January 31, 2019

Consolidated Financial Results (Japanese Accounting Standards) for the Nine Months Ended December 31, 2018 (Q3 FY2018)

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Stock exchange listing: Tokyo Stock Exchange
Stock code: 2810
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Scheduled date for filing of securities report: February 13, 2019
Scheduled date of commencement of dividend payment: –
Supplementary documents for quarterly results: Yes
Quarterly results briefing: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2018 (April 1, 2018 – December 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2018	225,619	1.6	15,764	9.6	16,863	11.2	10,254	16.8
December 31, 2017	222,139	3.6	14,386	27.3	15,170	23.7	8,783	(1.3)

(Note) Comprehensive income: 8,127 million yen (-55.3 %) for the nine months ended December 31, 2018
18,199 million yen (163.7 %) for the nine months ended December 31, 2017

	Profit per share (basic)	Profit per share (diluted)
Nine months ended	Yen	Yen
December 31, 2018	99.79	–
December 31, 2017	85.47	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
December 31, 2018	380,152	286,283	66.9	2,476.52
March 31, 2018	378,864	283,719	66.5	2,450.71

(Reference) Shareholders' equity: As of December 31, 2018: 254,465 million yen
As of March 31, 2018: 251,814 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	–	18.00	–	20.00	38.00
Year ending March 31, 2019	–	22.00	–		
Year ending March 31, 2019 (forecasts)				22.00	44.00

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

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

(Percentage figures represent the changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2019	301,700	3.4	18,000	10.5	19,600	13.9	13,700	46.5	133.33

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

* Notes

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

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

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

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

Please refer to "2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 10 for details.

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

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

As of December 31, 2018:	102,758,690 shares
As of March 31, 2018:	102,758,690 shares

(ii) Number of treasury shares at end of period

As of December 31, 2018:	7,867 shares
As of March 31, 2018:	6,963 shares

(iii) Average number of shares outstanding during the term

Nine months ended December 31, 2018:	102,751,269 shares
Nine months ended December 31, 2017:	102,752,802 shares

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

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

- The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.
- For other matters related to the forecasts, please refer to "(3) Information on the Future Outlook, Including Consolidated Business Results Forecasts" under "1. Qualitative Information on Results for the First Three Quarters Ended December 31, 2018" on page 5 of the accompanying materials.

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1. Qualitative Information on Results for the First Three Quarters Ended December 31, 2018

(1) Details of Operating Results

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

- Key themes in the "three responsibilities"

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

During the nine-month period of the fiscal year under review, net sales of the Group increased 1.6% year on year, to 225,619 million yen, mainly because of the firm performance of the Spice/Seasoning/Processed Food Business, the Restaurant Business and Other Food Related Business, in addition to the expansion of the business scale of the International Food Business in each area into which it made an advancement, although sales in the Health Food Business fell below the level a year earlier.

Operating profit rose 9.6% year on year, to 15,764 million yen thanks to the thoroughly practiced effective operation of marketing costs such as advertising expenses, in addition to the effect of higher sales. Ordinary profit increased 11.2% year on year, to 16,863 million yen, and profit attributable to owners of parent climbed 16.8% year on year, to 10,254 million yen.

The following is an overview of results by segment (before the elimination of inter-segment transactions).

Segment	Consolidated net sales		Consolidated operating profit Segment profit (loss)	
	Amount (million yen)	Year-on-year change (%)	Amount (million yen)	Year-on-year change (%)
Spice / Seasoning / Processed Food Business	107,461	100.9	10,650	108.2
Health Food Business	25,269	98.2	1,910	137.8
International Food Business	19,338	114.2	2,731	121.2
Restaurant Business	38,831	100.5	(372)	–
Other Food Related Business	46,654	100.8	1,835	109.5
Subtotal	237,552	101.5	16,754	111.4
Adjustment (elimination)	(11,933)	–	(990)	–
Total	225,619	101.6	15,764	109.6

