May 12, 2017

Consolidated Financial Results (Japanese Accounting Standards) for the FY2016 (Ended March 31, 2017)

Company name:	House Foods Group Inc.
Stock exchange listing:	Tokyo Stock Exchange
Stock code:	2810
URL:	http://housefoods-group.com
Representative:	Hiroshi Urakami, President
Contact:	Ryo Shibata, General Manager, Public & Investors Relations Division Tel. +81-3-5211-6039

Scheduled date of ordinary shareholders' meeting:	June 28, 2017
Scheduled date of commencement of dividend payment:	June 29, 2017
Scheduled date for filing of annual securities report:	June 28, 2017
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, 2017 (April 1, 2016 – March 31, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2017	283,812	17.3	12,312	14.3	13,951	14.8	8,683	(61.6)
Year ended March 31, 2016	241,893	4.5	10,775	24.0	12,152	10.9	22,632	224.6

(Note) Comprehensive income: 11,245 million yen (-12.1%) for the fiscal year ended March 31, 2017
12,787 million yen (-41.3%) for the fiscal year ended March 31, 2016

	Net income per share (basic)	Net income per share (diluted)	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	84.53	–	3.7	4.0	4.3
Year ended March 31, 2016	220.48	–	10.1	3.8	4.5

(Reference) Share of (profit) loss of entities accounted for using equity method:
70 million yen for the fiscal year ended March 31, 2017
584 million yen for the fiscal year ended March 31, 2016

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2017	353,888	266,615	66.5	2,289.43
Year ended March 31, 2016	349,427	260,329	65.5	2,231.86

(Reference) Shareholders' equity: As of March 31, 2017: 235,246 million yen
As of March 31, 2016: 228,812 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, 2017	21,298	(2,169)	(7,388)	55,594
Year ended March 31, 2016	12,518	(8,308)	(3,743)	44,156

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, 2016	–	15.00	–	15.00	30.00	3,083	13.6	1.4
Year ended March 31, 2017	–	15.00	–	17.00	32.00	3,288	37.9	1.4
Year ending March 31, 2018 (forecasts)	–	17.00	–	17.00	34.00		45.4	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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 profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2017	142,800	4.3	5,500	2.8	6,000	11.6	2,900	(31.1)	28.22
Year ending March 31, 2018	292,800	3.2	13,500	9.6	14,500	3.9	7,700	(11.3)	74.94

* Notes

(1) Changes of important subsidiaries during the period (changes of specific subsidiaries in accordance with changes in the scope of consolidation): Yes

Newly added: Two companies (Gaban Co., Ltd. and Zhejiang House Foods Co., Ltd.)

For details, see “4. Consolidated Financial Statements and Key Notes, (5) Notes to Consolidated Financial Statements, (Business Combinations, etc.)” on page 23.

(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

For details, please see the statement under the heading “4. Consolidated Financial Statements and Key Notes, (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies), (Changes in Presentation Methods)” on page 22 of the accompanying materials.

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

(i) Number of shares outstanding at end of period (including treasury shares)
As of March 31, 2017: 102,758,690 shares
As of March 31, 2016: 102,758,690 shares

(ii) Number of treasury shares at end of period
As of March 31, 2017: 5,423 shares
As of March 31, 2016: 237,762 shares

(iii) Average number of shares outstanding during the term
Year ended March 31, 2017: 102,718,471 shares
Year ended March 31, 2016: 102,650,594 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

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

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2017	18,629	24.3	7,863	60.7	8,870	49.5	8,916	35.7
Year ended March 31, 2016	14,983	10.1	4,892	10.5	5,933	(8.6)	6,572	3.3

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Year ended March 31, 2017	86.77	–
Year ended March 31, 2016	63.95	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2017	203,049	167,865	82.7	1,633.67
Year ended March 31, 2016	194,770	156,420	80.3	1,522.27

(Reference) Shareholders' equity: As of March 31, 2017: 167,865 million yen
As of March 31, 2016: 156,420 million yen

* This financial summary does not need to undergo an audit.

* 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. Analysis of Operating Results and Financial Position, (4) Future Outlook" on page 7 of the accompanying materials.

Accompanying Materials – Contents

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

During the consolidated fiscal year under review, the business environment was on a modest recovery track, buoyed by continued improvement in employment and income conditions. Overall, however, a sense of uncertainty about the future persisted, fueled by growing uncertainty over the global economy.

In the food industry, the progressive maturing of the Japanese market, changing eating behavior of consumers, and diversification in the value provided, amongst other factors, led to even greater patchiness.

In this operating environment, the Group was taking steps to strengthen the earnings power of its domestic businesses, create new demand, and accelerate the growth of the International Business segment based on the theme of “striving to become a high quality company that provides ‘Healthy Life Through Foods’” in its Fifth Medium-term Business Plan, which has entered its second year in the current fiscal year.

Consolidated net sales for the fiscal year under review increased 17.3% year on year, to 283,812 million yen, reflecting the contribution of the positive effect of the new consolidation of Ichibanya Co., Ltd. and Gaban Co., Ltd., the strong performance of the existing Spice/Seasoning/Processed Food Business, and the steady growth of the International Food Business in areas where the Group now operates.

Consolidated operating profit rose 14.3% year on year, to 12,312 million yen, reflecting the effect of higher net sales and promotion of a streamlined, lean corporate structure by building the earnings base of each group company, which offset the impact of amortization of goodwill, etc. arising from the conversion of Ichibanya Co., Ltd. to a consolidated subsidiary and higher retirement benefit expenses. Consolidated ordinary profit grew 14.8% year on year, to 13,951 million yen, and profit attributable to owners of parent declined 61.6%, to 8,683 million yen, chiefly owing to the effect of posting extraordinary income arising from the conversion of Ichibanya Co., Ltd. to a consolidated subsidiary in the previous fiscal year.

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	132,059	110.0	9,885	124.7
Health Food Business	33,281	96.4	1,334	95.5
International Food Business	20,111	108.3	1,681	121.7
Restaurant Business	51,375	280.5	(424)	–
Other Food Related Business	62,123	99.1	719	711.3
Subtotal	298,949	117.6	13,196	121.6
Adjustment (elimination)	(15,138)	–	(883)	–
Total	283,812	117.3	12,312	114.3

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

Spice / Seasoning / Processed Food Business

This business segment is working to strengthen existing areas and develop new areas by providing products and services that are “healthier, better quality, more easily and with a more appropriate amount,” in response to changes in the environment surrounding our business, such as the growing tendency of people to eat out or buying food to eat at home.

Sales of curry products grew, reflecting a solid performance by curry roux products driven by core products as well as growing support among customers for new *Pro Quality* products in the retort pouched products category. Sales of spice products increased, which reflected increased handling of spice pastes and seasonings, and food service products also expanded steadily.

In addition to the above, as a result of incorporating Gaban Co., Ltd. into the consolidated business performance from the second quarter of this fiscal year, sales in the Spice/Seasoning/Processed Food Business stood at 132,059 million yen, up 10.0% year on year, and operating profit was 9,885 million yen, up 24.7% year on year.

Health Food Business

This business segment has been making efforts to improve the profitability of its core products and making preparations for the growth of other products.

As occasions when customers enjoyed a drink diversified, sales of the *Ukon No Chikara* series declined from the year-ago level, reflecting slow growth in products for middle and light users, despite solid sales of the high value-added product *Liver Plus*.

Sales of vitamin products were unchanged from the year-ago level, with sluggish sales of PET bottle products offset by substantial growth of *Ichinichibun No Vitamin*, which is positioned as a priority brand for expansion of the vitamins market.

As a result, sales in the Health Food Business declined 3.6% year on year, to 33,281 million yen, and operating profit sank 4.5% year on year, to 1,334 million yen.

International Food Business

This business segment has been working to accelerate its growth and increase profitability in the three key areas (the United States, China, and Southeast Asia).

In the United States, the Group expanded the size of its business, steadily tapped into the increasing Asian population and successfully stepping up proposals of value-added products to the American market.

In China, the Group steadily strengthened the business base, positioning the fiscal year under review as the year for rebuilding the sales system in anticipation of the operation of the third plant due to begin in around fall 2018.

In Southeast Asia, the Group broadened its areas of business, expanding the size of the functional beverage business in Thailand by increasing brand recognition and also starting the halal-certified curry business in Indonesia to expand the Japanese-style curry market.

As a result of the above, sales in the International Food Business rose 8.3% year-on-year, to 20,111 million yen, and operating profit increased 21.7% to 1,681 million yen.

Restaurant Business

This business segment strives to further expand the world of curry through the operation of curry restaurants in Japan and overseas.

