180
Share of other comprehensive income of entities accounted for using equity method	15	84
Total other comprehensive income	6,276	3,095
Comprehensive income	14,515	11,961
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	14,442	11,736
Comprehensive income attributable to minority interests	72	224

(3) Consolidated Statements of Changes in Net Equity

Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	9,948	23,868	151,392	(4)	185,205
Changes of items during the period					
Dividends of surplus			(3,188)		(3,188)
Net income			8,254		8,254
Purchase of treasury shares				(1,308)	(1,308)
Retirement of treasury shares			(1,311)	1,311	–
Net changes of items other than shareholders' equity					–
Total changes of items during the period	–	–	3,755	3	3,758
Balance at the end of the period	9,948	23,868	155,148	(1)	188,963

	Other accumulated comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of the period	5,531	–	(1,950)	–	3,580	456	189,242
Changes of items during the period							
Dividends of surplus					–		(3,188)
Net income					–		8,254
Purchase of treasury shares					–		(1,308)
Retirement of treasury shares					–		–
Net changes of items other than shareholders' equity	5,309		879		6,188	140	6,328
Total changes of items during the period	5,309	–	879	–	6,188	140	10,086
Balance at the end of the period	10,840	–	(1,072)	–	9,768	596	199,328

Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	9,948	23,868	155,148	(1)	188,963
Changes of items during the period					
Dividends of surplus			(3,173)		(3,173)
Net income			8,792		8,792
Purchase of treasury shares				(3)	(3)
Retirement of treasury shares					–
Net changes of items other than shareholders' equity					–
Total changes of items during the period	–	–	5,619	(3)	5,616
Balance at the end of the period	9,948	23,868	160,767	(4)	194,579

	Other accumulated comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of the period	10,840	–	(1,072)	–	9,768	596	199,328
Changes of items during the period							
Dividends of surplus					–		(3,173)
Net income					–		8,792
Purchase of treasury shares					–		(3)
Retirement of treasury shares					–		–
Net changes of items other than shareholders' equity	825	(5)	2,125	1,509	4,454	699	5,153
Total changes of items during the period	825	(5)	2,125	1,509	4,454	699	10,769
Balance at the end of the period	11,665	(5)	1,053	1,509	14,222	1,296	210,097

(4) Consolidated Statements of Cash Flows

(Million yen)

	Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)	Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)
Cash flows from operating activities		
Income before income taxes	13,238	13,424
Depreciation	5,020	5,056
Amortization of goodwill	706	170
Impairment loss	–	129
Share of (profit) loss of entities accounted for using equity method	(415)	(458)
Loss (gain) on step acquisitions	–	69
Loss (gain) on valuation of investment securities	–	1
Loss on valuation of membership	29	24
Increase (decrease) in allowance for doubtful accounts	23	(1,206)
Increase (decrease) in provision for directors' bonuses	(6)	25
Increase (decrease) in provision for retirement benefits	(355)	(1,468)
Increase (decrease) in net defined benefit liability	–	871
Interest and dividends income	(1,045)	(1,147)
Interest expenses	44	221
Foreign exchange losses (gains)	(250)	(231)
Loss (gain) on sales of investment securities	(10)	(108)
Loss (gain) on sales of non-current assets	(15)	(2,986)
Loss on retirement of non-current assets	189	240
Decrease (increase) in notes and accounts receivable - trade	1,218	1,374
Decrease (increase) in inventories	(67)	(384)
Increase (decrease) in notes and accounts payable - trade	(125)	(4,607)
Increase (decrease) in accounts payable - bonuses	3	27
Decrease (increase) in other assets	966	871
Increase (decrease) in other liabilities	(1,479)	1,749
Subtotal	17,669	11,655
Interest and dividends income received	1,293	1,438
Interest expenses paid	(45)	(219)
Income taxes paid	(6,033)	(4,057)
Net cash provided by (used in) operating activities	12,884	8,818

(Million yen)

	Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)	Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	12,352	15,141
Payments into time deposits	(7,004)	(12,040)
Purchase of securities	(2,000)	(2,500)
Proceeds from sales of securities	6,700	6,500
Purchase of property, plant and equipment	(4,871)	(9,620)
Proceeds from sales of property, plant and equipment	392	3,417
Purchase of intangible assets	(273)	(1,434)
Purchase of investment securities	(9,328)	(7,533)
Proceeds from sales of investment securities	3,525	319
Payments for investments in capital	–	(0)
Collection of investments in capital	–	8
Purchase of memberships	(3)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,331)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	380
Payments of loans receivable	–	(109)
Net cash provided by (used in) investing activities	(1,841)	(7,471)
Cash flows from financing activities		
Increase in short-term loans payable	2,420	42,532
Decrease in short-term loans payable	(2,520)	(38,744)
Repayments of lease obligations	(416)	(540)
Proceeds from long-term loans payable	–	1,026
Repayments of long-term loans payable	–	(1,125)
Purchase of treasury shares	(1,308)	(3)
Cash dividends paid	(3,186)	(3,171)
Proceeds from share issuance to minority shareholders	69	–
Cash dividends paid to minority shareholders	(0)	(45)
Net cash provided by (used in) financing activities	(4,943)	(68)
Effect of exchange rate change on cash and cash equivalents	424	593
Net increase (decrease) in cash and cash equivalents	6,525	1,871
Cash and cash equivalents at beginning of period	41,190	47,715
Cash and cash equivalents at end of period	47,715	49,586

(5) Notes to Consolidated Financial Statements

Notes Relating to Assumptions for the Going Concern

Not applicable.