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

Spice / Seasoning / Processed Food Business

Curry products of House Foods Corporation secured results for a year earlier because sales of retort pouched curry products increased, reflecting the growing tendency for people to eat out or buy food to eat at home, in addition to the firm performance of food service products, while sales of curry roux declined from a year earlier. In other products, while sales of stew roux and snack products declined from a year earlier, sales of dessert products and packaged noodles, in

which new products made a contribution, increased.
In addition, the performance of Gaban Co., Ltd. and Malony Co., Ltd., the latter of which became a subsidiary in the previous fiscal year, also remained solid.
As a result of the above, sales in the Spice/Seasoning/Processed Food Business stood at 107,461 million yen, up 0.9% year on year, and operating profit was 10,650 million yen, up 8.2% year on year. As a result, the ratio of operating profit to net sales was 9.9%, rising 0.7 percentage point from the same period of the previous fiscal year.

Health Food Business

In the functional spice business, sales remained weak because the *Ukon No Chikara* series continued to have a hard time due to the diversification of occasions when customer enjoyed a drink and the effect of the intensified competitive environment.
In the vitamin business, overall sales grew from a year earlier thanks to an increase in sales of *Ichinichibun No Vitamin* driven by jelly beverages, despite a fall in sales of the *C1000* series from a year earlier.
In addition, the Group worked to promote the function and increase recognition of *lactic acid bacterium L-137*, developed using the Group's own technology by commencing its full-fledged business development in the fiscal year under review.
As a result, sales in the Health Food Business stood at 25,269 million yen, declining 1.8% year on year. Operating profit rose 37.8% year on year, to 1,910 million yen, given strict control of marketing costs while promoting the full-fledged development of the lactic acid bacterium business. As a result, the ratio of operating profit to net sales was 7.6%, improving 2.2 percentage point year on year.

International Food Business

In the Tofu business in the United States, sales increased but profits declined because of the effect of higher labor and logistics costs, offsetting the expansion of business scale boosted by rising health consciousness.
The curry business in China enjoyed higher sales and profits due to growth in both products for household use and food service products on the back of a steady improvement in the recognition of Japanese-style curry. In the third quarter of the current fiscal year, Zhejiang Plant, the third production base in China, started operating.
In the functional beverage business in Thailand, both sales and profits increased because sales of *C-vitt* continued to be strong.
As a result of the above, sales in the International Food Business rose 14.2% year on year, to 19,338 million yen, and operating profit increased 21.2%, to 2,731 million yen. Consequently, the ratio of operating profit to net sales was 14.1%, rising 0.8 percentage point from a year earlier.

Restaurant Business

Ichibanya Co., Ltd. saw a decline in operating profit because of rising manufacturing costs such as repair expenses and the heavier burden of personnel expenses, although sales remained solid. At stores of Ichibanya Co., Ltd. in Japan totaling directly managed stores and franchised stores, sales at all stores rose 2.2% year on year and sales at existing stores increased 2.1%. At the end of the first three quarters of the fiscal year under review, the number of stores in Japan was 1,302 while the number of overseas stores was 165.
As a result, sales in the Restaurant Business including Ichibanya Co., Ltd. and other restaurant subsidiaries increased 0.5% year on year, to 38,831 million yen. Due to the burden of the amortization of goodwill and intangible assets recognized upon making Ichibanya Co., Ltd. a subsidiary included in the scope of consolidation, the operating loss stood at 372 million yen, a fall in operating profit of 254 million yen from the same period of the previous fiscal year. As a consequence, the ratio of operating profit to net sales was -1.0%, falling 0.7 percentage point from a year earlier.

Other Food Related Business

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

Delica Chef Corporation, a Group company that produces prepared food for convenience stores, focused more on strengthening its development capabilities and improving productivity amid the upward trend in labor costs associated with the labor shortage.

Vox Trading Co., Ltd., which imports, exports and sells agricultural products and food, worked on enhancing solution proposals involving high-quality food ingredients, as well as increasing the earnings strength of the core business.

As a result of the above, sales in Other Food Related Business increased 0.8% year on year, to 46,654 million yen, and operating profit rose 9.5% year on year, to 1,835 million yen. Consequently, the ratio of operating profit to net sales was 3.9%, improving 0.3 percentage point from a year ago.

