May 8, 2012

Consolidated Financial Results (Japanese Accounting Standards) for the FY2011 (Ended March 31, 2012)

Company name: House Foods Corporation
Stock exchange listing: Tokyo Stock Exchange, Osaka Securities Exchange
Stock code: 2810
URL: http://housefoods.jp/
Representative: Hiroshi Urakami, President
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Scheduled date of ordinary shareholders' meeting: June 27, 2012
Scheduled date of commencement of dividend payment: June 28, 2012
Scheduled date for filing of annual securities report: June 27, 2012
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, 2012 (April 1, 2011 – March 31, 2012)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2012	214,317	(1.1)	14,053	16.4	15,502	19.0	7,928	51.0
Year ended March 31, 2011	216,713	(1.8)	12,069	10.1	13,031	6.9	5,252	9.0

(Note) Comprehensive income: 10,405 million yen (111.6%) for the fiscal year ended March 31, 2012
4,918 million yen (-24.9 %) for the fiscal year ended March 31, 2011

	Net income per share (basic)	Net income per share (diluted)	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2012	74.26	–	4.3	6.6	6.6
Year ended March 31, 2011	48.40	–	2.9	5.7	5.6

(Reference) Equity in net income of affiliates: 399 million yen for the fiscal year ended March 31, 2012
350 million yen for the fiscal year ended March 31, 2011

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2012	240,092	189,242	78.6	1,768.27
Year ended March 31, 2011	228,810	181,298	79.1	1,694.59

(Reference) Shareholders' equity: As of March 31, 2012: 188,785 million yen
As of March 31, 2011: 180,922 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, 2012	17,098	(19,069)	(2,836)	41,190
Year ended March 31, 2011	18,568	(10,228)	(6,466)	46,091

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, 2011	–	11.00	–	11.00	22.00	2,382	45.5	1.3
Year ended March 31, 2012	–	13.00	–	15.00	28.00	2,989	37.7	1.6
Year ending March 31, 2013 (forecasts)	–	15.00	–	15.00	30.00		30.8	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2013 (April 1, 2012 – March 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2012	111,000	0.6	6,400	(19.9)	7,100	(15.2)	4,300	(10.5)	40.28
Year ending March 31, 2013	218,000	1.7	14,800	5.3	16,200	4.5	10,400	31.2	97.41

* 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: one company (House Foods Vietnam Co., Ltd.)

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

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

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

(i) Number of shares outstanding at end of period (including treasury stock)
As of March 31, 2012: 106,765,422 shares
As of March 31, 2011: 106,765,422 shares

(ii) Number of treasury stock at end of period
As of March 31, 2012: 2,928 shares
As of March 31, 2011: 1,278 shares

(iii) Average number of shares outstanding during the term
Year ended March 31, 2012: 106,763,256 shares
Year ended March 31, 2011: 108,515,516 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2012 (April 1, 2011 – March 31, 2012)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2012	151,803	(2.1)	11,696	(13.6)	14,334	(7.7)	7,884	(2.8)
Year ended March 31, 2011	155,136	(4.0)	13,536	8.0	15,536	9.5	8,107	6.3

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Year ended March 31, 2012	73.84	–
Year ended March 31, 2011	74.71	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2012	242,542	196,939	81.2	1,844.65
Year ended March 31, 2011	230,452	188,957	82.0	1,769.85

(Reference) Shareholders' equity: As of March 31, 2012: 196,939 million yen
As of March 31, 2011: 188,957 million yen

2. Non-Consolidated Forecasts for the Fiscal Year Ending March 31, 2013 (April 1, 2012 – March 31, 2013)

(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		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2012	75,000	(0.2)	7,200	(4.6)	4,600	4.1	43.09
Year ending March 31, 2013	153,000	0.8	15,100	5.3	9,800	24.3	91.79

* Statement Relating to the Execution Status for Audit Procedures
- This financial summary falls outside the scope of audit procedures based on the stipulations of the Financial Instruments and Exchange Act. The audit procedures for financial statements based on the stipulations of said Act were not completed at the time this financial summary was disclosed.

* Explanations and other special notes concerning the appropriate use of business performance forecasts
- The consolidated and non-consolidated business performance forecasts given in this document are based on assumptions, prospects, and future business plans, currently available on the date this document was published. Actual results may differ from these forecasts for a variety of reasons.
- For other matters relating to the forecasts, please refer to "1. Results of Operations, (1) Analysis of Operating Results" on page 2 of the accompanying materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Operating Results

(i) Operating Results for the Fiscal Year under Review

During the consolidated fiscal year under review, the Japanese economy continued to face considerable uncertainty, with many factors contributing to fluctuation. In disarray from the outset in the wake of the Great East Japan Earthquake, the domestic economy was confronted with a number of basic given conditions likely to affect all industries, namely the problem of earthquake reconstruction, electric power issues, the historically strong yen, and the European debt crisis. Domestic demand industries faced issues both upstream and downstream, with raw materials prices rising, and with deflation flaring up again following the bout of post-earthquake demand.

In this environment, the House Foods Group passed another milestone. The consolidated fiscal year under review was the final fiscal year of the Group's Third Medium-term Business Plan, focusing on creating new demand and enhancing the Group's all-round capabilities.

Looking at sales, although the Japanese market experienced demand to secure stocks after the earthquake at the beginning of the fiscal year, once this had run its course, the Company had difficulty operating in a deflationary environment. In addition, the *Ukon no Chikara* series was affected by market slowdown amid a mood of self-restraint following the earthquake. The difficult conditions outlined above and other negative factors such as the sale of mineral water business in May in FY2010 outweighed the Company's achievement of business expansion in each of the regions in which it operates in International Business, and, in the consolidated fiscal year under review, consolidated net sales fell 1.1% year on year, to 214,317 million yen.

Turning to income, higher prices of raw materials and decreased sales of the *Ukon no Chikara* series were offset by positive factors such as a decrease in the burden of amortization of goodwill associated with the acquisition of House Wellness Foods Corporation, improvement in earnings of group companies, and cost-cutting efforts. As a consequence, consolidated operating income rose 16.4% year on year, to 14,053 million yen, consolidated ordinary income climbed 19.0% year on year to 15,502 million yen, and consolidated net income increased 51.0% year on year, to 7,928 million yen.

The following is an overview of results by segment.

	Consolidated net sales		Consolidated operating income (segment margin)	
	Amount (million yen)	Year-on-year change (%)	Amount (million yen)	Year-on-year change (%)
Spice / Seasoning / Prepared Food Business	129,247	100.5	9,933	86.1
Health Food Business	45,992	92.7	2,532	1,269.6
International Business	11,762	111.8	651	186.1
Transport and Other Businesses	27,315	97.6	935	–
Reportable segments total	214,317	98.9	14,051	116.4

* Figures in the consolidated operating income (segment margin) column are figures before adjustment for impact of inter-segment transactions of 3 million yen.

Spice / Seasoning / Prepared Food Business

In Spice/Seasoning/Prepared Food Business, ramen, spices, retort pouched products and dessert products showed steady sales growth as more consumers ate at home following the earthquake, and commercial-use products also sold strongly due to the development of customers. On the other hand, certain curry roux products and stew roux products struggled in face of competition from low-priced products amid the deflationary trend in the second half of the fiscal year. As a result, net sales in the spice/seasoning/prepared food business edged up just 0.5%, to 129,247 million yen.
Meanwhile, operating income fell 13.9% year on year, to 9,933 million yen, reflecting negative factors such as the severe impact of rising raw materials prices and expansion in promotional expenses to counter falling selling prices, all of which offset ongoing efforts to improve cost competitiveness.

Health Food Business

In the Health Food Business, sales of the *Ukon no Chikara* series, which are the Group's mainstay products in this segment, were down on the previous year, reflecting market slowdown amid a mood of restraint following the earthquake, changes in customers' attitudes towards alcohol, and the launch of rival products. Group company, House Wellness Foods Corporation also showed decreased revenues as a result of efforts to improve the profitability of made-to-order products, and total sales in the health food business fell 7.3% year on year, to 45,992 million yen.
Operating income rose 2,332 million yen year on year, to 2,532 million yen due to substantial reduction in the burden of amortization of goodwill associated with the acquisition of House Wellness Foods Corporation.

International Business

In International Business, the Group succeeded in expanding business and strengthening its earnings base in each of the regions in which it operates. The soybean business in the United States posted gains in sales and profits, reflecting the market's easy acceptance of revisions to prices of mainstay products in June last year to absorb increases in soybean prices, as well as the success of rigorous marketing activities.
In the processed food business in China, sales of retort pouched products were below target but, in the area of roux products, the Group focused on activities to promote products for household use and worked to expand sales routes for commercial-use products. As a result, this business posted increased revenues overall and also shows a tendency for improvement in income, though still not profitable.
The restaurant business showed substantial growth in both sales and profits, as, on the back of strong customer support, the Group succeeded in expanding the number of restaurants in each of the regions in Asia in which it operates (China, Taiwan and South Korea).
As a result of the above factors, sales of International Business grew 11.8% year on year, to 11,762 million yen, and operating income increased 86.1% year on year, to 651 million yen.

Transport and Other Businesses

The transport and warehouse business of House Logistics Service Corporation, a Group company, performed better than a year ago, largely due to continued expansion in logistics operations commissioned by companies outside the Group.
However, sales in the Transport and Other Businesses segment were down 2.4% year on year, to 27,315 million

yen, because the mineral water business, which was previously included in this segment, was transferred during the previous fiscal year.