To clarify the division of roles between Ichibanya Co., Ltd. and the Company and to promote the optimum allocation of management resources, the Restaurant Business in China and Taiwan, which was previously operated as a franchisee business by Ichibanya Co., Ltd. under the leadership of the Global Headquarters of the Company was reorganized, including the reorganization of unprofitable restaurants, and transferred to a system under the leadership of Ichibanya Co., Ltd.

As a result, sales in the Restaurant Business soared 180.5% year on year, to 51,375 million yen due to the contribution of the new consolidation of Ichibanya Co., Ltd. The segment recorded an operating loss of 424 million yen (compared to an operating profit of 44 million yen in the previous fiscal year), because the effect of consolidation was mostly offset by the amortization of goodwill, etc. and the Group also incurred temporary costs associated with reorganization.

Other Food Related Business

Companies in this business segment have been working to enhance the overall strength of the Group by improving their functions and level of synergy with Group companies.

House Logistics Service Corporation, which operates the transportation and warehouse business, made some progress on improving its earnings structure, focusing on a review of its business structure and the enhancement of its cost competitiveness.

Delica Chef Corporation, a Group company that produces prepared food for convenience stores, worked to strengthen its earnings power by increasing production capacity and improving production efficiency, in addition to the elimination of initial costs for the operation of a new prepared food plant.

Vox Trading Co., Ltd., which merged with Horie Yamatoya Co., Ltd. through an absorption-type merger in April 2016, continued to make efforts to consolidate management resources and strengthen its procurement and sales capabilities.

As a result of the above, sales in Other Food Related Business fell 0.9% year on year, to 62,123 million yen, and operating profit soared 611.3% to 719 million yen.

(2) Analysis of Financial Position

Total assets at the end of the consolidated fiscal year under review rose 4,461 million yen from the end of the previous consolidated fiscal year, to 353,888 million yen.

Current assets stood at 135,612 million yen, an increase of 16,666 million yen compared to the end of the previous consolidated fiscal year. Non-current assets were 218,275 million yen, a year-on-year decline of 12,205 million yen.

The primary factors for the increase in current assets include a 13,455 million yen increase in cash and deposits and a 2,229 million yen increase in notes and accounts receivable-trade, offsetting a 2,573 million yen decline in securities due to a decrease in bonds.

The main factors for the decrease in non-current assets include a 6,929 million yen decrease in investment securities, a 3,579 million yen decrease in goodwill, and a 2,000 million yen decrease in long-term deposits, as well as a 1,543 million yen increase in land mainly due to the effect of making Gaban Co., Ltd. a subsidiary.

Total liabilities at the end of the consolidated fiscal year under review were 87,273 million yen, a decrease of 1,825 million yen compared to the end of the previous consolidated fiscal year. Current liabilities were up 678 million yen from the end of the previous consolidated fiscal year, to 51,492 million yen, and non-current liabilities were 35,781 million yen, a year-on-year decrease of 2,503 million yen.

The primary factors for the increase in current liabilities include a 984 million yen increase in accounts payable-other.

The primary factors in the decrease in non-current liabilities included a 1,947 million yen decrease in net defined benefit liability due to improvement in investment gains and a 1,033 million yen decrease in deferred tax liabilities mainly due to reversal.

Net assets at the end of the consolidated fiscal year under review stood at 266,615 million yen, an increase of 6,286 million yen from the end of the previous consolidated fiscal year, primarily reflecting an increase in retained earnings as a result of profit attributable to owners of parent, as well as a decline in foreign currency translation adjustment.

As a result, the equity ratio at the end of the consolidated fiscal year under review stood at 66.5%, compared with 65.5% at the end of the previous consolidated fiscal year, and net assets per share were 2,289.43 yen, compared with 2,231.86 yen at the end of the previous consolidated fiscal year.

(3) Analysis of Cash Flows

With respect to cash flows for the consolidated fiscal year under review, net cash provided by operating activities amounted to 21,298 million yen, net cash used in investing activities, including the purchase of shares of subsidiaries, the purchase of securities, and sales of securities, amounted to 2,169 million yen, and net cash used in financing activities, including an increase in short-term loans payable, a decrease in short-term loans payable, and cash dividends paid, was 7,388 million yen. As a result, cash and cash equivalents at the end of the consolidated fiscal year under review stood at 55,594 million yen, an increase of 11,438 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 21,298 million yen, an increase of 8,780 million yen from the previous consolidated fiscal year. Key factors included 14,470 million yen in profit before income taxes.

The increase in comparison to the previous consolidated fiscal year is mainly attributable to a decrease in the gain on step acquisitions (a year-on-year increase of 13,403 million yen), a decrease in the gain on the sale of investment securities (a year-on-year increase of 2,986 million yen), an increase in the amortization of goodwill (a year-on-year increase of 2,562 million yen), an increase in depreciation (a year-on-year increase of 2,437 million yen), and a decrease in profit before income taxes (a year-on-year decrease of 13,631 million yen).

(Cash flows from investing activities)

Cash used by investing activities during the consolidated fiscal year under review was 2,169 million yen, which was 6,138 million yen more than cash used in the previous consolidated fiscal year. Key factors included the purchase of property, plant and equipment of 6,972 million yen, the purchase of shares of subsidiaries resulting in a change in the scope of consolidation of 4,458 million yen, the purchase of investment securities of 2,114 million yen, the purchase of securities of 1,000 million yen, and proceeds from the sale of securities of 10,500 million yen.

The primary factors for the increase compared with the previous consolidated fiscal year were a decrease in the purchase of shares of subsidiaries resulting in change in scope of consolidation (a year-on-year increase of 12,098 million yen), a decrease in the purchase of investment securities (a year-on-year increase of 4,387 million yen), a decrease in proceeds from the sale of securities (a year-on-year decrease of 7,998 million yen), and a decline in proceeds from the sale of investment securities (a year-on-year decrease of 4,318 million yen).

(Cash flows from financing activities)

Cash used by financing activities during the consolidated fiscal year under review was 7,388 million yen, which was 3,645 million yen less than cash used in the previous consolidated fiscal year. Key factors included cash dividends paid of 3,076 million yen, dividends paid to non-controlling interests of 1,175 million yen, payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation of 941 million yen, purchase of treasury shares of subsidiaries of 902 million yen, and proceeds from sales of shares of parent held by subsidiaries of 1,009 million yen.

The primary factors for the decrease compared with the previous consolidated fiscal year were a decrease in short-term loans payable (a year-on-year decrease of 9,484 million yen), an increase in payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation (a year-on-year decrease of 941 million yen), an increase in the purchase of treasury shares of subsidiaries (a year-on-year decrease of 902 million yen), an increase in dividends paid to non-controlling interests (a year-on-year decrease of 513 million yen), a decrease in repayments of short-term loans payables (a year-on-year increase of 8,011 million yen), and an increase in proceeds from sales of shares of parent held by subsidiaries (a year-on-year increase of 538 million yen).

(Million yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Year-on-year change
Cash flows from operating activities	12,518	21,298	8,780
Cash flows from investing activities	(8,308)	(2,169)	6,138
Cash flows from financing activities	(3,743)	(7,388)	(3,645)
Effect of exchange rate changes on cash and cash equivalents	(144)	(302)	(158)
Net increase (decrease) in cash and cash equivalents	323	11,438	11,114
Cash and cash equivalents at beginning of period	43,832	44,156	323
Cash and cash equivalents at end of period	44,156	55,594	11,438

Cash flow indicators for the Group are as follows:

	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017
Equity ratio (%)	79.2	76.4	76.9	65.5	66.5
Equity ratio (market value basis) (%)	69.1	66.3	90.5	61.7	70.5
Cash flow/interest bearing liabilities ratio (%)	41.2	148.8	143.5	117.3	64.9
Interest coverage ratio (times)	287.2	40.3	63.6	122.7	252.8

(Notes)
1. 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
2. Each indicator is calculated based on consolidated financial figures.
3. 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.
4. Operating cash flow uses net cash provided by operating activities on the consolidated cash flow statements.
5. 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.

(4) Future Outlook

The business environment that surrounds the House Foods Group is expected to remain unpredictable, with changes in the household composition and eating styles in the mature domestic market, and movements in raw materials also requiring attention against the backdrop of increasing global uncertainty and growing demand in emerging countries.

In this environment, the Group will further promote initiatives to strengthen the earnings power of the domestic businesses, create new demand, and accelerate growth in the international business under its Fifth Medium-Term Business Plan covering the three-year period from April 2015, which set "striving to become a high quality company that provides 'Healthy Life Through Foods'" as a theme.