(2) Details of Financial Position

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

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

Total assets were 380,152 million yen, an increase of 1,288 million yen from the end of the previous consolidated fiscal year.

Current assets increased 6,036 million yen, to 147,281 million yen, mainly reflecting increases in notes and accounts receivable - trade and merchandise and finished goods, which offset decreases in securities and cash and deposits. Non-current assets decreased 4,748 million yen, to 232,871 million yen. This was chiefly due to decreases in investment securities and goodwill, offsetting increases in machinery, equipment and vehicles and buildings and structures.

Liabilities stood at 93,869 million yen, a decrease of 1,276 million yen from the end of the previous consolidated fiscal year.

Current liabilities increased 116 million yen, to 56,764 million yen, owing mainly to an increase in notes and accounts payable - trade, despite deceases in income taxes payable and accounts payable - other. Non-current liabilities decreased 1,392 million yen, to 37,105 million yen, chiefly due to a fall in deferred tax liabilities.

Net assets rose 2,564 million yen from the end of the previous consolidated fiscal year, to 286,283 million yen, as a result of an increase in retained earnings due to a rise in profit attributable to owners of parent, despite a decrease in valuation difference on available-for-sale securities following the marking to market of shares held and a fall in foreign currency translation adjustment.

As a result, the equity ratio stood at 66.9% (compared with 66.5% at the end of the previous fiscal year), and net assets per share amounted to 2,476.52 yen (2,450.71 yen at the end of the previous fiscal year) at the end of the third quarter of the fiscal year under review.

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

While a sense of uncertainty about the future is growing in the domestic and international business environment surrounding the Company, the major businesses of the Company are continuing to perform almost in line with plans.
In addition, the Company is likely to post extraordinary income mainly as a result of selling investment securities in the fourth quarter of the fiscal year ending March 31, 2019. In light of these developments, the Company will revise its full-year consolidated business performance forecast for the fiscal year ending March 31, 2019 announced on November 1, 2018 as follows.

Revision of full-year consolidated business performance forecast for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share (basic)
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	301,700	18,000	19,600	11,600	112.89
Revised forecast (B)	301,700	18,000	19,600	13,700	133.33
Change (B – A)	–	–	–	2,100	–
Percentage change (%)	–	–	–	18.1	–
(For reference) Performance in previous fiscal year (ended March 31, 2018)	291,897	16,288	17,207	9,353	91.02

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

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

(Million yen)

	End of previous fiscal year (As of March 31, 2018)	End of third quarter of the fiscal year under review (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	60,630	59,780
Notes and accounts receivable - trade	48,575	56,256
Securities	8,654	7,000
Merchandise and finished goods	10,828	11,078
Work in process	1,963	1,884
Raw materials and supplies	4,740	4,794
Other	6,049	6,628
Allowance for doubtful accounts	(194)	(139)
Total current assets	141,245	147,281
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,211	31,501
Machinery, equipment and vehicles, net	12,794	14,180
Land	32,322	32,330
Lease assets, net	3,554	3,285
Construction in progress	2,428	1,446
Other, net	1,872	2,020
Total property, plant and equipment	83,182	84,763
Intangible assets		
Goodwill	9,400	6,835
Trademark right	25,296	24,820
Software	1,701	1,367
Contract-related intangible assets	26,820	26,096
Software in progress	164	283
Other	1,059	1,002
Total intangible assets	64,441	60,402
Investments and other assets		
Investment securities	76,841	73,518
Long-term loans receivable	349	335
Deferred tax assets	2,008	1,976
Long-term time deposits	1,000	1,000
Net defined benefit asset	3,981	4,422
Claims provable in bankruptcy, claims provable in rehabilitation and other	712	705
Other	6,009	6,640
Allowance for doubtful accounts	(903)	(890)
Total investments and other assets	89,996	87,706
Total non-current assets	237,619	232,871
Total assets	378,864	380,152

(Million yen)