Operating income moved into the black, amounting to 935 million yen (compared with an operating loss of 16 million yen the previous fiscal year) thanks mainly to group-wide efforts to improve earnings.

(ii) Outlook for the Next Fiscal Year

Looking ahead, the Group's operating environment looks set to remain difficult, given forecasts of contraction in the domestic market and rising raw material prices. However, under the Fourth Medium-term Business Plan launched in April this year, the Group will work steadily to accelerate overseas expansion, build the optimum organizational structure for growth and expansion, and strengthen development capabilities and cost competiveness.

In Japan, in its two core food businesses, the Spices/Seasoning/Prepared Food Business and the Health Food Business, the Group will work to increase profitability and ensure future growth by continuing to focus on improving brand power and cost competitiveness, and enhancing its capability to develop new products essential to continued survival.

In the International Business, the Group plans to achieve business expansion by establishing systems to promote business independently in each of its three regions of operation (United States, China and Southeast Asia). In the soybean business in the United States, the Group will channels its efforts into expanding business further, including expansion of production facilities. In the processed food business in China, the Company aims to make Japanese curry more popular and widely used than ever before by working to develop the commercial-use market while at the same time pursuing marketing activities in the household-use market. In the restaurant business, the Group will focus on expanding business by aggressively opening new restaurants, including franchise restaurants. In Southeast Asia, the Group is planning the summer launch of a functional beverage in Thailand, where it began operating through a joint venture with a Thai company the previous fiscal year, and the Group is also starting construction of a plant for local production in Vietnam, where it has established a wholly owned subsidiary.

As a result, for the next fiscal year, we expect consolidated net sales of 218,000 million yen (a year-on-year increase of 1.7%), consolidated operating income of 14,800 million yen (a year-on-year increase of 5.3%), consolidated ordinary income of 16,200 million yen (a year-on-year increase of 4.5%), and consolidated net income of 10,400 million yen (a year-on-year increase of 31.2%).

(2) Analysis of Financial Position

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

Total assets at the end of the consolidated fiscal year under review rose 11,281 million yen from a year earlier, to 240,092 million yen. Current assets stood at 110,165 million yen, an increase of 10,521 million yen compared to the previous fiscal year. Noncurrent assets were 129,927 million yen, a year-on-year rise of 760 million yen.

The main factors for the increase in current assets include a 4,812 million yen increase in investment securities through acquisitions of bonds and a 4,409 million yen rise in cash and deposits.

The main factors for the increase in noncurrent assets include a 3,162 million yen increase in investments and other assets through acquisitions of bonds and shares, which offset a 1,364 million yen decrease in goodwill through amortization.

Total liabilities at the end of the consolidated fiscal year under review were 50,850 million yen, an increase of 3,338 million yen compared to the previous consolidated fiscal year. Current liabilities were up 3,352 million yen from a year earlier to 41,108 million yen, and noncurrent liabilities were 9,742 million yen, a year-on-year decrease of 15 million yen.

The main factors for the increase in current liabilities include a 1,774 million yen increase in notes and accounts payable-trade and a 1,099 million yen rise in accounts payable-other.

The principal components in the decrease in noncurrent liabilities were a 159 million yen fall in the provision for retirement benefits and a 111 million yen drop in lease obligations, offsetting a 231 million yen rise in deferred tax liabilities.

Net assets at the end of the consolidated fiscal year under review stood at 189,242 million yen, an increase of 7,943 million yen compared to the previous consolidated fiscal year.

As a result, the equity ratio at the end of the consolidated fiscal year under review stood at 78.6%, compared with 79.1% for the previous term, and net assets per share were 1,768.27 yen, compared with 1,694.59 yen for the previous term.

(ii) Analysis of Cash Flows

With respect to cash flows for the consolidated fiscal year under review, net cash provided by operating activities amounted to 17,098 million yen, net cash provided by investing activities, including the purchase of property, plant and equipment, amounted to 19,069 million yen, and net cash provided by financing activities including the purchase of treasury stock and cash dividends paid was 2,836 million yen. As a result, cash and cash equivalents at the end of the consolidated fiscal year under review stood at 41,190 million yen, a decrease of 4,901 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 generated by operating activities during the consolidated fiscal year under review was 17,098 million yen, a decrease of 1,470 million yen from the previous consolidated fiscal year. Key factors included 12,886 million yen in income before income taxes and minority interests and 5,356 million yen in depreciation and amortization.

The decrease in comparison to the previous consolidated fiscal year is mainly attributable to a decrease in amortization of goodwill (a year-on-year decrease of 2,760 million yen), a decrease in inventories (a year-on-year decrease of 1,648 million yen), and an increase in income before income taxes (a year-on-year increase of 3,305 million yen).

(Cash flows from investing activities)

Cash used in investing activities during the consolidated fiscal year under review was 19,069 million yen, which was 8,841 million yen higher than cash used in the previous consolidated fiscal year. Key factors included payments into time deposits of 12,469 million yen.

The primary factor for the increase in outflow over the previous consolidated fiscal year was an increase in payments into time deposits (a year-on-year rise of 10,504 million yen).

(Cash flows from financing activities)

Cash used in financing activities during the consolidated fiscal year under review was 2,836 million yen, which was 3,630 million yen less than cash used in the previous consolidated fiscal year. Key factors included cash dividends paid of 2,567 million yen.

The primary factor for the decrease in outflow over the previous consolidated fiscal year was a treasury stock (a year-on-year fall of 3,979 million yen).

(Million yen)

	Year ended March 31, 2011	Year ended March 31, 2012	Year-on-year change
Net cash provided by (used in) operating activities	18,568	17,098	(1,470)
Net cash provided by (used in) investing activities	(10,228)	(19,069)	(8,841)
Net cash provided by (used in) financing activities	(6,466)	(2,836)	3,630
Effect of exchange rate changes on cash and cash equivalents	(353)	(94)	258
Net increase (decrease) in cash and cash equivalents	1,521	(4,901)	(6,422)
Cash and cash equivalents at beginning of period	44,570	46,091	1,521
Cash and cash equivalents at end of period	46,091	41,190	(4,901)

Cash flow indicators for the Group are as follows:

	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012
Equity ratio (%)	78.8	78.1	78.6	79.1	78.6
Equity ratio (market value basis) (%)	71.3	65.8	64.3	63.5	62.9
Cash flow/interest bearing liabilities ratio (%)	10.0	37.0	37.6	30.1	32.4
Interest coverage ratio (times)	295.5	397.1	383.2	517.3	444.3

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

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

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

Interest coverage ratio: Operating cash flow / Interest payments

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

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

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

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

In terms of internal reserves, the Group seeks to use such reserves to fund investment in manufacturing equipment, research and development, and new businesses development, to prepare for future business.

During the consolidated fiscal year under review, the Company paid an interim dividend of 13 yen per share (increased by 2 yen compared with the previous interim dividend). In addition, the Company plans to pay a year-end dividend of 15 yen (an increase of 4 yen compared with the previous year-end dividend), bringing the annual dividend for the consolidated year under review to 28 yen per share (an increase of 6 yen over the previous fiscal year).

For next fiscal year (ending March 31, 2013), the Company again expects to pay a dividend of 30 yen per share (including an interim dividend of 15 yen).

(4) Business and Other Risks

Risks that could influence the Group's performance and financial standing include the following.

Considering the possibility of these risks occurring (emerging), the Group will seek to minimize or prevent them and to deal with them when they do occur.

(i) Food Safety Issues

Consumer demand for quality has increased in the food industry. In response, the Company has constructed a traceability mechanism and is taking steps to strengthen its quality assurance system, headed by the Product Quality Assurance Division, which is dedicated exclusively to product quality assurance. Nevertheless, should an incident occur that exceeds the scope of our actions, - for instance, a quality issue that encompasses the entire community – or should the image of the products of the Company be harmed by damaging rumors or should the image of the products of the Company be harmed by rumors not directly related to the Group's products or other factors, the Group's performance and financial standing could be affected.

(ii) Weather and Natural Disasters

Weather-related factors, such as relatively cold summers and heat waves, and natural disasters have the potential to become risks for the Group's food businesses and could affect the Group's performance and financial standing.

The Group created a task force immediately after the 2011 Great East Japan Earthquake and established a Group-wide system to respond to the disaster. Considering relief supplies and product supply the primary mission of a food corporation, the Group created a production and supply system to deal with the disaster. The Group will seek to mitigate damage when disasters occur by assuming an even higher level of damage and strengthening its risk management system accordingly.

(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, curry roux, and retort pouched curry products and operating curry restaurant chains in countries such as the United States, China, Taiwan, South Korea, Thailand and Vietnam. Economic slowdowns, political issues, and situations jeopardizing food safety in these countries have the potential to become risks that influence the Group's performance and financial standing.

(v) Changes in the Value of Held Assets

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

(vi) Effects of Laws and Regulations

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

(vii) Risks in Data and System Management

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

2. Corporate Group

The Company's corporate group consists of the Company, 19 consolidated subsidiaries, and 6 affiliates. The Group engages primarily in the production and sale of food products, as well as related logistics and other services.

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

Spice / Seasoning / Prepared Food Business

In addition to manufacturing and selling spices, seasonings, prepared foods, and commercial products in the domestic market, the Company outsources the production of certain products to a subsidiary, Sun House Foods Corporation, after which the products are supplied to and sold by the Company. The Company purchases certain food materials from a subsidiary, Sun Supply Corporation, and then outsources part of the production and packing process to another subsidiary, House Ai-Factory Corporation. Asaoka Spice K.K., a subsidiary, sells spices.