In domestic businesses, the Group will increase the scope of the value chain from upstream procurement to downstream restaurant operations and promote collaboration between group companies to enhance the earnings power of existing businesses. We will also focus on creating synergy for the provision of new value.

In international business, the Group will work to steadily expand the scale of the business by steadily tapping into growth in the markets it has entered, transcending the boundaries of food culture, and firmly establishing new value in these markets.

At the same time, the Group will work to further deepen harmony with society as a corporate citizen, encouraging internalization of the Group's shared values called the "House Way" and promoting diversity to realize the Group's corporate philosophy, which is "Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives."

With these initiatives, for the next fiscal year the Group expects consolidated net sales of 292,800 million yen (a year-on-year increase of 3.2%), consolidated operating profit of 13,500 million yen (a year-on-year increase of 9.6%) and consolidated ordinary profit of 14,500 million yen (a year-on-year increase of 3.9%). The Group also anticipates profit attributable to owners of parent of 7,700 million yen (a year-on-year decrease of 11.3%), reflecting the absence next fiscal year of an extraordinary income associated with the conversion of Gaban Co., Ltd. to a consolidated subsidiary which was recorded in the fiscal year under review.

	Year ended March 31, 2017	Year ending March 31, 2018 (forecasts)	Increase/Decrease (amount)	Increase/Decrease (%)
Net sales	283,812	292,800	8,988	3.2
Operating profit	12,312	13,500	1,188	9.6
Ordinary profit	13,951	14,500	549	3.9
Profit attributable to owners of parent	8,683	7,700	(983)	(11.3)

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

The Group previously considered the payment of stable dividends, with a dividend payout ratio of at least 30% on a consolidated basis as a standard, as the basic policy on the return of earnings to shareholders. However, with the Company’s conversion of Ichibanya Co., Ltd. and Gaban Co., Ltd. to consolidated subsidiaries, changes in profits and losses pertaining to shares for step acquisitions and profits and losses that do not entail cash movements such as the amortization of goodwill have occurred from the fiscal year ended March 31, 2016.

For this reason, believing that stable dividends will more likely materialize if we exclude these fluctuating factors from the source for dividend payments, we revised our the basic policy on the payment of dividends to “maintain stable dividends, with a dividend payout ratio of at least 30% on a consolidated basis excluding the effects of extraordinary income/loss arising from business combination and the amortization of goodwill as a standard,” from the previous fiscal year.

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 plans to pay a year-end dividend of 17 yen per share in the fiscal year under review (up 2 yen from the end of the previous fiscal year) , which, combined with interim dividends of 15 yen per share, will bring annual dividends to 32 yen per share, representing a 2 yen increase from the previous fiscal year. As a result, the consolidated dividend payout ratio will be 37.9%. However, excluding the effects of profits and losses pertaining to shares for step acquisitions and the amortization of goodwill mentioned above, the dividend payout ratio will be 30.4% on a consolidated basis.

For the next fiscal year, the Group expects to pay an annual dividend of 34 yen (an interim dividend of 17 yen).

(6) 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) Risks in the Restaurant Business

In the Restaurant Business, competition among restaurants and competition with players from other industries such as convenience stores and supermarkets is becoming increasingly fierce whilst the market stays the same size. If the Group fails to provide menus that meet the needs of customers or high added value services, its net sales may fall and this may influence the Group's performance and financial standing.

(vi) Changes in the Value of Held Assets

The Group holds a range of tangible and intangible fixed assets, including commercial facilities, real estate, and goodwill acquired through corporate acquisitions, etc. Should the market value of these assets fall or should these assets no longer generate the cash flows initially expected and there is no longer any prospect of recovering the amount invested in the assets due to decline in their profitability, impairment accounting could be necessary. Impairment accounting could influence the Group’s performance and financial standing.

(vii) 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.

(viii) 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. Basic Corporate Management Policy and Issues Facing the Group

(1) Basic Corporate Management Policy

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 Ideals (Spirit),” 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.

The Group will strengthen its capabilities to create value on its own in the mature domestic market and make efforts to further expand business in growing markets overseas. 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) 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:

(Medium-Term Business Plan)

The Group develops a medium-term business plan every three years that clarifies the direction of each business, and formulates and implements specific action plans in accordance with this plan.

Under the Fifth Medium-Term Business Plan that started in April 2015, the Group has formulated and implemented specific measures as part of a medium-term three-year plan, envisioning a business framework that sets its sights on 2020, setting “striving to become a high quality company that provides ‘Healthy Life Through Foods’” as a theme. The Group acquired additional shares of Ichibanya Co., Ltd. in December 2015 and additional shares of Gaban Co., Ltd in June 2016 to make them both into consolidated subsidiaries.

The basic concepts of the Fifth Medium-Term Business Plan are as follows.

(i) Realization of the Group Philosophy

The Group will promote consistent efforts to realize the Group philosophy as a corporate citizen that always fulfills its responsibilities to its customers, employees and their families, and society.

(ii) Business Strategies

In the domestic Spice / Seasoning / Processed Food Business and the domestic Health Food Business, which are positioned as “core businesses.” the Group plans to further develop existing businesses and improve profitability. The Group will also take on the challenge of starting a business that it will offer to customers by creating new value in the mature market, while promoting partnerships with value-chain-type businesses.

In the International Food Business, the Group intends to strengthen its respective revenue bases in the United States, China, and Southeast Asia. With the International Food Business positioned as a “core growth business,” the Group will steadily expand business in growing markets, transcending the boundaries of food culture.

In regards to the Restaurant Business, which was added as a new business segment in the previous fiscal year, with the inclusion of Ichibanya Co., Ltd. in the Group, the Group will further enhance the value that curry has both in Japan and other countries by promoting cooperation between a manufacturer and a restaurant operator, two companies that are engaged in different businesses.

(iii) Functional Enhancement

The Group will execute the medium-term business plan, operations, investment plans, and R&D themes, working hard to achieve their aims, by strengthening a framework to implement a plan-do-check-act (PDCA) cycle. The Group will also strengthen its cost competitiveness by moving forward with new efforts to procure raw materials and improve the manufacturing processes.

(iv) Capital Policy

The Group previously considered the payment of stable dividends, with a dividend payout ratio of at least 30% on a consolidated basis as a standard, as the basic policy on the return of earnings to shareholders. However, with the Company’s conversion of Ichibanya Co., Ltd. and Gaban Co., Ltd. to consolidated subsidiaries, changes in profits and losses pertaining to shares for step acquisitions and profits and losses that do not entail cash movements such as the amortization of goodwill have occurred from the fiscal year ended March 31, 2016.

For this reason, believing that stable dividends will more likely materialize if we exclude these fluctuating factors from the source for dividend payments, we revised our the basic policy on the payment of dividends to “maintain stable dividends, with a dividend payout ratio of at least 30% on a consolidated basis excluding the effects of extraordinary income/loss arising from business combination and the amortization of goodwill as a standard,” from the previous fiscal year.

The Group will also operate new businesses, making effective use of excess funds, by setting an upper limit on business investment, including borrowings.

(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.

(Corporate Governance)

The Company considers a system of internal controls to be a mechanism for strengthening its corporate governance system, embodying its corporate philosophy, and achieving its management goals. We plan to step up the construction and operation of governance systems for risk management, compliance, and other areas from the perspective of Group management, to improve our corporate value, and achieve sustainable development. In terms of corporate bodies, the Company increased the number of Outside Directors to two at the 70th Annual General Meeting of Shareholders held on June 28, 2016 and is focusing on reinforcing the supervisory function in relation to the management strategy body. Five audit & supervisory board members, including three outside audit & supervisory board members, inspect the directors’ performance of their duties. Two standing audit & supervisory board members strive to ensure the effectiveness of auditors’ auditing in the Group by concurrently becoming non-standing auditors of major Group companies. At the meeting of the Board of Directors held on May 12, 2017, the Company passed a resolution to establish a Compensation Advisory Committee chaired by an Outside Director and of which more than half of the members are Outside Directors. Through deliberations of the Compensation Advisory Committee, the Company will ensure the objectivity and transparency of the procedure for determining the remuneration of directors.

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

(Corporate Social Responsibility)

We conduct CSR activities that are promoted by our all employees. Working through food, we fulfill our responsibilities to our stakeholders, such as customers, employees and their families, and society. We aim to be a good partner, connecting and collaborating with people to create smiles in their lives.

CSR is generally said to stand for "Corporate Social Responsibility." However, our understanding of CSR is not simply activities to fulfil a responsibility - rather we see CSR as an acronym for "Creating Smiles and Relationships" and we promote proactive, positive activities among all our employees.

In regard to our environmental activities, we promote them within our core operations by developing the House Foods Group environmental policies and adopting the ISO14001 environmental management system.