	End of previous fiscal year (As of March 31, 2018)	End of third quarter of the fiscal year under review (As of December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,877	23,985
Electronically recorded obligations - operating	1,465	1,483
Short-term loans payable	5,858	6,407
Current portion of bonds	26	26
Lease obligations	620	581
Accounts payable - other	16,601	15,159
Income taxes payable	4,331	2,545
Provision for bonuses	409	205
Provision for directors' bonuses	95	63
Provision for shareholder benefit program	90	75
Other provision	15	–
Asset retirement obligations	4	9
Other	6,256	6,226
Total current liabilities	56,648	56,764
Non-current liabilities		
Bonds payable	52	39
Long-term loans payable	573	441
Lease obligations	3,018	2,786
Long-term accounts payable - other	254	206
Deferred tax liabilities	26,570	25,157
Provision for directors' retirement benefits	296	–
Provision for loss on guarantees	2	2
Net defined benefit liability	1,728	1,778
Asset retirement obligations	843	836
Long-term guarantee deposited	4,643	5,301
Other	517	559
Total non-current liabilities	38,496	37,105
Total liabilities	95,145	93,869
Net assets		
Shareholders' equity		
Capital stock	9,948	9,948
Capital surplus	23,107	23,107
Retained earnings	188,258	194,196
Treasury shares	(17)	(21)
Total shareholders' equity	221,296	227,231
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	25,614	22,854
Deferred gains or losses on hedges	(5)	46
Foreign currency translation adjustment	1,763	1,253
Remeasurements of defined benefit plans	3,147	3,081
Total other accumulated comprehensive income	30,518	27,234
Non-controlling interests	31,905	31,819
Total net assets	283,719	286,283
Total liabilities and net assets	378,864	380,152

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(First nine -month period)

(Million yen)

	First nine-month period of previous fiscal year (April 1, 2017 - December 31, 2017)	First nine-month period of the fiscal year under review (April 1, 2018 - December 31, 2018)
Net sales	222,139	225,619
Cost of sales	122,854	124,869
Gross profit	99,285	100,750
Selling, general and administrative expenses	84,898	84,986
Operating profit	14,386	15,764
Non-operating income		
Interest income	247	246
Dividend income	373	382
Share of profit of entities accounted for using equity method	80	65
House rent income	574	568
Foreign exchange gains	–	146
Other	202	380
Total non-operating income	1,477	1,787
Non-operating expenses		
Interest expenses	63	60
Rent expenses	467	462
Foreign exchange losses	91	–
Other	72	167
Total non-operating expenses	693	689
Ordinary profit	15,170	16,863
Extraordinary income		
Gain on sales of non-current assets	11	4
Gain on sales of investment securities	0	376
Compensation income	–	37
Gain on sales of restaurants	109	129
Gain on bargain purchase	57	–
Other	6	9
Total extraordinary income	184	554
Extraordinary losses		
Loss on sales of non-current assets	15	5
Loss on retirement of non-current assets	104	169
Loss on sales of investment securities	0	–
Loss on valuation of investment securities	–	2
Loss on valuation of membership	–	6
Impairment loss	363	241
Other	16	13
Total extraordinary losses	498	436
Profit before income taxes	14,855	16,981
Income taxes	5,050	5,617
Profit	9,805	11,365
Profit attributable to		
Profit attributable to owners of parent	8,783	10,254
Profit attributable to non-controlling interests	1,023	1,111

(Million yen)

	First nine-month period of previous fiscal year (April 1, 2017 - December 31, 2017)	First nine-month period of the fiscal year under review (April 1, 2018 - December 31, 2018)
Other comprehensive income		
Valuation difference on available-for-sale securities	8,123	(2,715)
Deferred gains or losses on hedges	(72)	58
Foreign currency translation adjustment	(21)	(522)
Remeasurements of defined benefit plans, net of tax	346	(56)
Share of other comprehensive income of entities accounted for using equity method	17	(4)
Total other comprehensive income	8,394	(3,238)
Comprehensive income	18,199	8,127
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,055	6,969
Comprehensive income attributable to non-controlling interests	1,143	1,157

(3) Notes to Quarterly Consolidated Financial Statements

Notes Relating to Assumptions for the Going Concern

Not applicable.