Basic Important Matters for the Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) The following 28 companies are consolidated subsidiaries:

House Foods Corporation, Vox Trading Co., Ltd., Delica Chef Corporation, Sun House Foods Corporation, House Wellness Foods Corporation, House Logistics Service Corporation, House Food Analytical Laboratory Inc., House Ai-Factory Corporation, Sun Supply Corporation, Horie Yamatoya Co., Ltd., High Net Corporation, Asaoka Spice K.K., House Business Partners Corporation, House Foods Holding USA Inc., House Foods America Corporation, El Burrito Mexican Food Products Corporation, House Foods China Inc., Shanghai House Foods Co., Ltd., Dalian Horie Yamatoya Co., Ltd., Shanghai House Curry Coco Ichibanya Restaurant, Inc., House Restaurant Management (Guangzhou) Co., Ltd., House Restaurant Management (Beijing) Co., Ltd., House Foods Vietnam Co., Ltd., House Osotspa Foods Co., Ltd., Tim Food Co., Ltd., PT. Java Agritech, Taiwan Curry House Restaurant Inc., and Curry House Korea Corporation.

House Foods Corporation, Vox Trading Co., Ltd., House Restaurant Management (Guangzhou) Co., Ltd., House Restaurant Management (Beijing) Co., Ltd., Tim Food Co., Ltd. and PT. Java Agritech are newly included as consolidated subsidiaries in the consolidated fiscal year under review.

(2) Names of major unconsolidated subsidiaries

PT. Vox Trading Indonesia

Dalian Vox Foods Co., Ltd.

Reason for the exclusion from consolidation

The reason for the exclusion is that all the six unconsolidated subsidiaries are small-scale companies and factors such as total assets, net sales, net income (the amount in proportion to the equity share) and retained earnings (the amount in proportion to the equity share) do not have a material impact on the consolidated financial statements.

2. Matters Concerning Application of Equity Method

(1) The following five affiliates are subject to equity method accounting:

Sanyo Can Corporation, Ichibanya Co., Ltd., Ichibanya USA, Inc., Ichibanya Hong Kong Limited, Vox Trading (Thailand) Co., Ltd.

Vox Trading (Thailand) Co., Ltd. has been included in affiliates subject to equity method accounting from the consolidated fiscal year under review.

(2) Names of major companies, etc. out of unconsolidated subsidiaries and affiliates that are not subject to equity method accounting

PT. Vox Trading Indonesia
Dalian Vox Foods Co., Ltd.
Lanna Products Co., Ltd.
Dalian Tianke Foods Co., Ltd.

Reason for not applying to equity method accounting

The companies that are not subject to equity method accounting have been excluded from the scope of the application of equity method accounting because those that are not subject to equity method accounting have a limited impact on consolidated financial statements in light of the scale of net income (the amount in proportion to the equity share), retained earnings (the amount in proportion to the equity share) and other factors, even if they are excluded from the scope of equity method accounting, and overall are not significant.

3. Account Settlement Dates for Consolidated Subsidiaries

Among consolidated subsidiaries, the account settlement date for House Foods Holding USA Inc., House Foods America Corporation, El Burrito Mexican Food Products Corporation, House Foods China Inc., Shanghai House Foods Co., Ltd., Dalian Horie Yamatoya Co., Ltd., Shanghai House Curry Coco Ichibanya Restaurant, Inc., House Restaurant Management (Guangzhou) Co., Ltd., House Restaurant Management (Beijing) Co., Ltd., Tim Food Co., Ltd., PT. Java Agritech, Taiwan Curry House Restaurant, Inc., Curry House Korea Corporation is the last day of December. Results of subsidiaries are consolidated based on their financial statements as of this account settlement date. However, adjustments necessary for consolidation are made when any significant events take place between the account settlement date and the consolidated account settlement date. Meanwhile, the account settlement date of Vox Trading Co., Ltd. is the last day of November, but it is consolidated based on a provisional account settlement calculated as of the last day of February. The account settlement date for other subsidiaries is the same as the consolidated account settlement date.

In addition, in the consolidated fiscal year under review, Horie Yamatoya Co., Ltd. changed its account settlement date to the last day of March, the same date as the consolidated account settlement date, and its accounting period for the consolidated fiscal year under review is 15 months.

4. Matters Concerning Accounting Standards

(1) Valuation standard and method for significant assets

a. Securities

- Bonds held to maturity: Amortized cost method (Straight-line method)
- Other marketable securities

Securities with fair market value:

Market value method based on the quoted market value as of the fiscal year-end

(Valuation differences are directly charged or credited to shareholders' equity, and the cost of securities sold is calculated using the moving-average method.)

Securities without fair market value:

Cost accounting method using the gross average method

b. Inventories:

Primarily cost accounting method using the gross average method (calculated using the book-value write-down method based on the decline in profitability).

(2) Depreciation method for significant depreciable assets

a. Property, plant and equipment (excluding lease assets):

The Company

Buildings (excluding building attachments)

Straight-line method

Property, plant and equipment other than buildings

Declining balance method

Domestic consolidated subsidiaries

Declining balance method (straight-line method for buildings acquired on or after April 1, 1998)

Overseas consolidated companies

Straight-line method

The service lives for these major categories are as follows:

Buildings and structures:	3 to 50 years
Machinery, equipment and vehicles:	mostly 10 years

b. Intangible assets (excluding lease assets):

Straight-line method

However, software is amortized on a straight-line basis over the expected usable period, up to five years.

c. Lease assets:

Lease assets concerning finance lease transactions without a transfer of ownership

Computed using the straight-line method over the lease terms as service life, assuming no residual value.

Finance lease transactions without a transfer of ownership that started on or before March 31, 2008 are accounted for in a manner similar to accounting for ordinary lease transactions.

(3) Accounting standards for significant allowances

a. Allowance for doubtful accounts

To provide for a loss on doubtful accounts such as trade receivables and loans, general allowances are provided using a rate determined by past experience with bad debts. Specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing the individual collectibility of certain doubtful accounts.

b. Reserve for bonuses for directors and corporate auditors

To provide for the payment of bonuses for directors and corporate auditors, the Company provides accrued bonuses for directors and corporate auditors based on the projected amount for the consolidated fiscal year under review.

(4) Accounting method for retirement benefits

a. Period corresponding method for the estimated amount of retirement benefits

In calculating retirement benefits obligations, the method to match the estimated amount of retirement benefits to a period until the end of the consolidated fiscal year under review is based on the fixed amount standard.

b. Accounting methods for actuarial differences and prior service cost

Prior service cost is accounted for according to the straight-line method as they are incurred for a certain number of years within the average remaining years of service of employees at the time of incurring.