Health Food Business

The Company produces, sells, and engages in direct marketing of health foods in the domestic market. House Wellness Foods Corporation, a subsidiary, produces and sells products including health beverages and health foods.

International Business

In the United States, a subsidiary called House Foods America Corporation manufactures and sells tofu and other products, operates restaurants, and imports and sells products of the Company. Another subsidiary, House Foods Holding USA Inc. exercises overall supervision over the businesses of the House Foods Group in the United States.

In China, a subsidiary called Shanghai House Foods Co., Ltd. produces and sells spices and condiments, and also sells certain products to subsidiary House Foods (Shanghai) Corporation, which purchases and sells Group products. Another subsidiary, Shanghai House Curry Coco Ichibanya Restaurant, Inc. operates restaurants.

In Taiwan, a subsidiary, Taiwan Curry House Restaurant, Inc. operates restaurants. Korea Curry House Co., Ltd., also a subsidiary, operates restaurants in South Korea.

In Thailand, the Group has established a subsidiary called House Osotspa Foods Co., Ltd. to manufacture and sell processed foods and beverages.

In Vietnam, the Group has established a subsidiary called House Foods Vietnam Co., Ltd. to manufacture and sell processed foods.

Transport and Other Businesses

Subsidiaries House Logistics Service Corporation and High Net Corporation are responsible for domestic transportation and storage-related services for the Group's products and other items.

Delica Chef Corporation, a subsidiary, produces and sells prepared foods, baked bread, and dessert for convenience stores.

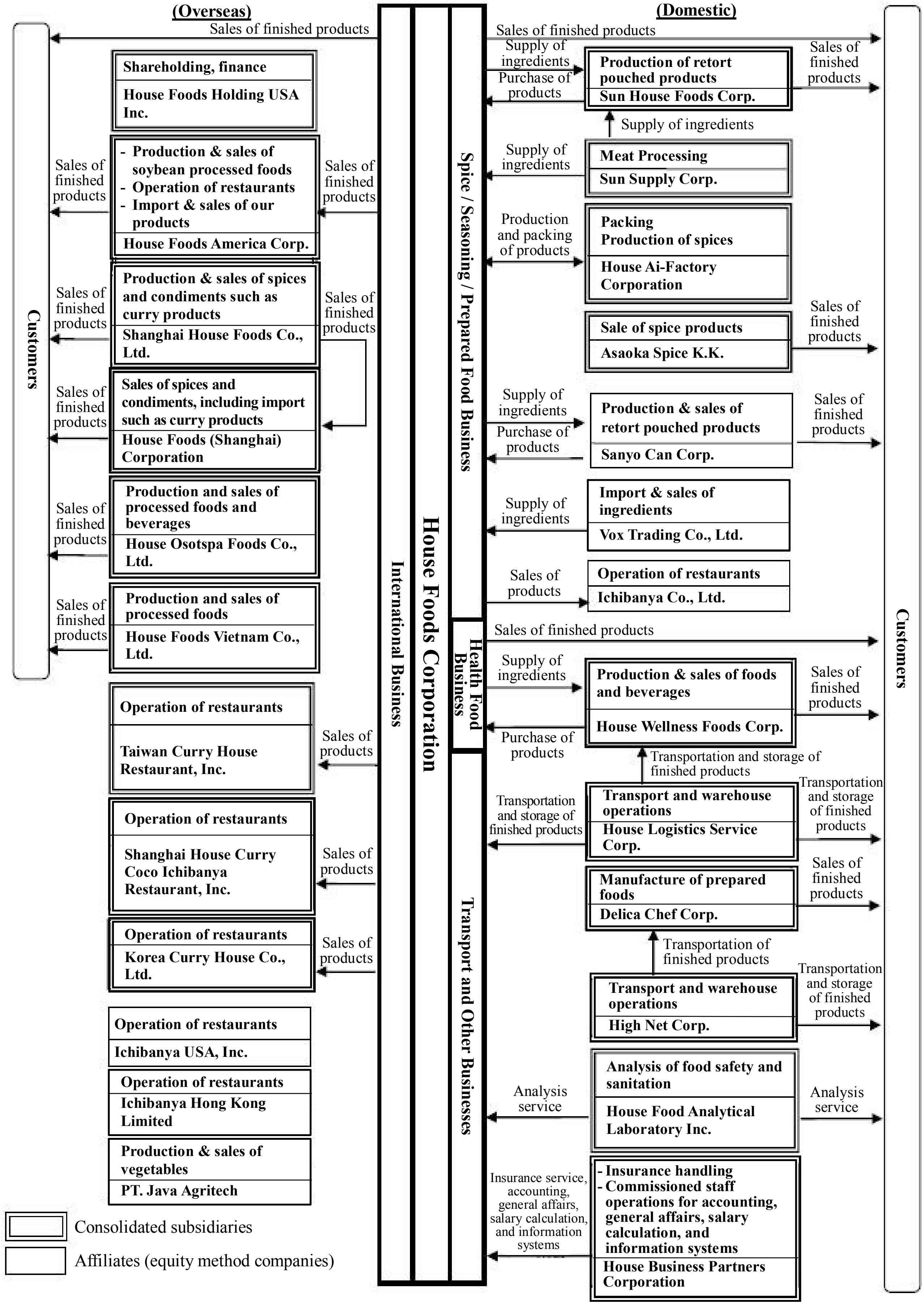
A subsidiary, House Food Analytical Laboratory Inc. conducts analysis on food safety and sanitation, while another subsidiary, House Business Partners Corporation handles insurance and is commissioned by the Company to handle staff operations for accounting, general affairs, salary calculation, and information systems, among other tasks.

Other Businesses

In the domestic market, an affiliate, Ichibanya Co., Ltd., operates restaurants. Another affiliate, Sanyo Can Corporation, is commissioned to produce products of the Company and produces and sells canned food and other items. Yet another affiliate, Vox Trading Co., Ltd., imports and sells foodstuffs.

Affiliates, Ichibanya USA, Inc. and Ichibanya Hong Kong Limited, operates restaurants in the United States and China, respectively. In Indonesia, an affiliate, PT. Java Agritech, produces and sells vegetables.

Flow Chart of Business Activities



3. Management Policy

(1) Basic Corporate Management Policy

The House Foods Group's corporate philosophy consists of "Bringing greater joy to families through our foods" by contributing to healthy dietary lifestyles by continuously offering products and services whose value is recognized by customers. To achieve this goal, we employ "Customer Oriented Management" to upgrade product development capabilities and marketing ability so that we can deliver tastier, more convenient, and healthier products and services that are driven by global customer demand.

More specifically, we strive to provide products that offer both taste and health, to develop products to create a new style of eating, to launch campaign activities and advertising development that promote consumer recognition of our products and stimulate demand for the Group's products, to strengthen our quality assurance system so that customers can feel safe and trust our products, and to address environmental and other issues as part of our corporate social responsibility.

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

(2) Medium- to Long-Term Management Strategies

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

The Group introduced its new three-year Fourth Medium-term Business Plan in April this year. Under this latest plan, the Group aims to effectively utilize capital to achieve strong profit growth and to expand the size of its operations by further accelerating the expansion of International Business.

The guiding principles of the Fourth Medium-term Business Plan are as follows.

(i) 'Business strategies

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

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

(ii) Reforming organizational structure

The Group plans to establish the optimal organizational structure for exercising rigorous management with clear delegation of authority and demarcation of responsibility to ensure future growth and enable a swift response to changes in the environment. The Group intends to adopt a structure for the Spice/Seasoning/Prepared Food Business and the Health Food Business which will allow each to demonstrate its individual strengths. The Group also aims to further improve the structure for International Business, dividing its overseas operations into three regions (United States, China and Southeast Asia) and establishing centers which will serve as the headquarters for each region.

(iii) Cost Competitiveness

The Group plans to focus on strengthening its development capabilities which are essential for continued survival and also aims to optimize its production and distribution organization from a group perspective to improve its cost competitiveness and quality assurance capability.

(3) Issues Facing the Group

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

(i) Quality Assurance System

To constantly provide secure and safe products as a food manufacturer, we review our standards and policies on quality as needed and hold product quality assurance meetings 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 customer-led quality improvement activities to further strengthen our manufacturing capabilities.

(ii) Corporate Social Responsibility

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

In our environmental activities, we have adopted the ISO14001 environmental management system to constantly undertaking activities designed to protect the environment, based on a declaration of environmental responsibility and environmental policies. We have also completed certification throughout the Group. In doing so, we aim to encourage all sections of the Group to share a commitment to activities that are compatible with the environment. In addition, we seek to contribute to our community, for instance through our work in dietary education, which helps promote healthy eating. We aim to step up our activities to interact with and benefit our community.

(iii) Corporate Governance

The Company believes that a system of internal controls is a mechanism for strengthening its corporate governance system, embodying its corporate philosophy and achieving its management goals. We plan to step up construction and operation of governance systems for risk management, compliance, and other areas from a Group management perspective, to improve our corporate value and achieve sustainable development.