In our social contribution activities, we are promoting activities that contribute to addressing social issues through food. We will contribute to the realization of a better society by establishing and maintaining trust relationships with our stakeholders while seeking to maintain a balance between international society and regional societies.

We are also focusing on diversity, including promoting active participation by women, aiming for a society where everyone, regardless of gender, age and nationality, can feel fulfilled and actively participate.

3. Basic Concept concerning the Selection of Accounting Standards

To sustain comparability of consolidated financial statements between periods as well as between companies, the Group prepares consolidated financial statements under Japanese GAAP. With regard to the International Financial Reporting Standards (IFRS), we will appropriately determine the timing for the application while considering various circumstances in Japan and overseas.

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

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	44,128	57,583
Notes and accounts receivable - trade	43,140	45,370
Securities	10,009	7,436
Merchandise and finished goods	9,628	10,020
Work in process	1,563	2,008
Raw materials and supplies	3,723	4,563
Deferred tax assets	2,397	2,682
Other	4,499	6,185
Allowance for doubtful accounts	(141)	(234)
Total current assets	118,947	135,612
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,848	29,491
Machinery, equipment and vehicles, net	11,722	12,723
Land	28,851	30,394
Lease assets, net	4,400	3,942
Construction in progress	1,140	585
Other, net	2,261	2,028
Total property, plant and equipment	77,223	79,162
Intangible assets		
Goodwill	16,542	12,964
Trademark right	26,570	25,933
Software	2,109	2,142
Contract-related intangible assets	28,753	27,787
Software in progress	89	29
Other	736	1,094
Total intangible assets	74,799	69,949
Investments and other assets		
Investment securities	68,800	61,870
Long-term loans receivable	360	356
Deferred tax assets	2,247	1,223
Long-term time deposits	2,500	500
Net defined benefit asset	285	358
Claims provable in bankruptcy, claims provable in rehabilitation and other	719	683
Other	4,441	5,049
Allowance for doubtful accounts	(893)	(874)
Total investments and other assets	78,458	69,164
Total non-current assets	230,480	218,275
Total assets	349,427	353,888

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,749	19,584
Electronically recorded obligations - operating	1,540	1,294
Short-term loans payable	6,849	5,711
Lease obligations	733	655
Accounts payable - other	13,887	14,872
Income taxes payable	2,810	2,680
Provision for bonuses	129	317
Provision for directors' bonuses	68	75
Provision for shareholder benefit program	75	87
Other provision	–	124
Asset retirement obligations	3	3
Other	5,971	6,090
Total current liabilities	50,814	51,492
Non-current liabilities		
Long-term loans payable	824	550
Lease obligations	3,745	3,390
Long-term accounts payable - other	319	298
Deferred tax liabilities	25,330	24,296
Provision for loss on guarantees	6	3
Net defined benefit liability	4,668	2,720
Asset retirement obligations	711	719
Other	2,681	3,803
Total non-current liabilities	38,284	35,781
Total liabilities	89,098	87,273
Net assets		
Shareholders' equity		
Capital stock	9,948	9,948
Capital surplus	23,927	23,107
Retained earnings	176,898	182,501
Treasury shares	(516)	(12)
Total shareholders' equity	210,257	215,545
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	18,294	18,297
Deferred gains or losses on hedges	(19)	188
Foreign currency translation adjustment	2,410	1,566
Remeasurements of defined benefit plans	(2,128)	(350)
Total other accumulated comprehensive income	18,555	19,702
Non-controlling interests	31,517	31,369
Total net assets	260,329	266,615
Total liabilities and net assets	349,427	353,888

(2) Consolidated Statements of Income and Comprehensive Income

(Million yen)

	Previous consolidated fiscal year (April 1, 2015 – March 31, 2016)	Consolidated fiscal year under review (April 1, 2016 – March 31, 2017)
Net sales	241,893	283,812
Cost of sales	138,371	159,624
Gross profit	103,522	124,187
Selling, general and administrative expenses	92,746	111,875
Operating profit	10,775	12,312
Non-operating income		
Interest income	478	395
Dividend income	609	762
Share of profit of entities accounted for using equity method	584	70
House rent income	176	758
Foreign exchange gains	–	238
Other	330	384
Total non-operating income	2,177	2,607
Non-operating expenses		
Interest expenses	93	87
Rent expenses	148	631
Foreign exchange losses	174	–
Other	385	251
Total non-operating expenses	801	969
Ordinary profit	12,152	13,951
Extraordinary income		
Gain on sales of non-current assets	7	178
Gain on sales of investment securities	3,135	147
Gain on sales of restaurants	19	147
Gain on bargain purchase	–	1,018
Gain on step acquisitions	13,851	448
Other	1	70
Total extraordinary income	17,013	2,008
Extraordinary losses		
Loss on sales of non-current assets	0	10
Loss on retirement of non-current assets	273	279
Loss on valuation of investment securities	16	0
Loss on sales of membership	2	–
Loss on valuation of membership	3	11
Impairment loss	718	1,138
Other	51	50
Total extraordinary losses	1,062	1,488
Profit before income taxes	28,102	14,470
Income taxes - current	4,875	5,531
Income taxes - deferred	36	(1,237)
Total income taxes	4,911	4,294
Net income	23,191	10,176
Profit attributable to		
Profit attributable to owners of parent	22,632	8,683
Profit attributable to non-controlling interests	559	1,493

(Million yen)

	Previous consolidated fiscal year (April 1, 2015 – March 31, 2016)	Consolidated fiscal year under review (April 1, 2016 – March 31, 2017)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,071)	115
Deferred gains or losses on hedges	(157)	139
Foreign currency translation adjustment	(493)	(920)
Remeasurements of defined benefit plans, net of tax	(7,584)	1,747
Share of other comprehensive income of entities accounted for using equity method	(98)	(11)
Total other comprehensive income	(10,404)	1,069
Comprehensive income	12,787	11,245
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,411	9,829
Comprehensive income attributable to non-controlling interests	376	1,416

(3) Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (April 1, 2015 – March 31, 2016)

(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	157,338	(5)	191,150
Changes of items during the period					
Dividends of surplus			(3,073)		(3,073)
Profit attributable to owners of parent			22,632		22,632
Change in ownership interest of parent due to transactions with non-controlling interests		54			54
Purchase of treasury shares				(745)	(745)
Disposal of treasury shares		4		234	238
Net changes of items other than shareholders' equity					–
Total changes of items during the period	–	58	19,559	(511)	19,107
Balance at the end of the period	9,948	23,927	176,898	(516)	210,257

	Other accumulated comprehensive income					Non-controlling 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	20,402	47	2,878	5,450	28,777	1,530	221,456
Changes of items during the period							
Dividends of surplus					–		(3,073)
Profit attributable to owners of parent					–		22,632
Change in ownership interest of parent due to transactions with non-controlling interests					–		54
Purchase of treasury shares					–		(745)
Disposal of treasury shares					–		238
Net changes of items other than shareholders' equity	(2,108)	(67)	(468)	(7,579)	(10,221)	29,988	19,766
Total changes of items during the period	(2,108)	(67)	(468)	(7,579)	(10,221)	29,988	38,873
Balance at the end of the period	18,294	(19)	2,410	(2,128)	18,555	31,517	260,329

Consolidated fiscal year under review (April 1, 2016 – March 31, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	9,948	23,927	176,898	(516)	210,257
Changes of items during the period					
Dividends of surplus			(3,079)		(3,079)
Profit attributable to owners of parent			8,683		8,683
Change in ownership interest of parent due to transactions with non-controlling interests		(825)			(825)
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		5		507	512
Net changes of items other than shareholders' equity					–
Total changes of items during the period	–	(819)	5,604	504	5,288
Balance at the end of the period	9,948	23,107	182,501	(12)	215,545

	Other accumulated comprehensive income					Non-controlling 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	18,294	(19)	2,410	(2,128)	18,555	31,517	260,329
Changes of items during the period							
Dividends of surplus					–		(3,079)
Profit attributable to owners of parent					–		8,683
Change in ownership interest of parent due to transactions with non-controlling interests					–		(825)
Purchase of treasury shares					–		(3)
Disposal of treasury shares					–		512
Net changes of items other than shareholders' equity	3	208	(844)	1,779	1,146	(148)	998
Total changes of items during the period	3	208	(844)	1,779	1,146	(148)	6,286
Balance at the end of the period	18,297	188	1,566	(350)	19,702	31,369	266,615

(4) Consolidated Statements of Cash Flows

(Million yen)