Actuarial differences are charged to expenses from the next fiscal year using a straight-line method mainly based on determined years (principally ten years) within the average remaining years of service of employees when incurred.

(5) Significant hedge accounting methods

a. Hedge accounting methods

Deferral hedge accounting is adopted.

As to the forward exchange contracts eligible for allocation treatment, allocation treatment is adopted.

b. Hedging instruments and hedged items

Hedging instruments --- Forward exchange contracts

Hedged items --- Foreign currency denominated liabilities, foreign currency denominated forecasted transactions and foreign currency time deposits

c. Hedging policies

Derivatives transactions are carried to hedge risks of fluctuations of foreign exchange rates associated with foreign currency denominated transactions in accordance with internal rules related to derivatives transactions, and a policy has been adopted that derivatives transactions whose purpose is not risk hedging are never carried out.

d. Methods to evaluate the effectiveness of hedging

Because, in accordance with internal rules related to derivatives transactions, it is confirmed at the time of entering transactions that the material conditions are identical, an evaluation of the effectiveness is omitted.

(6) Translation standard for important foreign currency-denominated assets and liabilities into the Japanese yen

Foreign currency amounts are translated into the Japanese yen on the basis of the spot exchange rate in effect on the consolidated balance sheet date for monetary assets and liabilities. The resulting gains and losses are included in net profit or loss for the period. The assets, liabilities, income, and expenses of overseas subsidiaries and affiliates have been converted into Japanese currency at the spot exchange rate on the consolidated settlement date. Translation differences are shown as foreign currency translation adjustments and minority interests in the net assets section.

(7) Method and period of goodwill amortization

Amortization of goodwill is computed by using the straight-line method over five years.

(8) Scope of funds in consolidated cash flow statements

Cash and cash equivalents in consolidated cash flow statements consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments with a maturity of three months or less at the date of acquisition that can easily be converted into cash and that have only minor risks of changes in value.

(9) Accounting method for consumption taxes

The tax-exclusion method is used for the calculation of consumption tax and local consumption tax.

Changes in Accounting Policies

Effective from the end of the consolidated fiscal year under review, the Group has adopted the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012; hereinafter referred to as “the Accounting Standard for Retirement Benefits”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; hereinafter referred to as “the Guidance on Accounting Standard for Retirement Benefits”) (excluding, however, provisions set forth in the main clauses of paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits). Accordingly, the Group has changed the accounting method to one in which it records the amount calculated by deducting pension assets from retirement benefits obligations as net defined benefit liability or net defined benefit asset, and it records unrecognized actuarial differences and unrecognized prior service cost as a net defined benefit liability or net defined benefit asset.

The Accounting Standard for Retirement Benefits, etc., has been adopted in accordance with transitional handling as provided in paragraph 37 of the Accounting Standard for Retirement Benefits. Accordingly, the amount affected by the relevant accounting change has been reflected on remeasurements of defined benefit plans in accumulated other comprehensive income as of the end of the consolidated fiscal year under review.

As a result, as of the end of the consolidated fiscal year under review, the Group recorded a net defined benefit liability of 871 million yen and a net defined benefit asset of 2,657 million yen. In addition, accumulated other comprehensive income increased 1,509 million yen.

The effects on per share information are stated in the relevant places.

Unapplied Accounting Standards, etc.

“Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and “Guidance on Accountings Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012)

1. Overview

   The accounting standard and guidance include revisions mainly to accounting methods of unrecognized actuarial differences and unrecognized prior service cost, calculation methods of retirement benefits obligations and service cost, and the expansion of the scope of disclosure, in light of improving financial reports and global trends.

2. Scheduled date for adoption

   The revised calculation methods of retirement benefits obligations and service cost are expected to be adopted from the beginning of the consolidated fiscal year starting on or after April 1, 2014.

3. Effects of the adoption of the accounting standard and guidance

   The effects of the adoption of the relevant accounting standard, etc. are currently being assessed.

Notes to Consolidated Balance Sheet

1. Assets supplied to collateral and corresponding debts

Assets pledged as collateral are as follows:

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Investment securities	–	589
Buildings and structures	–	179
Machinery, equipment and vehicles	–	112
Land	–	32
Certificate of deposit	24	17

Secured liabilities are as follows:

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Long-term loans payable	–	950
Of which current portion of long-term loans payable	–	200
Short-term loans payable	–	176

2. Accumulated depreciation of property, plant and equipment

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Accumulated depreciation of property, plant and equipment	110,894	112,981

3. Guarantee obligations

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Borrowings by Lanna Products Co., Ltd. from financial institutions	–	98
Borrowings by PT. Vox Trading Indonesia from financial institutions	–	41
Guarantee obligation to the monetary debt of Myoko Garden K.K.	3	3
Borrowings by Shizuoka Mist Farm Limited from financial institutions	–	3
Guarantee obligation to the housing loans of the Company employees	5	3

Notes to Consolidated Statements of Income and Comprehensive Income

1. Impairment loss

The House Foods Group recognized impairment loss for the following group of assets:

Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

Not applicable.

Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

Location	Use	Category	Impairment loss (million yen)
House Foods Group Inc. Training Center in Ikoma	Training center	Buildings, others	85
House Foods Corporation Kanto Plant, etc.	Production facility	Machinery, equipment, etc.	44

(Note) The House Foods Group accounts for idle property on an individual basis and business assets using group-based management accounting classifications in accordance with the minimum unit that generates cash flow. Business assets such as head offices are grouped as common assets.

The Group reduced the values of business assets and idle property whose profitability declined to recoverable amounts. The recoverable amounts were measured based on the use values. Since the future cash flows were negative, the Group did not calculate discounts.

Notes to Consolidated Statements of Changes in Net Equity

Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

1. Matters relating to outstanding shares

(Thousand shares)

Types of shares	At beginning of consolidated fiscal year under review	Increase	Decrease	At end of consolidated fiscal year under review
Common shares	106,765	–	1,004	105,762

(Reason for the change)

Breakdown of Increase/Decrease is as follows.