In terms of corporate bodies, five corporate auditors, including three outside auditors, inspect the directors' performance of their duties. With the introduction of an executive officer system, the Company makes clear the separation of its management strategy function and business performance function and aims to speed up decision making associated with the transfer of authority and operate its organization vigorously. The Company appointed an outside director to bolster its function of supervising the executive body. We plan to make ongoing improvements to our system of internal controls so that it functions effectively for the entire Group.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

	Previous fiscal year (As of March 31, 2011)	Fiscal year under review (As of March 31, 2012)
Assets		
Current assets		
Cash and deposits	19,066	23,475
Notes and accounts receivable–trade	37,967	38,585
Short-term investment securities	28,905	33,717
Merchandise and finished goods	5,635	6,229
Work in process	950	875
Raw materials and supplies	2,692	2,737
Deferred tax assets	2,889	2,946
Other	1,544	1,605
Allowance for doubtful accounts	(4)	(4)
Total current assets	99,644	110,165
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	17,560	16,886
Machinery, equipment and vehicles, net	6,732	6,987
Land	24,102	24,072
Lease assets, net	4,623	4,545
Construction in progress	122	254
Other, net	721	810
Total property, plant and equipment	53,860	53,553
Intangible assets		
Goodwill	2,067	703
Software	2,276	1,501
Software in progress	8	58
Other	211	205
Total intangible assets	4,562	2,467
Investments and other assets		
Investment securities	60,225	65,327
Long-term loans receivable	259	247
Deferred tax assets	358	170
Long-term time deposits	3,118	3,124
Prepaid pension cost	4,535	2,740
Other	2,494	2,546
Allowance for doubtful accounts	(245)	(247)
Total investments and other assets	70,745	73,908
Total noncurrent assets	129,166	129,927
Total assets	228,810	240,092

(Million yen)

	Previous fiscal year (As of March 31, 2011)	Fiscal year under review (As of March 31, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	17,828	19,602
Short-term loans payable	577	590
Lease obligations	362	394
Accounts payable–other	12,147	13,247
Income taxes payable	2,285	3,189
Provision for directors' bonuses	80	73
Other	4,476	4,013
Total current liabilities	37,755	41,108
Noncurrent liabilities		
Lease obligations	4,262	4,151
Long-term accounts payable–other	652	655
Deferred tax liabilities	2,432	2,663
Provision for retirement benefits	1,716	1,557
Asset retirement obligations	281	284
Other	416	432
Total noncurrent liabilities	9,757	9,742
Total liabilities	47,512	50,850
Net assets		
Shareholders' equity		
Capital stock	9,948	9,948
Capital surplus	23,868	23,868
Retained earnings	146,026	151,392
Treasury stock	(2)	(4)
Total shareholders' equity	179,841	185,205
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	2,836	5,531
Foreign currency translation adjustment	(1,756)	(1,950)
Total other accumulated comprehensive income	1,080	3,580
Minority interests	377	456
Total net assets	181,298	189,242
Total liabilities and net assets	228,810	240,092

(2) Consolidated Statements of Income and Comprehensive Income

(Million yen)

	Previous fiscal year (April 1, 2010 – March 31, 2011)	Fiscal year under review (April 1, 2011 – March 31, 2012)
Net sales	216,713	214,317
Cost of sales	116,324	115,974
Gross profit	100,388	98,342
Selling, general and administrative expenses		
Advertising expenses	11,369	11,055
Transportation and warehousing expenses	6,149	6,172
Sales commission	4,531	4,280
Promotion expenses	30,021	29,523
Salaries, allowances and bonuses	12,453	12,534
Provision for directors' bonuses	90	78
Depreciation	1,273	1,142
Amortization of goodwill	4,121	1,361
Rent expenses	1,366	1,374
Experiment and research expenses	3,733	3,805
Other	13,213	12,966
Total selling, general and administrative expenses	88,319	84,289
Operating income	12,069	14,053
Non-operating income		
Interest income	402	441
Dividends income	494	518
Equity in earnings of affiliates	350	399
Other	247	238
Total non-operating income	1,493	1,596
Non-operating expenses		
Interest expenses	35	40
Foreign exchange losses	400	42
Other	97	65
Total non-operating expenses	531	147
Ordinary income	13,031	15,502

(Million yen)

	Previous fiscal year (April 1, 2010 – March 31, 2011)	Fiscal year under review (April 1, 2011 – March 31, 2012)
Extraordinary income		
Gain on sales of noncurrent assets	30	295
Gain on sales of investment securities	7	1
Gain on change in equity	51	–
Reversal of provision for loss on guarantees	92	–
Other	11	8
Total extraordinary income	191	304
Extraordinary loss		
Loss on sales of noncurrent assets	48	21
Loss on retirement of noncurrent assets	284	327
Loss on valuation of investment securities	1,541	26
Loss on valuation of membership	11	31
Impairment loss	982	445
Loss on adjustment for changes of accounting standard for asset retirement obligations	177	–
Loss on disaster	516	186
Cost of early retirement support	–	1,534
Other	82	350
Total extraordinary loss	3,641	2,920
Income before income taxes	9,581	12,886
Income taxes-current	4,730	5,582
Income taxes-deferred	(305)	(613)
Total income taxes	4,425	4,969
Income before minority interests	5,156	7,917
Minority interests in income (loss)	(96)	(11)
Net income	5,252	7,928
Minority interests in income (loss)	(96)	(11)
Income before minority interests	5,156	7,917
Other comprehensive income		
Valuation difference on available-for-sale securities	268	2,684
Foreign currency translation adjustment	(495)	(180)
Share of other comprehensive income of associates accounted for using equity method	(11)	(15)
Total other comprehensive income	(238)	2,489
Comprehensive income	4,918	10,405
(Breakdown)		
Comprehensive income attributable to owners of the parent	5,042	10,428
Comprehensive income attributable to minority interests	(124)	(23)

(3) Consolidated Statements of Changes in Net Assets

(Million yen)

	Previous fiscal year (April 1, 2010 – March 31, 2011)	Fiscal year under review (April 1, 2011 – March 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of the period	9,948	9,948
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the period	9,948	9,948
Capital surplus		
Balance at the beginning of the period	23,868	23,868
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the period	23,868	23,868
Retained earnings		
Balance at the beginning of the period	148,494	146,026
Changes of items during the period		
Dividends from surplus	(2,415)	(2,562)
Net income	5,252	7,928
Retirement of treasury stock	(5,305)	–
Total changes of items during the period	(2,468)	5,366
Balance at the end of the period	146,026	151,392
Treasury stock		
Balance at the beginning of the period	(1,326)	(2)
Changes of items during the period		
Purchase of treasury stock	(3,981)	(2)
Retirement of treasury stock	5,305	–
Total changes of items during the period	1,324	(2)
Balance at the end of the period	(2)	(4)
Total shareholders' equity		
Balance at the beginning of the period	180,985	179,841
Changes of items during the period		
Dividends from surplus	(2,415)	(2,562)
Net income	5,252	7,928
Purchase of treasury stock	(3,981)	(2)
Retirement of treasury stock	–	–
Total changes of items during the period	(1,144)	5,364
Balance at the end of the period	179,841	185,205

(Million yen)

	Previous fiscal year (April 1, 2010 – March 31, 2011)	Fiscal year under review (April 1, 2011 – March 31, 2012)
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of the period	2,582	2,836
Changes of items during the period		
Net changes of items other than shareholders' equity	254	2,695
Total changes of items during the period	254	2,695
Balance at the end of the period	2,836	5,531
Foreign currency translation adjustment		
Balance at the beginning of the period	(1,292)	(1,756)
Changes of items during the period		
Net changes of items other than shareholders' equity	(464)	(195)
Total changes of items during the period	(464)	(195)
Balance at the end of the period	(1,756)	(1,950)
Total other accumulated comprehensive income		
Balance at the beginning of the period	1,290	1,080
Changes of items during the period		
Net changes of items other than shareholders' equity	(210)	2,500
Total changes of items during the period	(210)	2,500
Balance at the end of the period	1,080	3,580
Minority interests		
Balance at the beginning of the period	353	377
Changes of items during the period		
Net changes of items other than shareholders' equity	24	80
Total changes of items during the period	24	80
Balance at the end of the period	377	456
Total net assets		
Balance at the beginning of the period	182,628	181,298
Changes of items during the period		
Dividends from surplus	(2,415)	(2,562)
Net income	5,252	7,928
Purchase of treasury stock	(3,981)	(2)
Retirement of treasury stock	–	–
Net changes of items other than shareholders' equity	(186)	2,580
Total changes of items during the period	(1,330)	7,943
Balance at the end of the period	181,298	189,242

(4) Consolidated Statements of Cash Flows

(Million yen)

	Previous fiscal year (April 1, 2010 – March 31, 2011)	Fiscal year under review (April 1, 2011 – March 31, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes	9,581	12,886
Depreciation and amortization	5,704	5,356
Amortization of goodwill	4,121	1,361
Impairment loss	982	445
Equity in (earnings) losses of affiliates	(350)	(399)
Loss (gain) on valuation of investment securities	1,541	26
Loss on valuation of membership	11	31
Increase (decrease) in allowance for doubtful accounts	3	3
Increase (decrease) in provision for directors' bonuses	2	(7)
Increase (decrease) in provision for directors' retirement benefits	(26)	–
Increase (decrease) in provision for retirement benefits	(312)	(158)
Interest and dividends income	(896)	(959)
Interest expenses	35	40
Foreign exchange losses (gains)	153	29
Loss (gain) on sales of investment securities	(7)	(1)
Loss (gain) on sales of noncurrent assets	18	(273)
Loss on retirement of noncurrent assets	284	327
Decrease (increase) in notes and accounts receivable-trade	(2)	(645)
Decrease (increase) in inventories	1,072	(576)
Increase (decrease) in notes and accounts payable-trade	(387)	884
Increase (decrease) in accounts payable-bonuses	69	(25)
Decrease (increase) in other assets	1,115	1,606
Increase (decrease) in other liabilities	(64)	859
Subtotal	22,647	20,809
Interest and dividends income received	973	1,127
Interest expenses paid	(36)	(38)
Income taxes paid	(5,017)	(4,800)
Net cash provided by (used in) operating activities	18,568	17,098