	Previous consolidated fiscal year (April 1, 2015 – March 31, 2016)	Consolidated fiscal year under review (April 1, 2016 – March 31, 2017)
Cash flows from operating activities		
Profit before income taxes	28,102	14,470
Depreciation	6,908	9,345
Amortization of goodwill	1,016	3,578
Impairment loss	718	1,138
Share of (profit) loss of entities accounted for using equity method	(584)	(70)
Loss (gain) on step acquisitions	(13,851)	(448)
Loss (gain) on valuation of investment securities	16	0
Loss on valuation of membership	3	11
Increase (decrease) in allowance for doubtful accounts	211	64
Gain on bargain purchase	–	(1,018)
Increase (decrease) in provision for directors' bonuses	3	7
Increase (decrease) in provision for shareholder benefit program	(21)	12
Increase (decrease) in provision for loss on guarantees	(1)	(2)
Increase (decrease) in other provision	–	124
Increase (decrease) in net defined benefit liability	(1,072)	347
Interest and dividend income	(1,088)	(1,157)
Interest expenses	93	87
Foreign exchange losses (gains)	296	10
Loss (gain) on sales of investment securities	(3,133)	(147)
Loss (gain) on sales of non-current assets	(6)	(168)
Loss on retirement of non-current assets	273	279
Loss (gain) on sales of restaurants	(19)	(147)
Decrease (increase) in notes and accounts receivable - trade	76	(439)
Decrease (increase) in inventories	758	587
Increase (decrease) in notes and accounts payable - trade	(1,409)	576
Increase (decrease) in accounts payable - bonuses	(120)	143
Decrease (increase) in other assets	(1,857)	(1,504)
Increase (decrease) in other liabilities	573	464
Subtotal	15,903	26,143
Interest and dividend income received	1,365	1,062
Interest expenses paid	(102)	(84)
Income taxes paid	(4,648)	(5,822)
Net cash provided by (used in) operating activities	12,518	21,298

(Million yen)

	Previous consolidated fiscal year (April 1, 2015 – March 31, 2016)	Consolidated fiscal year under review (April 1, 2016 – March 31, 2017)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	803	5,639
Payments into time deposits	(929)	(5,280)
Purchase of securities	(3,424)	(1,000)
Proceeds from sales of securities	18,498	10,500
Purchase of property, plant and equipment	(5,501)	(6,972)
Proceeds from sales of property, plant and equipment	7	310
Gain on sales of restaurants	29	444
Purchase of intangible assets	(522)	(735)
Purchase of investment securities	(6,501)	(2,114)
Proceeds from sales of investment securities	5,788	1,469
Payments for investments in capital	(30)	(3)
Collection of investments in capital	11	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(16,556)	(4,458)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	21	–
Payments of loans receivable	(1)	–
Proceeds from liquidation of subsidiaries	–	30
Net cash provided by (used in) investing activities	(8,308)	(2,169)
Cash flows from financing activities		
Increase in short-term loans payable	75,360	65,877
Decrease in short-term loans payable	(75,269)	(67,258)
Repayments of lease obligations	(592)	(836)
Proceeds from long-term loans payable	284	300
Repayments of long-term loans payable	(235)	(298)
Purchase of treasury shares	(4)	(3)
Purchase of treasury shares of subsidiaries	–	(902)
Proceeds from sales of shares of parent held by subsidiaries	471	1,009
Cash dividends paid	(3,076)	(3,076)
Dividends paid to non-controlling interests	(662)	(1,175)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(20)	(114)
Purchase of investments in capital of subsidiaries that do not result in change in scope of consolidation	–	(941)
Proceeds from capital increase through third-party allocation by consolidated subsidiaries	–	29
Net cash provided by (used in) financing activities	(3,743)	(7,388)
Effect of exchange rate change on cash and cash equivalents	(144)	(302)
Net increase (decrease) in cash and cash equivalents	323	11,438
Cash and cash equivalents at beginning of period	43,832	44,156
Cash and cash equivalents at end of period	44,156	55,594

(5) Notes to Consolidated Financial Statements

Notes Relating to Assumptions for the Going Concern

Not applicable.

Changes in Accounting Policies

In association with the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32 dated June 17, 2016) from this consolidated fiscal year, and changed the depreciation method for facilities attached to buildings and structures that were acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect of this change on the consolidated financial statements for the financial year ended March 31, 2017 is immaterial.

Changes in Presentation Methods

(Consolidated Statements of Income)

From this consolidated fiscal year, to increase the readability and clarity of Consolidated Statements of Income, “Selling, general and administrative expenses,” which was recorded by expense item in the previous consolidated fiscal year, has been recorded under the single title of “Selling, general and administrative expenses.”

The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect these changes in presentation.

(Consolidated Statements of Cash Flows)

From this consolidated fiscal year, “Loss (gain) on sales of restaurants” which was included in “Decrease (increase) in other assets” under “Cash flows from operating activities” in the previous consolidated fiscal year, and “Gain on sales of restaurants” which was included in “Proceeds from sales of property, plant and equipment” under “Cash flows from investing activities” in the previous consolidated fiscal year are presented as separate items, as the amounts became more material. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect these changes in presentation.

As a result, a decrease of 1,857 million yen which was presented in “Decrease (increase) in other assets” under “Cash flows from operating activities” in the previous fiscal year was reclassified as “Loss (gain) on sales of restaurants” of 19 million yen and “Decrease (increase) in other assets” of 1,838 million yen, and 36 million yen which was presented in “Proceeds from sales of property, plant and equipment” under “Cash flows from investing activities” was reclassified as “Gain on sales of restaurants” of 29 million yen and “Proceeds from sales of property plant and equipment” of 7 million yen.

Additional Information

The Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26 dated March 28, 2016) from this consolidated fiscal year.

Business Combinations, etc.

1. Business combination by acquisition

(1) Overview of business combination

(i) Name and business of the acquired company

Name	Gaban Co., Ltd.
Business	Import, manufacture and sale of spices and the sale of imported foods

(ii) Main reason for business combination

The Company acquired 1,750,000 shares of Gaban Co., Ltd. in May 2004 through the issuance of new shares by Gaban Co., Ltd. in its private placement and the disposition of treasure shares. In August 2004, the Company concluded a business collaboration agreement with Gaban Co., Ltd. and Ajinomoto Co., Inc., which had already forged an alliance with Gaban Co., Ltd., on forming an alliance for the purpose of expanding the market for spices in Japan by creating a synergy effect between the Company and Gaban Co., Ltd. through the construction of an alliance relationship, in such a manner as effectively using the management resources of the Company and Gaban Co., Ltd. Subsequently, House Foods Corporation, a wholly owned subsidiary of the Company which inherited the contractual status under the business collaboration agreement following the shift of the Company to a holding company in October 2013, has been working on business centering on spices for household use based on the business collaboration agreement, including the sales and marketing of products for domestic household use of the Gaban brand manufactured by Gaban Co., Ltd.

While the business environment surrounding the domestic business of the Company maintains a moderate recovery trend, driven mainly by improved employment and income conditions, the situation in the food industry remains difficult, reflecting the ongoing bipolarization in consumption, the continued high prices of raw materials due to the weaker yen and an increase in demand in emerging countries. Although the size of the market for the spices business for household use of the Group and the spices business for professional use of the Gaban Group is gradually increasing, the operating environment surrounding the Group and the Gaban Group is growing increasingly severe given intensifying competition with other companies in the industry. Meanwhile, overseas markets centering on China and the Southeast Asia are growing rapidly, and this growth presents both the Company and Gaban Co., Ltd. with the management challenge of how to proceed quickly with business expansion in the overseas market.

Under these circumstances, the Company and Ajinomoto Co., Inc. have been cooperating to enhance the corporate value of Gaban Co., Ltd. since August 2004 as its major shareholders through the business alliance relationship with Gaban Co., Ltd. However, in the process of discussions between the Company and Ajinomoto Co., Inc. of measures to enhance the corporate value of Gaban Co., Ltd. amid the increasingly severe operating environment surrounding the spices business, it emerged as a powerful option that the Company would make Gaban Co., Ltd. as a subsidiary. Therefore, in late December 2015, the Company and Ajinomoto Co., Inc. started specific discussions about making Gaban Co., Ltd. a subsidiary of the Company.

As a result of continued discussions and negotiations with Gaban Co., Ltd. and Ajinomoto Co., Inc., the Company and Gaban Co., Ltd. reached the common understanding that it could be possible to further strengthen the growth potential and competitiveness of the Company and Gaban Co., Ltd. by making Gaban Co., Ltd. a wholly owned subsidiary of the Company, going beyond the current business alliance relationship through the more effective use of the procurement power and the brand strength Gaban Co., Ltd. has been cultivating since its founding, as well as the research and development capabilities and quality management technology of the Group.