Decrease due to retirement of treasury shares: 1,004 thousand shares

2. Matters relating to treasury shares

(Thousand shares)

Types of shares	At beginning of consolidated fiscal year under review	Increase	Decrease	At end of consolidated fiscal year under review
Common shares	3	1,002	1,004	1

(Reason for the change)

Breakdown of Increase/Decrease is as follows.

Increase due to purchase of treasury shares: 1,000 thousand shares

Increase due to purchases of fractional shares: 2 thousand shares

Decrease due to retirement of treasury shares: 1,004 thousand shares

3. Matters relating to subscription rights to shares, etc.

Not applicable.

4. Matters relating to dividends

(i) Dividends paid

Resolution	Type of shares	Total dividends paid (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting, June 27, 2012	Common shares	1,601	15	March 31, 2012	June 28, 2012
Meeting of the Board, October 31, 2012	Common shares	1,586	15	September 30, 2012	December 7, 2012

(ii) Dividends with a record date that falls during the fiscal year under review but an effective date that falls in the next fiscal year.

Resolution	Type of shares	Source of dividends	Total dividends paid (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting, June 26, 2013	Common shares	Retained earnings	1,586	15	March 31, 2013	June 27, 2013

Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

1. Matters relating to outstanding shares

(Thousand shares)

Types of shares	At beginning of consolidated fiscal year under review	Increase	Decrease	At end of consolidated fiscal year under review
Common shares	105,762	–	–	105,762

2. Matters relating to treasury shares

(Thousand shares)

Types of shares	At beginning of consolidated fiscal year under review	Increase	Decrease	At end of consolidated fiscal year under review
Common shares	1	2	–	3

(Reason for the change)

Breakdown of Increase/Decrease is as follows.

Increase due to purchases of fractional shares: 2 thousand shares

3. Matters relating to subscription rights to shares, etc.

Not applicable.

4. Matters relating to dividends

(i) Dividends paid

Resolution	Type of shares	Total dividends paid (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting, June 26, 2013	Common shares	1,586	15	March 31, 2013	June 27, 2013
Meeting of the Board, October 30, 2013	Common shares	1,586	15	September 30, 2013	December 6, 2013

(ii) Dividends with a record date that falls during the fiscal year under review but an effective date that falls in the next fiscal year.

Resolution	Type of shares	Source of dividends	Total dividends paid (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting, June 26, 2014	Common shares	Retained earnings	2,115	20	March 31, 2014	June 27, 2014

Notes to Consolidated Statements of Cash Flows

1. Relationship between closing cash and cash equivalents and the amount posted on the balance sheet

(Million yen)

	Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)	Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)
Cash and deposits	19,371	26,649
Securities	35,445	29,631
Total	54,816	56,280
Time deposit account with maturity over three months	(2,156)	(2,563)
Securities other than negotiable certificates of deposit and the like	(4,945)	(4,131)
Cash and cash equivalents	47,715	49,586

Lease Transactions

1. Finance lease transactions without a transfer of ownership that started on or before March 31, 2008

(i) Equivalent to acquisition costs, accumulated depreciation and ending net book value of leased properties

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)		
	Equivalent to acquisition costs	Equivalent to accumulated depreciation	Equivalent to ending net book value
Buildings	517	298	220
Machinery, equipment and vehicles	178	166	12
Other (tools, furniture and fixtures)	8	6	1
Total	703	470	233

(Million yen)

	Consolidated fiscal year under review (As of March 31, 2014)		
	Equivalent to acquisition costs	Equivalent to accumulated depreciation	Equivalent to ending net book value
Buildings	517	327	190
Machinery, equipment and vehicles	–	–	–
Other (tools, furniture and fixtures)	–	–	–
Total	517	327	190

(ii) Equivalent to future lease payments at end of period

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Due within one year	43	22
Due after one year	190	168
Total	233	190

(iii) Lease payment and equivalent to accumulated depreciation

(Million yen)

	Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)	Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)
Lease payment	91	43
Equivalent to accumulated depreciation	91	43

(iv) Method of providing for calculation of depreciation

With respect to the method of providing for calculation of depreciation, the depreciation equivalent is computed using the straight-line method over the lease terms as the service life, assuming no residual value.

(v) Method to calculate the amount equivalent to interest

Because the ratio of future lease payments at the end of the period against the outstanding balance of property, plant and equipment and other items is low, the inclusive-of-interest method is used for accounting.

2. Finance lease transactions

Finance lease transactions without a transfer of ownership

(i) Details of lease assets

Leased assets are primarily warehouses that are used in the transportation and warehouse business, as well as production facilities and research equipment for the food business.

(ii) Depreciation method for lease assets

The depreciation equivalent is computed using the straight-line method over the lease terms as service life, assuming no residual value.

3. Operating lease transactions

Among operating lease transactions, future lease payments that cannot be cancelled

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Due within one year	238	432
Due after one year	676	1,315
Total	914	1,747

Matters Relating to Securities

1. Bonds to be held to maturity

Previous consolidated fiscal year (as of March 31, 2013) (Million yen)

Type		Consolidated balance sheet value	Market value	Difference
Securities with market value exceeding consolidated balance sheet value	(1) Government and municipal bonds, etc.	–	–	–
	(2) Corporate bonds	3,000	3,019	19
	(3) Others	22,770	23,232	462
	Subtotal	25,770	26,251	481
Securities with market value not exceeding consolidated balance sheet value	(1) Government and municipal bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Others	4,476	4,446	(30)
	Subtotal	4,476	4,446	(30)
Total		30,246	30,698	452

Consolidated fiscal year under review (as of March 31, 2014) (Million yen)

Type		Consolidated balance sheet value	Market value	Difference
Securities with market value exceeding consolidated balance sheet value	(1) Government and municipal bonds, etc.	–	–	–
	(2) Corporate bonds	2,000	2,030	30
	(3) Others	25,918	26,561	643
	Subtotal	27,918	28,591	673
Securities with market value not exceeding consolidated balance sheet value	(1) Government and municipal bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Others	8,336	8,216	(120)
	Subtotal	8,336	8,216	(120)
Total		36,254	36,807	553