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

Not applicable.

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

(Calculation of tax expenses)

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

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

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

Changes in Accounting Policies

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

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

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

Segment Information

I. First nine -month period of previous fiscal year (April 1, 2017 - December 31, 2017)

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

(Million yen)

	Reported segments						Other	Total	Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total				
Net sales										
Sales – outside customers	103,269	25,570	16,798	38,612	37,851	222,100	–	222,100	39	222,139
Sales and transfer – inter-segment	3,193	167	128	9	8,434	11,931	–	11,931	(11,931)	–
Total	106,462	25,737	16,926	38,621	46,285	234,031	–	234,031	(11,892)	222,139
Segment profit (loss)	9,843	1,386	2,253	(118)	1,675	15,040	–	15,040	(653)	14,386

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

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

(2) “Segment profit (loss)” includes a profit of -653 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments, and -0 million yen for the elimination of inter-segment transactions.

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

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

(Important impairment loss on non-current assets)

In the first three quarters of the consolidated fiscal year under review, the Company recorded an impairment loss of 363 million yen associated with a fall in profitability of store assets and assets for lease, etc. in the Restaurant Business segment.

II. First nine -month period of the fiscal year under review (April 1, 2018 - December 31, 2018)

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

(Million yen)

	Reported segments						Other	Total	Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total				
Net sales										
Sales – outside customers	104,328	25,061	19,266	38,820	38,107	225,581	–	225,581	38	225,619
Sales and transfer – inter-segment	3,133	208	72	11	8,547	11,971	–	11,971	(11,971)	–
Total	107,461	25,269	19,338	38,831	46,654	237,552	–	237,552	(11,933)	225,619
Segment profit (loss)	10,650	1,910	2,731	(372)	1,835	16,754	–	16,754	(990)	15,764

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

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

(2) “Segment profit (loss)” includes a profit of -989 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments, and -0 million yen for the elimination of inter-segment transactions.

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

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

(Important impairment loss on non-current assets)

In the first three quarters of the consolidated fiscal year under review, the Company recorded an impairment loss of 241 million yen associated with a fall in profitability of store assets and assets for lease, etc. in the Restaurant Business segment.

Additional Information

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

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

3. Supplementary Information

(1) Business Results

Consolidated (Million yen)

	First three quarters of FY2017		First three quarters of FY2018		FY2017		FY2018 Revised Target	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	222,139	103.6%	225,619	101.6%	291,897	102.8%	301,700	103.4%
Operating profit	14,386	127.3%	15,764	109.6%	16,288	132.3%	18,000	110.5%
Ordinary profit	15,170	123.7%	16,863	111.2%	17,207	123.3%	19,600	113.9%
Profit attributable to owners of parent	8,783	98.7%	10,254	116.8%	9,353	107.7%	13,700	146.5%
Comprehensive income	18,199	263.7%	8,127	44.7%	21,547	191.6%	–	–

Net sales by business segment

Net sales	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Spice / Seasoning / Processed Food Business	106,462	47.9%	107,461	47.6%	139,937	48.0%	143,200	47.5%
Health Food Business	25,737	11.6%	25,269	11.2%	31,599	10.8%	32,000	10.6%
International Food Business	16,926	7.6%	19,338	8.6%	22,855	7.8%	26,300	8.7%
Restaurant Business	38,621	17.4%	38,831	17.2%	51,974	17.8%	53,100	17.6%
Other Food Related Business	46,285	20.8%	46,654	20.7%	61,024	20.9%	62,900	20.8%
Adjustment	(11,892)	(5.3%)	(11,933)	(5.3%)	(15,492)	(5.3%)	(15,800)	(5.2%)