(iii) Date of business combination

June 30, 2016

(iv) Legal form of business combination

Acquisition of shares with cash as consideration

(v) Name of the acquired company after the combination

No change

(vi) Percentage of voting rights acquired

Percentage of voting rights owned just before acquisition	15.90%
Percentage of voting rights additionally acquired	82.73%
Percentage of voting rights after acquisition	98.63%

(Additional information) Following the acquisition of additional shares outlined above, the Company made the demand for cash-out pursuant to the provisions of Article 179, Paragraph 1 of the Companies Act and, as a result, made Gaban Co., Ltd. a wholly owned subsidiary.

(vii) Main reason for deciding the company to acquire

Acquisition of shares of Gaban Co., Ltd. by the Company through a tender offer

(2) Period for financial results of the acquired company that are included in consolidated financial statements

The financial results of the acquired company from July 1, 2016 to March 31, 2017 are included in the consolidated financial statements.

(3) Breakdown of the acquisition cost of the acquired company and consideration by type (Million yen)

Market value of shares of Gaban Co., Ltd. owned just before the additional acquisition as of the date of business combination	1,243
Market value of shares of Gaban Co., Ltd. additionally acquired on the date of business combination	6,463
Acquisition cost	7,706

(4) Details and amount of main acquisition-related costs (Million yen)

Compensation , fees, etc. paid to Daiwa Securities Co. Ltd.	111

(5) Difference between the acquisition cost of the acquired company and the sum total of acquisition costs for each transaction before the acquisition (Million yen)

Gain on step acquisitions	448

(6) Amount and source of negative goodwill generated

(i) The amount of negative goodwill generated

1,018 million yen

(ii) Source of negative goodwill

Negative goodwill was generated because the amount of net assets of Gaban Co., Ltd. in the market value at the time of business combination exceeded their acquisition cost.

(7) Amounts of assets acquired and liabilities assumed on the date of business combination and breakdown of main items

	(Million yen)
Current assets	6,339
Non-current assets	3,957
Total assets	10,295
Current liabilities	1,049
Non-current liabilities	401
Total liabilities	1,450

(8) Estimated impact on Consolidated Statements of Income for the fiscal year under review assuming business combination was completed at the start of the consolidated fiscal year and estimation method

	(Million yen)
Net sales	2,263
Operating profit	29
Ordinary profit	19
Profit before income taxes	16
Profit attributable to owners of parent	11

(Estimation method)

The difference between sales and income information estimated on the assumption that the business combination was completed at the start of the consolidated fiscal year under review and sales and income information in the Consolidated Statements of Income of the acquired company is considered to be the estimated impact. The above information does not indicate events that are necessarily likely to occur in the future nor does it show the operating results that would have been posted had the business combination actually been implemented at the start of the consolidated fiscal year under review.

2. Transaction under common control, etc.

Acquisition of additional shares of a subsidiary

(1) Overview of the transaction

(i) Name and business of the company involved in business combination

Name Gaban Co., Ltd. (consolidated subsidiary of the Company)

Business Import, manufacture and sale of spices and the sale of imported foods

(ii) Date of business combination

August 10, 2016 (Deemed date of acquisition: July 1, 2016)

(iii) Legal form of business combination

Acquisition of shares with cash as consideration

(iv) Name of the acquired company after the combination

No change

(v) Other matters relating to the overview of the transaction

The Company acquired shares of Gaban Co., Ltd. through a tender offer for its common shares on June 30, 2016 and became a special controlling shareholder of Gaban Co., Ltd. Subsequently, the Company made the demand for cash-out pursuant to the provisions of Article 179, Paragraph 1 of the Companies Act and, as a result, made Gaban Co., Ltd. a wholly owned subsidiary.

(2) Overview of the accounting treatment conducted

The Company treated the business combination of the transaction under common control, etc. as a transaction with non-controlling shareholders based on the “Accounting Standard for Business Combination” and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

(3) Matters relating to the acquisition of additional shares of a subsidiary

Acquisition cost and the breakdown of consideration by type (Million yen)

Consideration for acquisition Cash	107
Acquisition cost	107

(4) Matters concerning changes in equity relating to the transaction with non-controlling shareholders

(i) Main cause of change in capital surplus

Acquisition of additional shares of a subsidiary

(ii) Increase in capital surplus as a result of the transaction with non-controlling shareholders

14 million yen

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.

The Company’s business strategy in the domestic Spice / Seasoning / Processed Food Business and the domestic Health Food Business is to further develop existing businesses and improve profitability. The Company will also work to create new value in the mature market, while promoting partnerships with the Other Food Related Business.

In International Food Business, the Company is consolidating its revenue base in the United States, China and Southeast Asia, while prioritizing acceleration in growing markets with a view to business expansion.

In the Restaurant Business, the Company will work to make curry more available worldwide through the operation of curry restaurants both in Japan and overseas.

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. The Company will work to increase the comprehensive strength of the Group by pursuing synergy between group companies.

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

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

The accounting methods for reportable segments are mostly the same as the methods used in preparing the consolidated financial statements.

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

As stated in Changes in Accounting Policies, in association with the revision of the Corporation Tax Act, the Company has changed the depreciation method for facilities attached to buildings and structures that were acquired on or after April 1, 2016 from the declining-balance method to the straight-line method, and it has also changed the depreciation method for business segments accordingly.

The effect of this change on the segment information for the financial year ended March 31, 2017 is immaterial.

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

Previous consolidated fiscal year (April 1, 2015 – March 31, 2016) (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	118,815	34,334	18,405	18,312	51,971	241,838	–	241,838	55	241,893
Sales and transfer – inter-segment	1,203	189	171	0	10,747	12,310	–	12,310	(12,310)	–
Total	120,018	34,523	18,577	18,312	62,718	254,148	–	254,148	(12,256)	241,893
Segment profit (loss)	7,924	1,398	1,381	44	101	10,849	–	10,849	(73)	10,775
Segment assets	55,685	19,594	19,110	107,994	30,925	233,308	–	233,308	116,119	349,427
Other items										
Depreciation	2,772	514	871	1,031	1,321	6,509	–	6,509	400	6,908
Amortization of goodwill	–	–	27	858	131	1,016	–	1,016	–	1,016
Increase in property, plant and equipment, and intangible assets	4,054	454	1,099	657	508	6,772	–	6,772	334	7,107

(Notes) 1. Details of adjustments are as follows.

(1) Sales-outside customers are mainly real estate rental revenues recorded by the Company.

(2) Segment profit (loss) includes profit of -73 million yen of the Company and House Business Partners Corporation which was not allocated to business segments and elimination of inter-segment transactions of 0 million yen.

(3) Segment assets include assets of 117,178 million yen of the Company and House Business Partners Corporation which were not allocated to business segments and elimination of inter-segment transactions of 1,059 million yen.

(4) Depreciation includes depreciation of 400 million yen of the Company and House Business Partners Corporation that was not allocated to business segments.

(5) Increase in property, plant and equipment and intangible assets includes equipment investment of 334 million yen of the Company and House Business Partners Corporation which was not allocated to business segments.

2. Segment profit was adjusted with operating profit on the consolidated financial statements.

Consolidated fiscal year under review (April 1, 2016 – March 31, 2017) (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	127,891	33,076	19,902	51,368	51,523	283,761	–	283,761	51	283,812
Sales and transfer – inter-segment	4,168	205	209	7	10,600	15,188	–	15,188	(15,188)	–
Total	132,059	33,281	20,111	51,375	62,123	298,949	–	298,949	(15,138)	283,812
Segment profit (loss)	9,885	1,334	1,681	(424)	719	13,196	–	13,196	(883)	12,312
Segment assets	67,134	18,930	23,380	102,768	26,733	238,946	–	238,946	114,942	353,888
Other items										
Depreciation	3,226	447	839	3,218	1,213	8,943	–	8,943	401	9,345
Amortization of goodwill	–	–	27	3,420	131	3,578	–	3,578	–	3,578
Increase in property, plant and equipment, and intangible assets	3,500	465	992	1,875	397	7,230	–	7,230	759	7,989

(Notes) 1. Details of adjustments are as follows.

(1) Sales-outside customers are mainly real estate rental revenues recorded by the Company.

(2) Segment profit (loss) includes profit of -883 million yen of the Company and House Business Partners Corporation which was not allocated to business segments and elimination of inter-segment transactions of 0 million yen.

(3) Segment assets include assets of 116,313 million yen of the Company and House Business Partners Corporation which were not allocated to business segments and elimination of inter-segment transactions of 1,372 million yen.

(4) Depreciation includes depreciation of 401 million yen of the Company and House Business Partners Corporation that was not allocated to business segments.