2. Other marketable securities

Previous consolidated fiscal year (as of March 31, 2013) (Million yen)

Type		Consolidated balance sheet value	Acquisition cost	Difference
Securities with market value exceeding consolidated balance sheet value	(1) Stocks	33,057	15,641	17,416
	(2) Bonds	3,081	3,035	46
	Government and municipal bonds, etc.	–	–	–
	Corporate bonds	2,062	2,033	29
	Others	1,019	1,001	18
	(3) Others	–	–	–
	Subtotal	36,138	18,676	17,462
Securities with market value not exceeding consolidated balance sheet value	(1) Stocks	4,549	5,138	(590)
	(2) Bonds	3,964	4,036	(72)
	Government and municipal bonds, etc.	–	–	–
	Corporate bonds	2,965	3,036	(71)
	Others	999	1,000	(1)
	(3) Others	–	–	–
	Subtotal	8,513	9,174	(661)
Total		44,651	27,850	16,801

(Note) Unlisted shares (consolidated balance sheet value: 979 million yen) do not have any market value, and it is very difficult to estimate their fair value. They are therefore not included in the “other marketable securities” above.

Since negotiable certificates of deposit (consolidated balance sheet value: 30,500 million yen) are cashed in short periods, the fair market value is almost the same as the book value. Their fair value is consequently deemed equal to the book value, and they are not included in “other marketable securities” above.

Consolidated fiscal year under review (as of March 31, 2014) (Million yen)

Type		Consolidated balance sheet value	Acquisition cost	Difference
Securities with market value exceeding consolidated balance sheet value	(1) Stocks	37,590	19,457	18,133
	(2) Bonds	2,645	2,617	28
	Government and municipal bonds, etc.	–	–	–
	Corporate bonds	1,638	1,615	23
	Others	1,007	1,001	6
	(3) Others	—	—	—
	Subtotal	40,235	22,073	18,162
Securities with market value not exceeding consolidated balance sheet value	(1) Stocks	1,583	1,829	(245)
	(2) Bonds	1,407	1,433	(25)
	Government and municipal bonds, etc.	–	–	–
	Corporate bonds	1,407	1,433	(25)
	Others	–	–	–
	(3) Others	–	–	–
	Subtotal	2,991	3,261	(271)
Total		43,226	25,335	17,891

(Note) Unlisted shares (consolidated balance sheet value: 1,481 million yen) do not have any market value, and it is very difficult to estimate their fair value. They are therefore not included in the “other marketable securities” above.
Since negotiable certificates of deposit (consolidated balance sheet value: 25,500 million yen) are cashed in short periods, the fair market value is almost the same as the book value. Their fair value is consequently deemed equal to the book value, and they are not included in “other marketable securities” above.

3. Matters concerning other marketable securities sold during the previous consolidated fiscal year

Previous consolidated fiscal year (April 1, 2012 – March 31, 2013) (Million yen)

Classification	Value of proceeds from sale	Total gain from sale	Total loss from sale
Shares	15	1	–
Bonds			
Corporate bonds	511	9	–
Total	525	10	–

Consolidated fiscal year under review (April 1, 2013 – March 31, 2014) (Million yen)

Classification	Value of proceeds from sale	Total gain from sale	Total loss from sale
Shares	316	108	–
Bonds			
Corporate bonds	–	–	–
Total	316	108	–

4. Marketable securities impaired

Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

The Company did not recognize impairment charges on other marketable securities.

When impairing securities with a market value, if the market value at the end of the period has declined to less than 50% of the acquisition cost, the Company impairs the full carrying value, and if the market value has declined by between 30 to 50%, the Company recognizes impairment charges to the extent deemed necessary based on recoverability.

When impairing securities which do not have any market value, if the real price has declined to 50% or less of the acquisition cost, the Company recognizes impairment charges to the extent deemed necessary based on recoverability.

Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

The Company recognized impairment charges of 1 million yen on other marketable securities.

When impairing securities with a market value, if the market value at the end of the period has declined to less than 50% of the acquisition cost, the Company impairs the full carrying value, and if the market value has declined by between 30 to 50%, the Company recognizes impairment charges to the extent deemed necessary based on recoverability.

When impairing securities which do not have any market value, if the real price has declined to 50% or less of the acquisition cost, the Company recognizes impairment charges to the extent deemed necessary based on recoverability.

Pension and Severance Cost

Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

1. Outline of retirement and severance benefits plans adopted by the companies

The retirement benefits systems of the Company and certain domestic consolidated subsidiaries consist of defined benefit corporate pension plans (fund-type and contract-type) and a retirement lump-sum grants system.

Among the Company and domestic consolidated subsidiaries at the end of the consolidated fiscal year under review, defined benefit corporate pension plans (fund-type and contract-type) had been adopted by five companies, and retirement lump-sum grants system had been adopted by five companies.

2. Matters relating to projected benefit obligations

(Million yen)

a. Projected benefit obligations	(52,495)
b. Pension assets	47,691
c. Unfunded obligations for retirement and severance benefits ((a) + (b))	(4,805)
d. Unrecognized actuarial gain or loss	4,795
e Net accrued retirement benefits reflected in consolidated balance sheets ((c) + (d))	(10)
f. Prepaid pension cost	1,193
g. Allowance for retirement benefits ((e) - (f))	(1,203)

(Note) Some consolidated subsidiaries with retirement benefits systems use the simplified method to calculate projected benefit obligations.

3. Matters relating to retirement benefit costs

(Million yen)

a. Service cost	1,666
b. Interest cost	965
c. Expected return on pension assets	(855)
d. Recognized actuarial gain or loss	1,242
e. Amortization of prior service cost	–
f. Net retirement benefit costs ((a) + (b) + (c) + (d) + (e))	3,018

(Note) Net retirement benefit costs of consolidated subsidiaries using the simplified method are accounted for as (a) "Service cost."