Operating profit by business segment

Operating profit	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Spice / Seasoning / Processed Food Business	9,843	68.4%	10,650	67.7%	12,081	74.2%	13,000	72.2%
Health Food Business	1,386	9.6%	1,910	12.1%	907	5.6%	1,500	8.3%
International Food Business	2,253	15.7%	2,731	17.3%	2,847	17.5%	3,400	18.9%
Restaurant Business	(118)	(0.8%)	(372)	(2.4%)	(406)	(2.5%)	(300)	(1.7%)
Other Food Related Business	1,675	11.6%	1,835	11.6%	1,865	11.4%	2,000	11.1%
Adjustment	(653)	(4.5%)	(990)	(6.3%)	(1,008)	(6.2%)	(1,600)	(8.9%)

(2) Number of Group Companies

	First three quarters of FY2017	First three quarters of FY2018	FY2017
Consolidated subsidiaries	37	37	37
Japan	14	14	14
Overseas	23	23	23
Equity-method affiliate	4	4	4
Japan	2	2	2
Overseas	2	2	2

Financial results of major subsidiaries in the first three quarters of the fiscal year ending March 31, 2019 (Million yen)

	Net sales		Operating profit		Profit	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
House Foods Corporation	99,597	100.5%	9,802	107.5%	7,061	108.2%
House Wellness Foods Corporation	25,269	98.2%	1,908	137.4%	1,501	132.8%
House Foods America Corporation (Consolidated)	10,073	106.0%	990	98.5%	726	121.7%
Ichibanya Co., Ltd. (Consolidated)	37,424	101.6%	3,379	92.1%	2,327	92.1%

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

(3) Consolidated Statements of Income

1. Consolidated Statements of Income (Million yen)

	First three quarters of FY2017		First three quarters of FY2018		Year-on-year change	
	Amount	Percentage	Amount	Percentage	Amount	Rate of change
Net sales	**222,139**	**100.0%**	**225,619**	**100.0%**	**3,480**	**1.6%**
<By business segment>						
Spice / Seasoning / Processed Food Business	106,462	47.9%	107,461	47.6%	999	0.9%
Health Food Business	25,737	11.6%	25,269	11.2%	(468)	(1.8%)
International Food Business	16,926	7.6%	19,338	8.6%	2,412	14.2%
Restaurant Business	38,621	17.4%	38,831	17.2%	210	0.5%
Other Food Related Business	46,285	20.8%	46,654	20.7%	368	0.8%
Adjustment	(11,892)	(5.3%)	(11,933)	(5.3%)	(41)	–
Cost of sales	122,854	55.3%	124,869	55.3%	2,014	1.6%
Selling, general and administrative expenses	84,898	38.2%	84,986	37.7%	87	0.1%
Advertising expenses	7,403	3.3%	7,034	3.1%	(368)	(5.0%)
Transportation and warehousing expenses	7,511	3.4%	7,769	3.4%	258	3.4%
Sales commission	1,872	0.8%	1,250	0.6%	(622)	(33.2%)
Promotion expenses	23,812	10.7%	24,605	10.9%	793	3.3%
Personnel expenses	22,013	9.9%	22,034	9.8%	21	0.1%
Research and development expenses	2,910	1.3%	3,112	1.4%	203	7.0%
Amortization of goodwill	2,683	1.2%	2,565	1.1%	(117)	(4.4%)
Operating profit	**14,386**	**6.5%**	**15,764**	**7.0%**	**1,378**	**9.6%**
Non-operating income	1,477	0.7%	1,787	0.8%	310	21.0%
Non-operating expenses	693	0.3%	689	0.3%	(5)	(0.7%)
Ordinary profit	**15,170**	**6.8%**	**16,863**	**7.5%**	**1,693**	**11.2%**
Extraordinary income	184	0.1%	554	0.2%	371	201.6%
Extraordinary losses	498	0.2%	436	0.2%	(62)	(12.5%)
Profit before income taxes	14,855	6.7%	16,981	7.5%	2,126	14.3%
Income taxes	5,050	2.3%	5,617	2.5%	566	11.2%
Profit	9,805	4.4%	11,365	5.0%	1,560	15.9%
Profit attributable to						
Profit attributable to owners of parent	**8,783**	**4.0%**	**10,254**	**4.5%**	**1,471**	**16.8%**
Profit attributable to non-controlling interests	1,023	0.5%	1,111	0.5%	89	8.7%
Comprehensive income	**18,199**	**8.2%**	**8,127**	**3.6%**	**(10,072)**	**(55.3%)**