(5) Increase in property, plant and equipment and intangible assets includes equipment investment of 759 million yen of the Company and House Business Partners Corporation which was not allocated to business segments.

2. Segment profit was adjusted with operating profit on the consolidated financial statements.

[Related information]

Previous consolidated fiscal year (April 1, 2015 – March 31, 2016)

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 (Million yen)

Japan	East Asia	Southeast Asia	United States	Other	Total
215,688	11,253	1,896	12,599	457	241,893

(2) Property, plant and equipment (Million yen)

Japan	East Asia	Southeast Asia	United States	Total
67,654	3,819	969	4,782	77,223

3. Information by Major Customer

(Million yen)

Customer	Sales	Related segments
KATOSANGYO Co., Ltd.	31,485	Spice / Seasoning / Processed Food Business Health Food Business
Mitsubishi Shokuhin Co., Ltd.	21,630	Spice / Seasoning / Processed Food Business Health Food Business

Consolidated fiscal year under review (April 1, 2016 – March 31, 2017)

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

(Million yen)

Japan	East Asia	Southeast Asia	United States	Other	Total
254,188	12,114	3,782	13,192	536	283,812

(2) Property, plant and equipment

(Million yen)

Japan	East Asia	Southeast Asia	United States	Total
69,950	3,447	1,536	4,229	79,162

3. Information by Major Customer

(Million yen)

Customer	Sales	Related segments
KATOSANGYO Co., Ltd.	32,992	Spice / Seasoning / Processed Food Business Health Food Business
Mitsubishi Shokuhin Co., Ltd.	21,002	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, 2015 – March 31, 2016)

(Million yen)

	Reported segments						Other	Adjustment	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total			
Impairment loss	–	–	157	53	–	210	–	508	718

Consolidated fiscal year under review (April 1, 2016 – March 31, 2017)

(Million yen)

	Reported segments						Other	Adjustment	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total			
Impairment loss	45	–	–	1,093	–	1,138	–	–	1,138

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

Previous consolidated fiscal year (April 1, 2015 – March 31, 2016)

(Million yen)

	Reported segments						Other	Adjustment	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total			
Amortization in fiscal year under review	–	–	27	858	131	1,016	–	–	1,016
Balance at end of fiscal year under review	–	–	53	16,234	255	16,542	–	–	16,542

Consolidated fiscal year under review (April 1, 2016 – March 31, 2017)

(Million yen)

	Reported segments						Other	Adjustment	Total
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total			
Amortization in fiscal year under review	–	–	27	3,420	131	3,578	–	–	3,578
Balance at end of fiscal year under review	–	–	26	12,814	124	12,964	–	–	12,964

[Information on gain on bargain purchase by reported segment]

Previous consolidated fiscal year (April 1, 2015 – March 31, 2016)

Not applicable.

Consolidated fiscal year under review (April 1, 2016 – March 31, 2017)

In the consolidated fiscal year under review, the Company recorded a gain on bargain purchase of 1,018 million yen in the Spice / Seasoning / Processed Food Business segment as a result of the additional acquisition of common shares of Gaban Co., Ltd. and its inclusion in the scope of consolidation.

Per Share Information

(Yen)

	Previous consolidated fiscal year (April 1, 2015 – March 31, 2016)	Consolidated fiscal year under review (April 1, 2016 – March 31, 2017)
Net assets per share	2,231.86	2,289.43
Net income per share	220.48	84.53

(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, 2015 – March 31, 2016)	Consolidated fiscal year under review (April 1, 2016 – March 31, 2017)
	Million yen	Million yen
Profit attributable to owners of parent	22,632	8,683
Amount not allocable to common shareholders	–	–
Profit attributable to owners of parent available for common stock	22,632	8,683
	Thousand shares	Thousand shares
Weighted average number of shares of common stock outstanding during each period	102,651	102,718

3. The basis for calculating net assets per share is as follows.

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of March 31, 2017)
	Million yen	Million yen
Total net assets	260,329	266,615
Amount deducted from total net assets	31,517	31,369
(Of which are non-controlling interests)	(31,517)	(31,369)
Net assets at end of year available for common stock	228,812	235,246
	Thousand shares	Thousand shares
Number of shares of common stock at end of year used for calculating net assets per share	102,521	102,753

Important Subsequent Events

Not applicable.

5. Other Information

(1) Senior Management Changes

1. Newly Appointed Audit & Supervisory Board Member Candidate (as of June 28, 2017)

   Non-standing Audit & Supervisory Board Member Tamotsu Iwamoto (Present Representative Director, Member of the Board & Corporate Executive Deputy President of Ajinomoto Co., Inc.)

   * Mr. Tamotsu Iwamoto is a candidate for an outside audit & supervisory board member.

2. Retiring Audit & Supervisory Board Member (as of June 28, 2017)

   Non-standing Audit & Supervisory Board Member Daiji Shindo

   * Mr. Daiji Shindo is an outside audit & supervisory board member.

6. Supplementary Information

(1) Business Performance

Consolidated (Million yen)

	FY2015		FY2016		FY2017 Target	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	241,893	104.5%	283,812	117.3%	292,800	103.2%
Operating profit	10,775	124.0%	12,312	114.3%	13,500	109.6%
Ordinary profit	12,152	110.9%	13,951	114.8%	14,500	103.9%
Profit attributable to owners of parent	22,632	324.6%	8,683	38.4%	7,700	88.7%
Comprehensive income	12,787	58.7%	11,245	87.9%	–	–

By Business Segment

Net sales	FY2015		FY2016		FY2017 Target	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Spice / Seasoning / Processed Food Business	120,018	49.6%	132,059	46.5%	137,400	46.9%
Health Food Business	34,523	14.3%	33,281	11.7%	34,600	11.8%
International Food Business	18,577	7.7%	20,111	7.1%	22,200	7.6%
Restaurant Business	18,312	7.6%	51,375	18.1%	52,000	17.8%
Other Food Related Business	62,718	25.9%	62,123	21.9%	61,700	21.1%
Adjustment	(12,256)	(5.1%)	(15,138)	(5.3%)	(15,100)	(5.2%)

Operating profit	FY2015		FY2016		FY2017 Target	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Spice / Seasoning / Processed Food Business	7,924	73.6%	9,885	80.3%	10,300	76.4%
Health Food Business	1,398	13.0%	1,334	10.8%	1,500	11.1%
International Food Business	1,381	12.8%	1,681	13.7%	2,000	14.8%
Restaurant Business	44	0.4%	(424)	(3.4%)	(200)	(1.5%)
Other Food Related Business	101	0.9%	719	5.8%	1,100	8.1%
Adjustment	(73)	(0.7%)	(883)	(7.2%)	(1,200)	(8.9%)

(2) Number of Group Companies

	FY2015	FY2016
Consolidated subsidiaries	34	36
Japan	14	14
Overseas	20	22
Equity-method affiliate	3	4
Japan	1	2
Overseas	2	2

FY2016 Business Results of Major Subsidiaries (Million yen)

	Net sales		Operating profit		Net income	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
House Foods Corporation	125,902	103.1%	9,399	111.9%	6,676	117.2%
House Wellness Foods Corporation	33,281	96.3%	1,329	94.8%	1,283	100.1%
House Foods America Corporation (Consolidated)	12,572	101.1%	1,153	131.7%	713	131.8%
Ichibanya Co., Ltd. (Consolidated)	44,893	393.4%	4,806	369.7%	3,171	320.9%

Period included in consolidated financial statements: House Foods America Corporation - from January to December 2016; Ichibanya Co., Ltd. - from March 2016 to February 2017 (compared with from December 2015 to February 2016 the previous fiscal year)