(Million yen)

	Previous fiscal year (April 1, 2010 – March 31, 2011)	Fiscal year under review (April 1, 2011 – March 31, 2012)
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	1,112	2,550
Payments into time deposits	(1,964)	(12,469)
Proceeds from sales of short-term investment securities	4,600	1,500
Purchase of property, plant and equipment	(2,747)	(3,678)
Proceeds from sales of property, plant and equipment	53	320
Purchase of intangible assets	(467)	(288)
Purchase of investment securities	(16,987)	(9,507)
Proceeds from sales of investment securities	1,008	2,503
Purchase of investments in capital of subsidiaries	(60)	–
Purchase of stocks of subsidiaries and affiliates	(75)	–
Proceeds from transfer of business	5,300	–
Net cash provided by (used in) investing activities	(10,228)	(19,069)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	1,541	1,571
Decrease in short-term loans payable	(1,506)	(1,557)
Repayments of lease obligations	(366)	(386)
Purchase of treasury stock	(3,981)	(2)
Cash dividends paid	(2,411)	(2,567)
Proceeds from stock issuance to minority shareholders	257	106
Cash dividends paid to minority shareholders	(0)	(0)
Net cash provided by (used in) financing activities	(6,466)	(2,836)
Effect of exchange rate change on cash and cash equivalents	(353)	(94)
Net increase (decrease) in cash and cash equivalents	1,521	(4,901)
Cash and cash equivalents at beginning of period	44,570	46,091
Cash and cash equivalents at end of period	46,091	41,190

(5) Notes Relating to Assumptions for the Going Concern

Not applicable.

(6) Basic Important Matters for the Preparation of Consolidated Financial Statements

1. Scope of Consolidation

The following 19 companies are consolidated subsidiaries:

Delica Chef Corporation, Sun House Foods Corporation, House Wellness Foods Corporation, House Logistics Service Corporation, House Food Analytical Laboratory Inc., Sun Supply Corporation, House Ai-Factory Corporation, High Net Corporation, Asaoka Spice K.K., House Business Partners Corporation, House Foods Holding USA Inc., House Foods America Corporation, Shanghai House Foods Co., Ltd., Taiwan Curry House Restaurant, Inc., Shanghai House Curry Coco Ichibanya Restaurant, Inc., Korea Curry House Co., Ltd., House Foods (Shanghai) Corporation, House Osotspa Foods Co., Ltd. and House Foods Vietnam Co., Ltd.

House Foods (Shanghai) Corporation, House Osotspa Foods Co., Ltd. and House Foods Vietnam Co., Ltd., which were established during the consolidated fiscal year under review, were newly included as consolidated subsidiaries.

2. Matters Concerning Application of Equity Method

The following six affiliates are subject to equity method accounting:

Sanyo Can Corporation, Ichibanya Co., Ltd., Vox Trading Co., Ltd, PT. Java Agritech, Ichibanya USA, Inc., Ichibanya Hong Kong Limited

3. Account Settlement Dates for Consolidated Subsidiaries

Among consolidated subsidiaries, the book-closing date for House Foods Holding USA Inc., House Foods America Corporation, Shanghai House Foods Co., Ltd., Taiwan Curry House Restaurant, Inc., Shanghai House Curry Coco Ichibanya Restaurant, Inc., Korea Curry House Co., Ltd., House Foods (Shanghai) Corporation is the last day of December. The book-closing date for other subsidiaries is the same as the consolidated book-closing date.

4. Matters Concerning Accounting Standards

(i) Valuation standard and method for significant assets

a. Securities

- Bonds held to maturity: Amortized cost method
- Other marketable securities

Securities with fair market value: Market value method based on the quoted market value as of the fiscal year-end
(Valuation differences are directly charged or credited to shareholders' equity, and the cost of securities sold is calculated using the moving-average method.)

Securities without fair market value: Cost accounting method using the gross average method

b. Inventories: Primarily cost accounting method using the gross average method (The values in the consolidated balance sheet were calculated using the book-value write-down method based on the decline in profitability.).

(ii) Depreciation method for significant depreciable assets

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

At the Company, buildings (excluding building attachments) are depreciated using the straight-line method, and property, plant and equipment other than buildings are depreciated using the declining balance method. For domestic consolidated subsidiaries, the declining balance method is applied (buildings acquired on or after April 1, 1998 are depreciated using the straight-line method), and at overseas consolidated companies, the straight-line method is used. The service lives for these major categories are as follows:

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

b. Intangible assets: Straight-line method

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

c. Lease assets:

Depreciation for lease assets concerning finance lease transactions that do not involve a transfer of ownership is computed using the straight-line method over the lease terms as service life, assuming no residual value.

Finance lease transactions that do not involve a transfer of ownership and that started on or before March 31, 2008 are accounted for in a manner similar to accounting for ordinary lease transactions.

(iii) Accounting standards for significant allowances

a. Allowance for doubtful accounts

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

b. Reserve for bonuses for directors and corporate auditors

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

c. Reserve for retirement benefits

To prepare for the payment of employee retirement benefits, the Company and its domestic consolidated subsidiaries provide accrued retirement benefits based on projected benefits obligations and the fair value of pension assets at the consolidated fiscal year-end under review.

Additionally, the pension assets of the Company exceeded retirement allowance liabilities at the end of the consolidated fiscal year under review, and this excess amount is recorded as the prepaid pension cost in investment and other assets.

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

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

(iv) Significant methods of hedge accounting

a. Method of hedge accounting

By deferred hedge accounting.

Appropriation processing is adopted for forward exchange contracts that meet the requirements for that method.

b. Hedging instruments and hedged items

Hedging instruments...Forward exchange contracts

Hedged items...Foreign currency time deposits

c. Hedging policy

It is the policy of the Company to enter into derivative transactions for the purpose of hedging the exchange rate risk of transactions denominated in a foreign currency and not to use any derivative transactions for non-hedging purposes, in accordance with internal regulations concerning derivative transactions.

d. Method of evaluating the effectiveness of hedging

The effectiveness of hedging is evaluating by confirming that the hedging instrument and hedged item are denominated in the same currency and have a similar value and maturity, and by confirming that the hedging instrument is applied in full to settlement of the hedged item.

(Additional information)

Starting the consolidated fiscal year under review, the Company uses forward exchange contracts for the purpose of hedging exchange rate risk and applies hedge accounting.

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

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

(vi) Method and period of goodwill amortization

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

(vii) Scope of funds in consolidated cash flow statements

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

(viii) Accounting method for consumption taxes

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

(7) Notes to Consolidated Financial Statements

(Notes to Consolidated Balance Sheet)

1. Assets supplied to collateral and corresponding debts

A pledge is created on certificates of deposit of 24 million yen to guarantee the monetary debt of trading partners.

2. Accumulated depreciation of property, plant and equipment

Previous consolidated fiscal year	107,852 million yen
Consolidated fiscal year under review	108,849 million yen

3. Contingent liabilities

Guarantee obligation to the housing loans of the Company employees

Previous consolidated fiscal year	11 million yen
Consolidated fiscal year under review	8 million yen

Guarantee obligation to the monetary debt of trading partners

Previous consolidated fiscal year	5 million yen
Consolidated fiscal year under review	19 million yen

(Notes to Consolidated Statements of Income and Comprehensive Income)

1. Impairment loss

The House Foods Group recognized impairment loss (445 million yen) for the following group of assets in the consolidated fiscal year under review.

Location	Use	Category	Impairment loss (million yen)
House Foods Corporation Osaka Head Office	Head Office Building	Buildings, others	399
House Foods Corporation Fukuoka Branch	Branch Building	Buildings, others	46

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

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

(Notes to Consolidated Statements of Changes in Net Assets)

Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)

1. Matters relating to outstanding shares (Thousand shares)

Types of shares	At beginning of consolidated fiscal year under review	Increase	Decrease	At end of consolidated fiscal year under review
Common stock	110,879	–	4,113	106,765

(Reason for the change)

Breakdown of Increase/Decrease is as follows.

Decrease due to retirement of treasury stock: 4,113 thousand shares

2. Matters relating to treasury stock (Thousand shares)

Types of shares	At beginning of consolidated fiscal year under review	Increase	Decrease	At end of consolidated fiscal year under review
Common stock	1,112	3,002	4,113	1

(Reason for the change)

Breakdown of Increase/Decrease is as follows.

Increase due to purchase of treasury stock: 3,000 thousand shares

Increase due to purchases of fractional shares: 2 thousand shares

Decrease due to retirement of treasury stock: 4,113 thousand shares

3. Matters relating to equity warrants, etc.

Not applicable.