4. Matters relating to the basis of calculation for projected benefit obligations

a. Periodic allocation method for projected benefits

Periodic straight-line base

b. Discount rates

Primarily 1.5%

c. Expected return on assets

Primarily 2.0%

d. Years over which prior service cost is amortized

Primarily 1 year

e. Years over which actuarial gain or loss is amortized

Primarily 10 years (the actuarial gain or loss is charged to expenses from the following consolidated fiscal year using primarily a straight-line method based on determined years within the average remaining years of service of employees when incurred.)

Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

1. Outline of retirement and severance benefits plans adopted by the companies

The retirement benefits systems of the Company and certain domestic consolidated subsidiaries consist of defined benefit corporate pension plans (fund-type and contract-type) and a retirement lump-sum grants system.

Among the Company and domestic consolidated subsidiaries at the end of the consolidated fiscal year under review, defined benefit corporate pension plans (fund-type and contract-type) had been adopted by five companies, and retirement lump-sum grants system had been adopted by seven companies.

2. Defined benefit plan (including a plan that adopts the simplified method)

(1) Adjustment table of retirement benefit obligations at the beginning of the period and the end of the period

	(Million yen)
Retirement benefit obligations at the beginning of the period	52,495
Service cost	1,914
Interest cost	758
Actuarial differences incurred	(3,083)
Retirement benefits paid	(2,087)
Prior service costs incurred	–
Increase from the changes in the scope of consolidation	266
Other	13
Retirement benefit obligations at the end of the period	50,276

(Note) Net retirement benefit costs of consolidated subsidiaries using the simplified method are accounted for as "Service cost."

(2) Adjustment table of pension assets at the beginning of the period and the end of the period

	(Million yen)
Pension assets at the beginning of the period	47,691
Expected return on pension assets	933
Actuarial differences incurred	3,440
Employer's contributions	1,874
Retirement benefits paid	(1,888)
Other	13
Pension assets at the end of the period	52,062

(3) Adjustment table related to retirement benefit obligations and pension assets at the end of the period and liabilities related to retirement benefits and assets related to retirement benefits recorded on the consolidated balance sheets

	(Million yen)
Retirement benefit obligations of the saving plan	49,903
Pension assets	(52,062)
	(2,160)
Retirement benefit obligations of the non-saving plan	373
Net liabilities and assets recorded on the consolidated balance sheets	(1,786)
Net defined benefit liability	871
Net defined benefit asset	(2,657)
Net liabilities and assets recorded on the consolidated balance sheets	(1,786)

(4) Retirement benefit costs and their breakdown

	(Million yen)
Service cost	1,914
Interest cost	758
Expected return on pension assets	(933)
Recognized actuarial gain or loss	513
Amortization of prior service cost	–
Other	–
Retirement benefit costs related to the defined benefit plan	2,251

(Note) Net retirement benefit costs of consolidated subsidiaries using the simplified method are accounted for as “Service cost.”

(5) Re-measurements of defined benefit plans

The breakdown of items included in re-measurements of defined benefit plans (before applicable tax effects) is as follows:

	(Million yen)
Unrecognized prior service cost	–
Unrecognized actuarial differences	2,240
Total	2,240

(6) Matters relating to pension assets

(i) Main breakdown of pension assets

The ratio of items by main category against total pension assets is as follows:

	(Million yen)
Bonds	55%
Shares	32%
Insurance assets (General account)	12%
Cash and deposits	0%
Other	1%
Total	100%

(ii) Method to establish a long-term expected return on assets

To determine the long-term expected return on assets of pension assets, the present and expected allocation of pension assets and the present and expected future return from a variety of assets that constitute pension assets have been taken into account.

(7) Matters relating to the basis of actuarial calculation

Basis of main actuarial calculation as of the end of the consolidated fiscal year under review (presented as a weighted average)

Discount rates	Primarily 1.5%
Long-term expected return on assets	Primarily 2.0%

Tax Effect Accounting

1. Breakdown of principal causes of deferred tax assets and deferred tax liabilities (Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Deferred tax assets		
Loss on valuation of investment securities	240	6,101
Loss carried forward	4,357	4,695
Accrued sales commission	1,097	1,232
Impairment loss on non-current assets	964	742
Accrued bonuses	692	583
Provision for retirement benefits	462	–
Net defined benefit liability	–	281
Enterprise tax payable	193	236
Long-term accounts payable-other	308	217
Loss on valuation of inventories	83	72
Others	545	736
Subtotal	8,941	14,894
Valuation allowance	(5,144)	(10,632)
Total deferred tax assets	3,797	4,263
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(5,954)	(6,374)
Provision for retirement benefits	(425)	–
Net defined benefit asset	–	(947)
Reserve for advanced depreciation of non-current assets	–	(327)
Others	(122)	(146)
Total deferred tax liabilities	(6,501)	(7,793)
Net total deferred tax assets (liabilities)	(2,704)	(3,530)

(Note) Net total deferred tax assets of the previous consolidated fiscal year and those of the consolidated fiscal year under review are included in the following items of the consolidated balance sheets:

(Million yen)

		Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Current assets	- Deferred tax assets	2,277	2,757
Non-current assets	- Deferred tax assets	213	428
Current liabilities	- Other	(0)	(35)
Non-current liabilities	- Deferred tax liabilities	5,194	6,680

2. Breakdown of principal items causing difference between statutory effective tax rate and the rate for corporate and other taxes applicable after tax benefit accounting is used

	Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Statutory effective tax rate	38.01%	38.01%
(Adjustment)		
Non-deductible items such as entertainment expenses	2.04%	2.60%
Non-taxable items such as dividends received	(0.61%)	(0.44%)
Per capita inhabitant tax, etc.	0.60%	0.68%
Tax credit for testing and research expenses	(1.73%)	(1.63%)
Valuation allowance for deferred tax assets	0.29%	39.94%
Amortization of goodwill	2.01%	0.48%
Downward adjustment of deferred tax assets at end of year due to tax rate change	–%	1.37%
Consolidation adjustments such as equity in earnings of affiliates	(3.36%)	(47.02%)
Others	0.52%	(0.03%)
Actual effective tax rate	37.77%	33.96%

3. Amendments to deferred tax assets and deferred tax liabilities as a result of the revision to the rates of income taxes

As a result of the promulgation of an act to revise certain income taxes in March 31, 2014, the special corporate tax for reconstruction no longer applies from consolidated fiscal years that start on or after April 1, 2014. As a result, with respect to temporary differences that are expected to be eliminated in the consolidated fiscal year that started on April 1, 2014, the effective statutory tax rate that was used to calculate deferred tax assets and deferred tax liabilities for the consolidated fiscal year under review has been changed to 35.64%, compared with 38.01% for the previous consolidated fiscal year.