(3) Consolidated Statements of Income

1. Consolidated Statements of Income (Million yen)

	FY2015		FY2016		Year-on-year change	
	Amount	Percentage	Amount	Percentage	Amount	Rate of change
Net sales	**241,893**	**100.0%**	**283,812**	**100.0%**	**41,919**	**17.3%**
<By business segment>						
Spice / Seasoning / Processed Food Business	120,018	49.6%	132,059	46.5%	12,041	10.0%
Health Food Business	34,523	14.3%	33,281	11.7%	(1,242)	(3.6%)
International Food Business	18,577	7.7%	20,111	7.1%	1,535	8.3%
Restaurant Business	18,312	7.6%	51,375	18.1%	33,063	180.5%
Other Food Related Business	62,718	25.9%	62,123	21.9%	(595)	(0.9%)
Adjustment	(12,256)	(5.1%)	(15,138)	(5.3%)	(2,882)	–
Cost of sales	138,371	57.2%	159,624	56.2%	21,253	15.4%
Selling, general and administrative expenses	92,746	38.3%	111,875	39.4%	19,129	20.6%
Advertising expenses	9,822	4.1%	9,869	3.5%	47	0.5%
Transportation and warehousing expenses	7,248	3.0%	9,519	3.4%	2,270	31.3%
Sales commission	2,342	1.0%	2,455	0.9%	113	4.8%
Promotion expenses	29,741	12.3%	30,607	10.8%	866	2.9%
Personnel expenses	21,987	9.1%	29,278	10.3%	7,291	33.2%
Research and development expenses	3,510	1.5%	3,787	1.3%	277	7.9%
Amortization of goodwill	1,016	0.4%	3,578	1.3%	2,562	252.2%
Operating profit	**10,775**	**4.5%**	12,312	4.3%	1,537	14.3%
Non-operating income	2,177	0.9%	2,607	0.9%	430	19.7%
Non-operating expenses	801	0.3%	969	0.3%	168	21.0%
Ordinary profit	**12,152**	**5.0%**	13,951	4.9%	1,799	14.8%
Extraordinary income	17,013	7.0%	2,008	0.7%	(15,005)	(88.2%)
Extraordinary losses	1,062	0.4%	1,488	0.5%	425	40.0%
Profit before income taxes	28,102	11.6%	14,470	5.1%	(13,631)	(48.5%)
Income taxes	4,911	2.0%	4,294	1.5%	(617)	(12.6%)
Net income	23,191	9.6%	10,176	3.6%	(13,015)	(56.1%)
Profit attributable to						
Profit attributable to owners of parent	**22,632**	**9.4%**	8,683	3.1%	(13,949)	(61.6%)
Profit attributable to non-controlling interests	559	0.2%	1,493	0.5%	934	167.0%
Comprehensive income	**12,787**	**5.3%**	**11,245**	**4.0%**	**(1,542)**	**(12.1%)**

2. Non-Operating Income (Expenses)

(Million yen)

	FY2015	FY2016	Year-on-year change
Interest income	478	395	(83)
Dividend income	609	762	152
Share of profit of entities accounted for using equity method	584	70	(514)
Foreign exchange gains	–	238	238
House rent income	176	758	583
Other	330	384	54
Total non-operating income	2,177	2,607	430
Interest expenses	93	87	(6)
Foreign exchange losses	174	–	(174)
Rent expenses	148	631	483
Other	385	251	(135)
Total non-operating expenses	801	969	168

3. Extraordinary Income (Losses)

(Million yen)

	FY2015	FY2016	Year-on-year change
Gain on sales of non-current assets	7	178	171
Gain on sales of investment securities	3,135	147	(2,988)
Gain on bargain purchase	–	1,018	1,018
Gain on sales of restaurants	19	147	128
Gain on step acquisitions	13,851	448	(13,403)
Other	1	70	69
Total extraordinary income	17,013	2,008	(15,005)
Loss on sales of non-current assets	0	10	10
Loss on retirement of non-current assets	273	279	6
Loss on sales of membership	2	–	(2)
Loss on valuation of investment securities	16	0	(16)
Loss on valuation of membership	3	11	8
Impairment loss	718	1,138	420
Other	51	50	(2)
Total extraordinary losses	1,062	1,488	425

(4) Consolidated Balance Sheets

Consolidated Balance Sheets (Million yen)

	FY2015		FY2016		Year-on-year change	Major factors for increase/ decrease	
	Amount	Percentage	Amount	Percentage	Amount		
Current assets	118,947	34.0%	135,612	38.3%	16,666	Increase in cash and deposits	13,455
						Increase in notes and accounts receivable - trade	2,229
						Increase in inventories	1,677
						Decrease in securities	(2,573)
Non-current assets	230,480	66.0%	218,275	61.7%	(12,205)	Decrease in investment securities	(6,929)
						Decrease in goodwill	(3,579)
						Decrease in long-term time deposits	(2,000)
						Decrease in deferred tax assets	(1,024)
						Decrease in contract-related intangible assets	(967)
						Increase in land	1,543
						Increase in machinery, equipment and vehicles	1,000
Total assets	**349,427**	**100.0%**	**353,888**	**100.0%**	**4,461**		
Current liabilities	50,814	14.5%	51,492	14.6%	678	Increase in accounts payable - other	984
						Increase in notes and accounts payable - trade	834
						Decrease in short-term loans payable	(1,137)
Non-current liabilities	38,284	11.0%	35,781	10.1%	(2,503)	Decrease in net defined benefit liability	(1,947)
						Decrease in deferred tax liabilities	(1,033)
Total liabilities	**89,098**	**25.5%**	**87,273**	**24.7%**	**(1,825)**		
Total other accumulated comprehensive income	18,555	5.3%	19,702	5.6%	1,146	Increase in remeasurements of defined benefit plans	1,779
						Increase in deferred gains or losses on hedges	208
						Decrease in foreign currency translation adjustment	(844)
Non-controlling interests	31,517	9.0%	31,369	8.9%	(148)		
Total net assets	**260,329**	**74.5%**	**266,615**	**75.3%**	**6,286**		
Total liabilities and net assets	**349,427**	**100.0%**	**353,888**	**100.0%**	**4,461**		

(5) Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows (Million yen)

	FY2015	FY2016	Year-on-year change	Major factors for increase/ decrease	
Cash flows from operating activities	12,518	21,298	8,780	Loss (gain) on step acquisitions	13,403
				Loss (gain) on sales of investment securities	2,986
				Amortization of goodwill	2,562
				Depreciation	2,437
				Profit before income taxes	(13,631)
Cash flows from investing activities	(8,308)	(2,169)	6,138	Purchase of shares of subsidiaries resulting in change in scope of consolidation	12,098
				Proceeds from withdrawal of time deposits	4,835
				Purchase of investment securities	4,387
				Purchase of securities	2,424
				Proceeds from sales of securities	(7,998)
				Payments into time deposits	(4,351)
				Proceeds from sales of investment securities	(4,318)
Cash flows from financing activities	(3,743)	(7,388)	(3,645)	Increase in short-term loans payable	(9,484)
				Purchase of investments in capital of subsidiaries that do not result in change in scope of consolidation	(941)
				Purchase of treasury shares of subsidiaries	(902)
				Decrease in short-term loans payable	8,011
Cash and cash equivalents at end of period	44,156	55,594	11,438		

(6) Capital Investment

Consolidated (Million yen)

	FY2015	FY2016
Capital investment	6,757	7,708
Leases	503	470
Total	7,260	8,178

(7) Depreciation

Consolidated (Million yen)

	FY2015	FY2016
Depreciation	6,908	9,345
Lease payments	369	346
Total	7,277	9,691

(8) Major Management Indicators, etc.

Consolidated

	FY2015	FY2016
Net income per share	220.48 yen	84.53 yen
Net assets per share	2,231.86 yen	2,289.43 yen
ROE	10.1%	3.7%
Ratio of ordinary profit to total assets	3.8%	4.0%
Ratio of ordinary profit to net sales	5.0%	4.9%
ATO	0.76 times	0.81 times
Current ratio	234.1%	263.4%
Fixed ratio	100.7%	92.8%
Debt to equity ratio	38.9%	37.1%
Equity ratio	65.5%	66.5%
Number of employees	6,376 people	6,248 people

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

(9) Full-Year Target

Consolidated Net Sales (Million yen)

	FY2016	FY2017 Target	Year-on-year change
<By business segment>			
Spice / Seasoning / Processed Food Business	132,059	137,400	5,341
Health Food Business	33,281	34,600	1,319
International Food Business	20,111	22,200	2,089
Restaurant Business	51,375	52,000	625
Other Food Related Business	62,123	61,700	(423)
Adjustment	(15,138)	(15,100)	38
Net Sales	**283,812**	**292,800**	**8,988**
<By business segment>			
Spice / Seasoning / Processed Food Business	9,885	10,300	415
Health Food Business	1,334	1,500	166
International Food Business	1,681	2,000	319
Restaurant Business	(424)	(200)	224
Other Food Related Business	719	1,100	381
Adjustment	(883)	(1,200)	(317)
Operating profit	**12,312**	**13,500**	**1,188**
Ordinary profit	**13,951**	**14,500**	**549**
Profit attributable to owners of parent	**8,683**	**7,700**	**(983)**
Comprehensive income	**11,245**	**–**	**–**

Consolidated Capital Investment (Million yen)

	FY2016	FY2017 Target
Capital investment	**7,708**	**11,700**
Leases	**470**	**300**
Total	**8,178**	**12,000**

Consolidated Depreciation (Million yen)

	FY2016	FY2017 Target
Depreciation	**9,345**	**9,200**
Lease payments	**346**	**500**
Total	**9,691**	**9,700**