4. Matters relating to dividends

(i) Dividends paid

Resolution	Type of shares	Total dividends paid (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting, June 25, 2010	Common stock	1,207	11	March 31, 2010	June 28, 2010
Meeting of the Board , October 29, 2010	Common stock	1,207	11	September 30, 2010	December 6, 2010

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

Resolution	Type of shares	Source of dividends	Total dividends paid (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting, June 28, 2011	Common stock	Retained earnings	1,174	11	March 31, 2011	June 29, 2011

Consolidated fiscal year under review (April 1, 2011 – March 31, 2012)

1. Matters relating to outstanding shares (Thousand shares)

Types of shares	At beginning of consolidated fiscal year under review	Increase	Decrease	At end of consolidated fiscal year under review
Common stock	106,765	–	–	106,765

2. Matters relating to treasury stock (Thousand shares)

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

(Reason for the change)

Breakdown of Increase/Decrease is as follows.

Increase due to purchases of fractional shares: 2 thousand shares

3. Matters relating to equity warrants, etc.

Not applicable.

4. Matters relating to dividends

(i) Dividends paid

Resolution	Type of shares	Total dividends paid (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting, June 28, 2011	Common stock	1,174	11	March 31, 2011	June 29, 2011
Meeting of the Board , October 28, 2011	Common stock	1,388	13	September 30, 2011	December 5, 2011

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

Resolution	Type of shares	Source of dividends	Total dividends paid (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting, June 27, 2012	Common stock	Retained earnings	1,601	15	March 31, 2012	June 28, 2012

(Notes to Consolidated Statements of Cash Flows)

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

	(Million yen)
Cash and deposits	23,475
Short-term investment securities	33,717
Total	57,192
Time deposit account with maturity over three months	(10,285)
Securities other than negotiable certificates of deposit and the like	(5,717)
Cash and cash equivalents	41,190

(Lease Transactions)

Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)

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

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

(Million yen)

	Equivalent to acquisition costs	Equivalent to accumulated depreciation	Equivalent to ending net book value
Buildings	517	239	279
Machinery, equipment and vehicles	510	368	142
Other (tools, furniture and fixtures)	205	167	38
Total	1,232	774	458

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

(Million yen)

Due within one year	132
Due after one year	326
Total	458

(iii) Lease payment and equivalent to accumulated depreciation

(Million yen)

Lease payment	196
Equivalent to accumulated depreciation	196

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

(v) Since the percentage of the amount of items in the above notes in the ending balance of property, plant and equipment is low, the inclusive-of-interest method is used for accounting.

2. Finance lease transactions

Finance lease transactions without a transfer of ownership

(i) Details of lease assets

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

(ii) Depreciation method for lease assets

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

3. Operating lease transactions

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

(Million yen)

Due within one year	132
Due after one year	898
Total	1,030

Consolidated fiscal year under review (April 1, 2011 – March 31, 2012)

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

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

(Million yen)

	Equivalent to acquisition costs	Equivalent to accumulated depreciation	Equivalent to ending net book value
Buildings	517	268	249
Machinery, equipment and vehicles	353	285	68
Other (tools, furniture and fixtures)	41	34	8
Total	912	587	325

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

(Million yen)

Due within one year	82
Due after one year	243
Total	325

(iii) Lease payment and equivalent to accumulated depreciation

(Million yen)

Lease payment	133
Equivalent to accumulated depreciation	133

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

(v) Since the percentage of the amount of items in the above notes in the ending balance of property, plant and equipment is low, the inclusive-of-interest method is used for accounting.

2. Finance lease transactions

Finance lease transactions without a transfer of ownership

(i) Details of lease assets

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

(ii) Depreciation method for lease assets

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

3. Operating lease transactions

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

(Million yen)

Due within one year	140
Due after one year	809
Total	950

(Matters Relating to Securities)

Previous consolidated fiscal year (as of March 31, 2011)

1. Bonds to be held to maturity

(Million yen)

Type		Consolidated balance sheet value	Market value	Difference
Securities with market value exceeding consolidated balance sheet value	(1) Government and municipal bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Others	4,057	4,097	39
	Subtotal	4,057	4,097	39
Securities with market value not exceeding consolidated balance sheet value	(1) Government and municipal bonds, etc.	–	–	–
	(2) Corporate bonds	2,000	1,960	(40)
	(3) Others	14,979	14,742	(237)
	Subtotal	16,979	16,702	(277)
Total		21,036	20,799	(238)

2. Other marketable securities

(Million yen)

Type		Consolidated balance sheet value	Acquisition cost	Difference
Securities with market value exceeding consolidated balance sheet value	(1) Stocks	19,921	13,951	5,970
	(2) Bonds	4,557	4,512	45
	Government and municipal bonds, etc.	1,008	1,000	8
	Corporate bonds	2,522	2,510	11
	Others	1,028	1,002	26
	(3) Others	–	–	–
	Subtotal	24,478	18,463	6,016
Securities with market value not exceeding consolidated balance sheet value	(1) Stocks	5,682	6,694	(1,012)
	(2) Bonds	5,554	5,624	(71)
	Government and municipal bonds, etc.	–	–	–
	Corporate bonds	4,567	4,624	(57)
	Others	986	1,000	(14)
	(3) Others	–	–	–
	Subtotal	11,236	12,318	(1,082)
Total		35,715	30,781	4,933

(Note) Unlisted shares (consolidated balance sheet value: 675 million yen) do not have any market value, and it is very difficult to estimate their fair value. They are therefore not included in the “other marketable securities” above.

Since negotiable certificates of deposit (consolidated balance sheet value: 27,400 million yen) are cashed in short periods, the fair market value is almost the same as the book value. Their fair value is consequently deemed equal to the book value, and they are not included in “other marketable securities” above.

3. Matters concerning other marketable securities sold during the fiscal year under review

(Million yen)

Classification	Value of proceeds from sale	Total gain from sale	Total loss from sale
Shares	8	7	–

4. Marketable securities impaired

In the previous consolidated fiscal year, the Company recognized impairment charges of 1,541 million yen on stocks with market value included in Other marketable securities.

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

Consolidated fiscal year under review (as of March 31, 2012)

1. Bonds to be held to maturity

(Million yen)

Type		Consolidated balance sheet value	Market value	Difference
Securities with market value exceeding consolidated balance sheet value	(1) Government and municipal bonds, etc.	–	–	–
	(2) Corporate bonds	2,000	2,003	3
	(3) Others	5,365	5,444	79
	Subtotal	7,365	7,447	83
Securities with market value not exceeding consolidated balance sheet value	(1) Government and municipal bonds, etc.	–	–	–
	(2) Corporate bonds	2,000	1,949	(51)
	(3) Others	14,177	13,821	(356)
	Subtotal	16,177	15,770	(406)
Total		23,542	23,218	(324)

2. Other marketable securities

(Million yen)

Type		Consolidated balance sheet value	Acquisition cost	Difference
Securities with market value exceeding consolidated balance sheet value	(1) Stocks	24,538	15,109	9,429
	(2) Bonds	5,191	5,145	46
	Government and municipal bonds, etc.	1,006	1,000	6
	Corporate bonds	3,161	3,143	18
	Others	1,024	1,001	23
	(3) Others	–	–	–
	Subtotal	29,729	20,254	9,475
Securities with market value not exceeding consolidated balance sheet value	(1) Stocks	4,751	5,550	(798)
	(2) Bonds	7,832	7,919	(88)
	Government and municipal bonds, etc.	–	–	–
	Corporate bonds	6,853	6,919	(67)
	Others	979	1,000	(21)
	(3) Others	–	–	–
	Subtotal	12,583	13,469	(886)
Total		42,312	33,723	8,589

(Note) Unlisted shares (consolidated balance sheet value: 676 million yen) do not have any market value, and it is very difficult to estimate their fair value. They are therefore not included in the “other marketable securities” above.

Since negotiable certificates of deposit (consolidated balance sheet value: 28,000 million yen) are cashed in short periods, the fair market value is almost the same as the book value. Their fair value is consequently deemed equal to the book value, and they are not included in “other marketable securities” above.

3. Matters concerning other marketable securities sold during the fiscal year under review

(Million yen)

Classification	Value of proceeds from sale	Total gain from sale	Total loss from sale
Shares	3	1	–

4. Marketable securities impaired

In the consolidated fiscal year under review, the Company recognized impairment charges of 26 million yen on Other marketable securities.