As a result, deferred tax assets (the amount after deferred tax liabilities are deducted) declined 185 million yen, and income taxes – deferred and valuation difference on available-for-sale securities that were recorded for the consolidated fiscal year under review increased 185 million yen and 0 million yen, respectively.

Matters Relating to the Business Combination, etc.

Transactions under joint control, etc.

As approved at its 67th ordinary shareholders' meeting held on June 26, 2013, the Company carried out a company demerger and adopted a holding company structure on October 1, 2013.

1. Outline of the transaction

(1) Names and the details of the businesses subject to the transaction

The Spice / Seasoning / Processed Food Business and the Health Food Business

(2) Date of the business combination

October 1, 2013

(3) Legal form of the business combination

An absorption-type company demerger in which the Company is the demerging company and House Foods Corporation and House Wellness Foods Corporation are the successor companies

(4) Name after the business combination

House Foods Corporation and House Wellness Foods Corporation (the Company's consolidated subsidiaries)

(5) Other matters relating to the outline of the transaction

The House Foods Group's corporate philosophy consists of "Bringing greater joy to families through our foods" by contributing to healthy dietary lifestyles by consistently offering products and services whose value is recognized by customers. Under the Fourth Medium-Term Business Plan, launched in April 2012, the Group has been seeking to achieve robust profit growth through the effective use of capital and taking initiatives to further accelerate overseas expansion.

The Group has decided on a policy to adopt the holding company structure based on its belief that, to achieve future growth, the Group needs to develop a management structure to ensure that each business enhances its value creation capability and that the corporate value of the entire Group is maximized.

2. Outline of accounting procedures adopted

The transaction has been accounted for as a transaction under joint control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21 on December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestiture (ASBJ Guidance No. 10 on December 26, 2008).

Asset Retirement Obligations

Asset retirement obligations posted on the consolidated balance sheets

(1) Overview of the asset retirement obligations

Expenses related to the obligation of restoration associated with real estate lease agreements for land and buildings, including plants and warehouses, and expenses for removing harmful materials (under the Ordinance on Prevention of Asbestos Hazards) used in buildings

(2) Basis for calculating the asset retirement obligations

Asset retirement obligations are calculated on the assumption of prospective usable years of 15 years to 38 years and discount rates of 0.3% to 2.1%.

(3) Change in the asset retirement obligations (Million yen)

	Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)	Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)
Obligations at beginning of fiscal year	284	278
Adjustment with the passing of time	3	3
Decrease due to fulfilment of asset retirement obligations	(9)	–
Obligations at end of fiscal year	278	282

Segment Information

[Segment Information]

1. Overview of Reported Segments

The reported segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Company and which are regularly examined by the Board of Directors for decisions on the allocation of management resources and for assessing business performance.

Under its business strategies, the Company has positioned the domestic Spice / Seasoning / Processed Food Business and the domestic Health Food Business as core businesses, and is working to enhance growth and profitability by strengthening existing business and proposing new value.

In International Business, ranked as a "Growing business," the Company is consolidating and building its processed food business base in the United States, China and Southeast Asia. Meanwhile, in the Curry Restaurant Business, the Company aims to become the leading curry restaurant chain in each of the countries in which it operates.

In the Other Food Related Business, which includes the transport business and the business engaged in exports, imports and sales of foodstuffs, the Company is strengthening the capabilities of each of the companies included in the segment according to their business roles, with the aim of increasing their contribution to group earnings.

On the basis of these strategic business areas, the Company has decided to make the four units—Spice / Seasoning / Processed Food Business, Health Food Business, International Business, and Other Food Related Business—its reported segments.

Matters relating to changes in the Company's reported segment and other items are as follows:

(Change in the method to categorize reported segments)

The Company reviewed the scope of net sales and expenses allocated to each reported segment. As a result, effective from the consolidated fiscal year under review, the Company has made changes, including the introduction of a method in which expenses incurred from House Business Partners Corporation that were previously included in the Other Food Related Business are now allocated to each reported segment in accordance with an allocation standard. These changes have been made as a result of the establishment of a new organizational structure by adopting the holding company structure.

The impact of these changes on segment information for the consolidated fiscal year under review is limited.

(Change of the names of the reported segments)

Following the establishment of a new organizational structure by adopting the holding company structure, the Company reviewed the method to categorize reported segments. As a result, effective from the consolidated fiscal year under review, the Company has changed the name of a reported segment, the Transport and Other Businesses, to the Other Food Related Business.

Consequently, the revised name is now used in segment information for the previous consolidated fiscal year.

2. Basis for Calculating Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

The accounting methods used for reportable segments are generally the same as those described in "Basic Important Matters for the Preparation of Consolidated Financial Statements".

The income figures stated in the reportable segments are based on operating income. The intersegment sales and transfers are based on actual market prices.