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

Increase in gross profit	1,466
Decrease in marketing costs (sum of advertising expenses, sales commission and promotion expenses)	198
Increase in transportation and warehousing expenses	(258)
Increase in research and development expenses	(203)
Decrease in other expenses	176

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

	First three quarters of FY2017	First three quarters of FY2018	Year-on-year change
Interest income	247	246	(1)
Dividend income	373	382	9
Share of profit of entities accounted for using equity method	80	65	(15)
Foreign exchange gains	–	146	146
House rent income	574	568	(7)
Other	202	380	178
Total non-operating income	1,477	1,787	310
Interest expenses	63	60	(3)
Foreign exchange losses	91	–	(91)
Rent expenses	467	462	(5)
Other	72	167	95
Total non-operating expenses	693	689	(5)

4. Extraordinary Income (Losses) (Million yen)

	First three quarters of FY2017	First three quarters of FY2018	Year-on-year change
Gain on sales of non-current assets	11	4	(7)
Gain on sales of investment securities	0	376	376
Gain on bargain purchase	57	–	(57)
Gain on sales of restaurants	109	129	19
Compensation income	–	37	37
Other	6	9	3
Total extraordinary income	184	554	371
Loss on sales of non-current assets	15	5	(10)
Loss on retirement of non-current assets	104	169	65
Loss on valuation of membership	–	6	6
Impairment loss	363	241	(122)
Other	16	15	(1)
Total extraordinary losses	498	436	(62)

(4) Consolidated Balance Sheets

Consolidated Balance Sheets (Million yen)

	End of FY2017		End of third quarter of FY2018		Increase/decrease from end of FY2017	Major factors for increase/ decrease	
	Amount	Percentage	Amount	Percentage	Amount		
Current assets	141,245	37.3%	147,281	38.7%	6,036	Increase in notes and accounts receivable - trade	7,681
						Increase in merchandise and finished goods	250
						Decrease in securities	(1,654)
						Decrease in cash and deposits	(850)
Non-current assets	237,619	62.7%	232,871	61.3%	(4,748)	Increase in machinery, equipment and vehicles	1,387
						Increase in buildings and structures	1,290
						Decrease in investment securities	(3,322)
						Decrease in goodwill	(2,565)
Total assets	**378,864**	**100.0%**	**380,152**	**100.0%**	**1,288**		
Current liabilities	56,648	14.9%	56,764	14.9%	116	Increase in notes and accounts payable - trade	3,109
						Decrease in income taxes payable	(1,786)
						Decrease in accounts payable - other	(1,442)
Non-current liabilities	38,496	10.2%	37,105	9.8%	(1,392)	Decrease in deferred tax liabilities	(1,414)
Total liabilities	**95,145**	**25.1%**	**93,869**	**24.7%**	**(1,276)**		
Total shareholders' equity	221,296	58.4%	227,231	59.7%	5,935	Increase in retained earnings	5,938
Total other accumulated comprehensive income	30,518	8.1%	27,234	7.2%	(3,284)	Decrease in valuation difference on available-for-sale securities	(2,761)
						Decrease in foreign currency translation adjustment	(509)
Non-controlling interests	31,905	8.4%	31,819	8.4%	(86)		
Total net assets	**283,719**	**74.9%**	**286,283**	**75.3%**	**2,564**		
Total liabilities and net assets	**378,864**	**100.0%**	**380,152**	**100.0%**	**1,288**		

(5) Capital Investment

Consolidated (Million yen)

	First three quarters of FY2017	First three quarters of FY2018
Capital investment	6,791	7,483
Leases	423	361
Total	7,214	7,843

(6) Depreciation

Consolidated (Million yen)

	First three quarters of FY2017	First three quarters of FY2018
Depreciation	6,725	6,766
Lease payments	234	283
Total	6,959	7,048

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

(7) Major Management Indicators, etc.