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

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

(Pension and Severance Cost)

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

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

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

2. Matters relating to projected benefit obligations

(Million yen)

	Previous consolidated fiscal year	Consolidated fiscal year under review
a. Projected benefit obligations	(48,560)	(49,097)
b. Pension assets	43,304	43,635
c. Unfunded obligations for retirement and severance benefits ((a) + (b))	(5,256)	(5,462)
d. Unrecognized actuarial gain or loss	8,221	6,645
e. Unrecognized prior service cost	(146)	–
f. Net accrued retirement benefits reflected in consolidated balance sheets ((c) + (d) + (e))	2,819	1,183
g. Prepaid pension cost	4,535	2,740
h. Allowance for retirement benefits ((f) - (g))	(1,716)	(1,557)

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

3. Matters relating to retirement benefit costs

(Million yen)

	Previous consolidated fiscal year	Consolidated fiscal year under review
a. Service cost	1,655	1,757
b. Interest cost	1,039	948
c. Expected return on pension assets	(823)	(832)
d. Recognized actuarial gain or loss	1,489	1,726
e. Amortization of prior service cost	(165)	(146)
f. Net retirement benefit costs ((a) + (b) + (c) + (d) + (e))	3,195	3,453

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

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

	Previous consolidated fiscal year	Consolidated fiscal year under review
a. Periodic allocation method for projected benefits	Periodic straight-line base	Same as the left
b. Discount rates	Primarily 2.0%	Same as the left
c. Expected return on assets	Primarily 2.0%	Same as the left
d. Years over which prior service cost is amortized	Primarily 1 year	Same as the left
e. Years over which actuarial gain or loss is amortized	Primarily 10 years	Same as the left

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

(Tax Effect Accounting)

1. Breakdown of principal causes of deferred tax assets and deferred tax liabilities

(Million yen)

	Previous consolidated fiscal year	Consolidated fiscal year under review
Deferred tax assets		
Loss carried forward	5,571	4,464
Undefined amount of sales commission	1,186	1,111
Impairment loss on noncurrent assets	1,201	1,107
Accrued bonuses	791	722
Provision for retirement benefits	725	580
Enterprise tax payable	205	277
Loss on valuation of investment securities	327	240
Long-term accounts payable-other	253	238
Loss on valuation of inventories	170	98
Others	808	679
Subtotal	11,237	9,517
Valuation allowance	(6,398)	(4,947)
Total deferred tax assets	4,839	4,570
Deferred tax liabilities		
Provision for retirement benefits	(1,845)	(977)
Valuation difference on available-for-sale securities	(2,075)	(3,040)
Others	(103)	(100)
Total deferred tax liabilities	(4,023)	(4,117)
Net total deferred tax assets (liabilities)	816	453

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

(Million yen)

		Previous consolidated fiscal year	Consolidated fiscal year under review
Current assets	- Deferred tax assets	2,889	2,946
Noncurrent assets	- Deferred tax assets	358	170
Current liabilities	- Other	0	0
Noncurrent liabilities	- Deferred tax liabilities	2,432	2,663

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

Statutory effective tax rate	40.69%
(Adjustment)	
Non-deductible items such as entertainment expenses	2.01%
Non-taxable items such as dividends received	(0.81%)
Per capita inhabitant tax, etc.	0.63%
Tax credit for testing and research expenses	(1.84%)
Valuation allowance for deferred tax assets	(6.13%)
Amortization of goodwill	4.30%
Downward adjustment of deferred tax assets at end of year due to tax rate change	1.72%
Consolidation adjustments such as equity in earnings of affiliates	(1.14%)
Others	(0.87%)
Actual effective tax rate	38.56%

3. Adjustment of deferred tax assets and deferred tax liabilities due to change of effective statutory tax rate

Following the introduction on December 2, 2011 of the Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures and the Act on Special Measures for Securing Financial Resources Necessary for Reconstruction following the Great East Japan Earthquake, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities in the consolidated fiscal year under review (only those expected to be settled or realized on or after April 1, 2012) is changed from the previous consolidated fiscal year's rate of 40.69% to 38.01% for temporary differences expected to be resolved during the period from April 1, 2012 to March 31, 2015, and to 35.64% for temporary differences expected to be resolved on or after April 1, 2015.

As a result of these changes, deferred tax assets (net of deferred tax liabilities) increased 211 million yen, and income taxes-deferred and valuation difference on available-for-sale securities recorded in the consolidated fiscal year under review increased 221 million yen and 432 million yen respectively.

(Asset Retirement Obligations)

Consolidated fiscal year under review (as of March 31, 2012)

Asset retirement obligations posted on the consolidated balance sheets

(1) Overview of the asset retirement obligations

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

(2) Basis for calculating the asset retirement obligations

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

(3) Change in the asset retirement obligations in the fiscal year under review

	Change in the amount of asset retirement obligations
Obligations at beginning of fiscal year (Note)	281 million yen
Adjustment with the passing of time	3 million yen
Obligations at end of fiscal year	284 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.

According to the Company's business strategies, those businesses that drive the Group's growth in markets that are likely to expand are positioned as "growth drivers," while those that maintain and increase earnings are regarded as "profitability drivers." A new growth scenario is developed after the roles and functions of each business sector are clearly defined. More specifically, the Health Food Business, Direct Retail (Mail Order) Business, and International Business segments are considered growth drivers, and receive emphasis in investment with the aim of business expansion. Meanwhile, the Spice / Seasoning / Prepared Food Business and Food Service Business segments seek business sophistication and evolution as profitability drivers.

On the basis of these segments, therefore, the Company has decided to make the four units—Spice / Seasoning / Prepared Food Business, Health Food Business, International Business, and Transport and Other Businesses—its reported segments.

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

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

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

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

Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)

(Million yen)

	Reported segments					Other	Total
	Spice / Seasoning / Prepared Food Business	Health Food Business	International Business	Transport and Other Businesses	Total		
Net sales							
Sales – outside customers	128,590	49,605	10,521	27,997	216,713	–	216,713
Sales and transfer – inter-segment	0	–	–	11,750	11,751	–	11,751
Total	128,590	49,605	10,521	39,748	228,463	–	228,463
Segment profit (loss)	11,540	199	350	(16)	12,073	–	12,073
Segment assets	62,656	27,138	8,823	12,583	111,200	–	111,200
Other items							
Depreciation and amortization	3,325	916	518	945	5,704	–	5,704
Amortization of goodwill	–	4,106	9	6	4,121	–	4,121
Increase in property, plant and equipment, and intangible assets	1,505	613	434	402	2,954	–	2,954

Consolidated fiscal year under review (April 1, 2011 – March 31, 2012)

(Million yen)

	Reported segments					Other	Total
	Spice / Seasoning / Prepared Food Business	Health Food Business	International Business	Transport and Other Businesses	Total		
Net sales							
Sales – outside customers	129,247	45,992	11,762	27,315	214,317	–	214,317
Sales and transfer – inter-segment	0	–	–	11,604	11,605	–	11,605
Total	129,247	45,992	11,762	38,920	225,921	–	225,921
Segment profit (loss)	9,933	2,532	651	935	14,051	–	14,051
Segment assets	63,735	24,692	11,273	12,478	112,179	–	112,179
Other items							
Depreciation and amortization	3,212	838	523	782	5,356	–	5,356
Amortization of goodwill	–	1,345	9	6	1,361	–	1,361
Increase in property, plant and equipment, and intangible assets	3,341	615	756	477	5,189	–	5,189

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

(Million yen)

Net sales	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segments total	228,463	225,921
Sales in the "Other" segment	–	–
Elimination of inter-segment transactions	(11,751)	(11,605)
Sales on consolidated financial statements	216,713	214,317

(Million yen)

Profit	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segments total	12,073	14,051
Profit in the "Other" segment	–	–
Elimination of inter-segment transactions	(4)	3
Operating income on consolidated financial statements	12,069	14,053

(Million yen)

Assets	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segments total	111,200	112,179
Assets in the "Other" segment	–	–
Intersegment eliminations	(728)	(591)
Company-wide assets (Note)	118,338	128,504
Total assets on consolidated financial statements	228,810	240,092

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

(Million yen)

Other items	Reportable segments total		Other		Adjustment		Amount recorded in consolidated financial statements	
	Previous consolidated fiscal year	Consolidated fiscal year under review	Previous consolidated fiscal year	Consolidated fiscal year under review	Previous consolidated fiscal year	Consolidated fiscal year under review	Previous consolidated fiscal year	Consolidated fiscal year under review
Depreciation and amortization	5,704	5,356	–	–	–	–	5,704	5,356
Amortization of goodwill	4,121	1,361	–	–	–	–	4,121	1,361
Increase in property, plant and equipment, and intangible assets	2,954	5,189	–	–	–	–	2,954	5,189

[Related information]

Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)

1. Information by Product and Service

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

2. Information by Area

(1) Net sales

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

(2) Property, plant and equipment

Since property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheets, this information is omitted.

3. Information by Major Customer

(Million yen)

Customer	Sales	Related segments
KATOSANGYO Co., Ltd.	31,941	Spice / Seasoning / Prepared Food Business Health Food Business

Consolidated fiscal year under review (April 1, 2011 – March 31, 2012)

1. Information by Product and Service

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

2. Information by Area

(1) Net sales

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

(2) Property, plant and equipment

Since property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheets, this information is omitted.

3. Information by Major Customer

(Million yen)

Customer	Sales	Related segments
KATOSANGYO Co., Ltd.	31,683	Spice / Seasoning / Prepared Food Business Health Food Business
Mitsubishi Shokuhin Co., Ltd.	24,709	Spice / Seasoning / Prepared Food Business Health Food Business

[Information on impairment loss in noncurrent assets by reported segment]

Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)

(Million yen)

	Reported segments					Other	Eliminations and corporate	Total
	Spice / Seasoning / Prepared Food Business	Health Food Business	International Business	Transport and Other Businesses	Total			
Impairment loss	827	154	0	0	982	–	–	982

Consolidated fiscal year under review (April 1, 2011 – March 31, 2012)

(Million yen)

	Reported segments					Other	Eliminations and corporate	Total
	Spice / Seasoning / Prepared Food Business	Health Food Business	International Business	Transport and Other Businesses	Total			
Impairment loss	379	58	8	0	445	–	–	445

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

Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)

(Million yen)

	Reported segments					Other	Eliminations and corporate	Total
	Spice / Seasoning / Prepared Food Business	Health Food Business	International Business	Transport and Other Businesses	Total			
Amortization in fiscal year under review	–	4,106	9	6	4,121	–	–	4,121
Balance at end of fiscal year under review	–	2,018	34	15	2,067	–	–	2,067

Consolidated fiscal year under review (April 1, 2011 – March 31, 2012)

(Million yen)

	Reported segments					Other	Eliminations and corporate	Total
	Spice / Seasoning / Prepared Food Business	Health Food Business	International Business	Transport and Other Businesses	Total			
Amortization in fiscal year under review	–	1,345	9	6	1,361	–	–	1,361
Balance at end of fiscal year under review	–	673	21	9	703	–	–	703

[Information on gain on negative goodwill by reported segment]

Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)

Not applicable.