3. Information on Amounts of Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

(Million yen)

	Reported segments					Other	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Business	Other Food Related Business	Total		
Net sales							
Sales – outside customers	123,875	42,766	14,700	28,443	209,784	–	209,784
Sales and transfer – inter-segment	–	–	–	10,984	10,984	–	10,984
Total	123,875	42,766	14,700	39,427	220,768	–	220,768
Segment profit (loss)	8,157	1,903	677	701	11,437	–	11,437
Segment assets	62,570	23,485	12,777	13,694	112,525	–	112,525
Other items							
Depreciation	2,895	709	665	751	5,020	–	5,020
Amortization of goodwill	–	673	20	13	706	–	706
Increase in property, plant and equipment, and intangible assets	2,610	665	2,126	473	5,873	–	5,873

Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

(Million yen)

	Reported segments					Other	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Business	Other Food Related Business	Total		
Net sales							
Sales – outside customers	125,518	39,532	19,733	47,827	232,610	–	232,610
Sales and transfer – inter-segment	129	74	43	11,495	11,741	–	11,741
Total	125,647	39,607	19,775	59,323	244,351	–	244,351
Segment profit (loss)	6,936	1,585	617	451	9,589	–	9,589
Segment assets	65,771	22,230	18,361	28,563	134,924	–	134,924
Other items							
Depreciation	2,484	628	1,077	867	5,056	–	5,056
Amortization of goodwill	–	–	34	136	170	–	170
Increase in property, plant and equipment, and intangible assets	4,951	510	995	4,851	11,308	–	11,308

4. Difference between Reportable Segments Total and Sales on Consolidated Financial Statements, and Main Factors in the Difference (Related to Difference Adjustment)

(Million yen)

Net sales	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segments total	220,768	244,351
Sales in the “Other” segment	–	–
Elimination of inter-segment transactions	(10,984)	(11,741)
Sales on consolidated financial statements	209,784	232,610

(Million yen)

Profit	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segments total	11,437	9,589
Profit in the “Other” segment	–	–
Elimination of inter-segment transactions	4	(0)
Operating income on consolidated financial statements	11,441	9,589

(Million yen)

Assets	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segments total	112,525	134,924
Assets in the “Other” segment	–	–
Intersegment eliminations	(631)	(854)
Company-wide assets (Note)	138,886	139,298
Total assets on consolidated financial statements	250,780	273,368

(Note) Company-wide assets are primarily financial assets that do not belong to any reportable segment.

(Million yen)

Other items	Reportable segments total		Other		Adjustment		Amount recorded in consolidated financial statements	
	Previous consolidated fiscal year	Consolidated fiscal year under review	Previous consolidated fiscal year	Consolidated fiscal year under review	Previous consolidated fiscal year	Consolidated fiscal year under review	Previous consolidated fiscal year	Consolidated fiscal year under review
Depreciation	5,020	5,056	–	–	–	–	5,020	5,056
Amortization of goodwill	706	170	–	–	–	–	706	170
Increase in property, plant and equipment, and intangible assets	5,873	11,308	–	–	–	–	5,873	11,308

[Related information]

Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

1. Information by Product and Service

Since similar information is described in the segment information, this information is omitted.

2. Information by Area

(1) Net sales

Since sales to external customers in Japan exceed 90% of net sales on the consolidated statements of income, this information is omitted.

(2) Property, plant and equipment

(Million yen)

Japan	Asia	United States	Total
49,742	2,358	4,011	56,112

3. Information by Major Customer

(Million yen)

Customer	Sales	Related segments
KATOSANGYO Co., Ltd.	31,041	Spice / Seasoning / Processed Food Business Health Food Business
Mitsubishi Shokuhin Co., Ltd.	27,209	Spice / Seasoning / Processed Food Business Health Food Business

Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

1. Information by Product and Service

Since similar information is described in the segment information, this information is omitted.

2. Information by Area

(1) Net sales

Since sales to external customers in Japan exceed 90% of net sales on the consolidated statements of income, this information is omitted.

(2) Property, plant and equipment

(Million yen)

Japan	Asia	United States	Total
54,300	3,545	4,689	62,534

3. Information by Major Customer

(Million yen)

Customer	Sales	Related segments
KATOSANGYO Co., Ltd.	32,643	Spice / Seasoning / Processed Food Business Health Food Business
Mitsubishi Shokuhin Co., Ltd.	26,326	Spice / Seasoning / Processed Food Business Health Food Business

[Information on impairment loss in non-current assets by reported segment]

Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

Not applicable.

Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

(Million yen)

	Reported segments					Other	Eliminations and corporate	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Business	Other Food Related Business	Total			
Impairment loss	108	21	–	0	129	–	–	129

[Information on amortization of goodwill and amortized balance by reported segment]

Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

(Million yen)

	Reported segments					Other	Eliminations and corporate	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Business	Other Food Related Business	Total			
Amortization in fiscal year under review	–	673	20	13	706	–	–	706
Balance at end of fiscal year under review	–	–	133	136	268	–	–	268

Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

(Million yen)

	Reported segments					Other	Eliminations and corporate	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Business	Other Food Related Business	Total			
Amortization in fiscal year under review	–	–	34	136	170	–	–	170
Balance at end of fiscal year under review	–	–	101	517	619	–	–	619

[Information on gain on bargain purchase by reported segment]

Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

Not applicable.

Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

Not applicable.

Per Share Information

(Yen)

	Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)	Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)
Net assets per share	1,879.06	1,974.31
Net income per share	77.78	83.13

(Notes) 1. Since no residual securities exist, per-share net income after residual securities adjustments is omitted.

2. The basis for calculating net income per share is as follows.

	Previous consolidated fiscal year (April 1, 2012 – March 31, 2013)	Consolidated fiscal year under review (April 1, 2013 – March 31, 2014)
	Million yen	Million yen
Net income	8,254	8,792
Amount not allocable to common shareholders	–	–
Net income available for common stock	8,254	8,792
	Thousand shares	Thousand shares
Weighted average number of shares of common stock outstanding during each period	106,124	105,760

3. As stated in “4. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements (Change in accounting policies), the Company adopted the Accounting Standard for Retirement Benefits, etc. and implemented transitional handling as provided in paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, net assets per share for the consolidated fiscal year under review rose 14.27 yen.

Important Subsequent Events

Not applicable.

5. Other Information

(1) Senior Management Changes

1. Newly Appointed Director Candidate (as of June 26, 2014)

   Director Akira Koike (Present Executive Officer, General Manager of the General Affairs Division and the General Manager of the Finance & Accounting Division)

2. Newly Appointed Auditor Candidate (as of June 26, 2014)

   Standing Auditor Shoji Shiota (Former General Manager to the Corporate Planning Division)

3. Retiring Auditor (as of June 26, 2014)

   Standing Auditor Kenzo Ito (Expected to become the Company's part-time advisor)