Consolidated

	First three quarters of FY2018	FY2017
Profit per share	99.79 yen	91.02 yen
Net assets per share	2,476.52 yen	2,450.71 yen
ATO	–	0.80 times
Ratio of operating profit to net sales	7.0%	5.6%
Ratio of ordinary profit to net sales	7.5%	5.9%
Ratio of ordinary profit to total assets	–	4.7%
ROE	–	3.8%
Equity ratio	66.9%	66.5%
Current ratio	259.5%	249.3%
Fixed ratio	91.5%	94.4%
Debt to equity ratio	36.9%	37.8%
Dividend (per share)	–	38.00 yen
Payout ratio	–	41.7%
Payout ratio based on the basic policy on the payment of dividends	–	30.4%

* Basic policy on the payment of dividends:
  A dividend payout ratio of at least 30% on a consolidated basis excluding the effects of extraordinary income/losses and the amortization of goodwill arising from business combination

Number of employees	6,251 people	6,273 people

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

(8) Full-Year Target

Consolidated (Million yen)

	FY2017	FY2018 Revised Target	Year-on-year change
<By business segment>			
Spice / Seasoning / Processed Food Business	139,937	143,200	3,263
Health Food Business	31,599	32,000	401
International Food Business	22,855	26,300	3,445
Restaurant Business	51,974	53,100	1,126
Other Food Related Business	61,024	62,900	1,876
Adjustment	(15,492)	(15,800)	(308)
Net Sales	**291,897**	**301,700**	**9,803**
<By business segment>			
Spice / Seasoning / Processed Food Business	12,081	13,000	919
Health Food Business	907	1,500	593
International Food Business	2,847	3,400	553
Restaurant Business	(406)	(300)	106
Other Food Related Business	1,865	2,000	135
Adjustment	(1,008)	(1,600)	(592)
Operating profit	**16,288**	**18,000**	**1,712**
Ordinary profit	**17,207**	**19,600**	**2,393**
Profit attributable to owners of parent	**9,353**	**13,700**	**4,347**
Comprehensive income	**21,547**	**–**	**–**

Consolidated Capital Investment (Million yen)

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

Consolidated Depreciation (Million yen)

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

Dividends

	FY2017	FY2018 Revised Target
Dividend (per share)	38.00 yen	44.00 yen
Payout ratio	41.7%	33.0%
Payout ratio based on the basic policy on the payment of dividends	30.4%	26.4%

* Basic policy on the payment of dividends:
A dividend payout ratio of at least 30% on a consolidated basis excluding the effects of extraordinary income/losses and the amortization of goodwill arising from business combination

(9) Reference Information

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

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

2. Curry roux market trends (SRI)

FY2018		1Q	2Q	3Q	4Q	1H	2H	Full year
Overall market	Average selling price	189 yen	190 yen	188 yen		189 yen		
	Change from the previous year	-1 yen	-1 yen	-1 yen		-1 yen		
House Foods	Average selling price	192 yen	191 yen	190 yen		192 yen		
	Change from the previous year	+0 yen	-1 yen	-2 yen		-1 yen		
	Share of amount	62.1%	61.9%	63.0%		62.0%		

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

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

FY2018	1Q	2Q	3Q	4Q	1H	2H	Full year
Spice / Seasoning / Processed Food Business							
Curry roux in total	99.0%	99.2%	96.8%		99.1%		
Retort pouched curry in total	98.7%	109.5%	107.0%		104.1%		
Stew roux in total	107.9%	88.8%	96.2%		93.6%		
Hashed beef sauce roux in total	99.4%	104.2%	100.9%		101.6%		
Spice in total	99.3%	101.4%	101.0%		100.3%		
Health Food Business							
Ukon No Chikara	89.1%	85.1%	92.7%		87.0%		
C1000	90.2%	100.3%	87.6%		95.3%		
Ichinichibun No Vitamin	133.1%	135.2%	113.5%		134.2%		