Consolidated fiscal year under review (April 1, 2011 – March 31, 2012)

Not applicable.

(Per Share Information)

(Yen)

	Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)	Consolidated fiscal year under review (April 1, 2011 – March 31, 2012)
Net assets per share	1,694.59	1,768.27
Net income per share	48.40	74.26

(Note) The basis for calculating net income per share is as follows. Since no residual securities exist, per-share net income after residual securities adjustments is omitted.

	Previous consolidated fiscal year (April 1, 2010 – March 31, 2011)	Consolidated fiscal year under review (April 1, 2011 – March 31, 2012)
	Million yen	Million yen
Net income	5,252	7,928
Amount not allocable to common shareholders	–	–
Net income available for common stock	5,252	7,928
	Thousand shares	Thousand shares
Weighted average number of shares of common stock outstanding during each period	108,516	106,763

(Important Subsequent Events)

Not applicable.

5. Non-Consolidated Financial Statements
(1) Non-Consolidated Balance Sheets

(Million yen)

	Previous fiscal year (As of March 31, 2011)	Fiscal year under review (As of March 31, 2012)
Assets		
Current assets		
Cash and deposits	16,946	19,156
Notes receivable-trade	51	11
Accounts receivable-trade	30,454	30,272
Short-term investment securities	28,905	33,717
Merchandise and finished goods	4,565	5,154
Work in process	844	830
Raw materials and supplies	1,875	1,928
Deferred tax assets	1,898	1,820
Other	1,841	2,018
Allowance for doubtful accounts	(4)	(4)
Total current assets	87,376	94,901
Noncurrent assets		
Property, plant and equipment		
Buildings, net	10,630	10,078
Structures, net	436	452
Machinery and equipment, net	4,054	4,561
Vehicles, net	27	63
Tools, furniture, and fixtures, net	371	404
Land	14,719	14,713
Lease assets, net	56	64
Construction in progress	30	3
Total property, plant and equipment	30,322	30,339
Intangible assets		
Leasehold right	6	6
Right of trademark	6	4
Telephone subscription right	44	44
Right of using facilities	0	0
Software	1,763	1,130
Software in progress	8	2
Total intangible assets	1,826	1,186
Investments and other assets		
Investment securities	55,734	60,599
Stocks of subsidiaries and affiliates	42,587	43,573
Investments in capital	39	21
Investments in capital of subsidiaries and affiliates	1,463	2,955
Long-term loans receivable from employees	5	4
Long-term loans receivable from subsidiaries and affiliates	2,505	2,159
Long-term prepaid expenses	37	46
Guarantee deposits	1,156	1,163
Long-term time deposits	3,018	3,024
Prepaid pension cost	4,535	2,740
Other	60	45
Allowance for doubtful accounts	(210)	(213)
Total investments and other assets	110,928	116,116
Total noncurrent assets	143,076	147,641
Total assets	230,452	242,542

(Million yen)

	Previous fiscal year (As of March 31, 2011)	Fiscal year under review (As of March 31, 2012)
Liabilities		
Current liabilities		
Notes payable-trade	1,339	2,400
Accounts payable-trade	11,363	11,236
Short-term loans payable to subsidiaries and affiliates	10,280	11,811
Lease obligations	15	18
Accounts payable-other	10,233	11,423
Accrued expenses	1,983	1,907
Income taxes payable	2,081	2,776
Deposits received	127	130
Provision for directors' bonuses	69	69
Other	596	186
Total current liabilities	38,085	41,956
Noncurrent liabilities		
Lease obligations	41	46
Long-term guarantee deposited	268	268
Long-term accounts payable-other	623	623
Deferred tax liabilities	2,427	2,659
Asset retirement obligations	51	51
Total noncurrent liabilities	3,411	3,647
Total liabilities	41,495	45,603
Net assets		
Shareholders' equity		
Capital stock	9,948	9,948
Capital surplus		
Legal capital surplus	23,815	23,815
Total capital surplus	23,815	23,815
Retained earnings		
Legal retained earnings	2,487	2,487
Other retained earnings		
General reserve	133,900	133,900
Retained earnings brought forward	15,876	21,197
Total retained earnings	152,263	157,584
Treasury stock	(2)	(4)
Total Shareholders' equity	186,025	191,344
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,932	5,595
Total valuation and translation adjustments	2,932	5,595
Total net assets	188,957	196,939
Total liabilities and net assets	230,452	242,542

(2) Non-Consolidated Statements of Income

(Million yen)

	Previous fiscal year (April 1, 2010 – March 31, 2011)	Fiscal year under review (April 1, 2011 – March 31, 2012)
Net sales	155,136	151,803
Cost of sales		
Beginning merchandise and finished goods	4,991	4,565
Cost of purchased goods	21,332	21,108
Cost of products manufactured	53,470	54,363
Total	79,793	80,036
Transfer to other account	1,097	1,017
Ending merchandise and finished goods	4,565	5,154
Total cost of sales	74,131	73,866
Gross profit	81,005	77,937
Selling, general and administrative expenses		
Advertising expenses	10,092	9,748
Transportation and warehousing expenses	4,608	4,372
Sales commissions	4,531	4,280
Promotion expenses	23,424	23,150
Directors' compensation	243	247
Salaries, allowances and bonuses	8,318	8,384
Provision for directors’ bonuses	69	69
Retirement benefit expenses	1,569	1,711
Welfare expenses	1,935	1,950
Travel and communication expenses	1,307	1,323
Depreciation	895	799
Rent expenses	1,125	1,122
Experiment and research expenses	3,185	3,238
Investigation expenses	842	836
Other	5,326	5,014
Total selling, general and administrative expenses	67,469	66,241
Operating income	13,536	11,696
Non-operating income		
Interest income	87	86
Interest on securities	364	400
Dividends income	1,461	1,916
Rent income	235	226
Other	190	213
Total non-operating income	2,337	2,841
Non-operating expenses		
Interest expenses	32	35
Rent expenses	79	75
Foreign exchange losses	205	39
Other	21	53
Total non-operating expenses	337	202
Ordinary income	15,536	14,334

(Million yen)

	Previous fiscal year (April 1, 2010 – March 31, 2011)	Fiscal year under review (April 1, 2011 – March 31, 2012)
Extraordinary income		
Gain on sales of noncurrent assets	29	280
Reversal of allowance for doubtful accounts	1	1
Gain on sales of investment securities	7	1
Reversal of provision for loss on guarantees	92	–
Other	4	–
Total extraordinary income	134	282
Extraordinary loss		
Loss on sales of noncurrent assets	45	20
Loss on retirement of noncurrent assets	207	242
Loss on valuation of investment securities	1,535	26
Loss on valuation of stocks of subsidiaries and affiliates	50	–
Loss on valuation of membership	6	31
Impairment loss	982	445
Loss on adjustment for changes of accounting standard for asset retirement obligations	44	–
Loss on disaster	453	150
Cost of early retirement support	–	1,477
Other	4	24
Total extraordinary loss	3,327	2,414
Income before income taxes	12,344	12,203
Income taxes-current	4,311	4,975
Income taxes-deferred	(75)	(656)
Total income taxes	4,236	4,319
Net income	8,107	7,884

(3) Non-Consolidated Statement of Changes in Net Assets

(Million yen)

	Previous fiscal year (April 1, 2010 – March 31, 2011)	Fiscal year under review (April 1, 2011 – March 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of the period	9,948	9,948
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the period	9,948	9,948
Capital surplus		
Legal capital surplus		
Balance at the beginning of the period	23,815	23,815
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the period	23,815	23,815
Total capital surplus		
Balance at the beginning of the period	23,815	23,815
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the period	23,815	23,815
Retained earnings		
Legal retained earnings		
Balance at the beginning of the period	2,487	2,487
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the period	2,487	2,487
Other retained earnings		
General reserve		
Balance at the beginning of the period	133,900	133,900
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of the period	133,900	133,900
Retained earnings brought forward		
Balance at the beginning of the period	15,489	15,876
Changes of items during the period		
Dividends from surplus	(2,415)	(2,562)
Net income	8,107	7,884
Retirement of treasury stock	(5,305)	–
Total changes of items during the period	387	5,321
Balance at the end of the period	15,876	21,197
Total retained earnings		
Balance at the beginning of the period	151,876	152,263
Changes of items during the period		
Dividends from surplus	(2,415)	(2,562)
Net income	8,107	7,884
Retirement of treasury stock	(5,305)	–
Total changes of items during the period	387	5,321
Balance at the end of the period	152,263	157,584

(Million yen)

	Previous fiscal year (April 1, 2010 – March 31, 2011)	Fiscal year under review (April 1, 2011 – March 31, 2012)
Treasury stock		
Balance at the beginning of the period	(1,326)	(2)
Changes of items during the period		
Purchase of treasury stock	(3,981)	(2)
Retirement of treasury stock	5,305	–
Total changes of items during the period	1,324	(2)
Balance at the end of the period	(2)	(4)
Total shareholders' equity		
Balance at the beginning of the period	184,314	186,025
Changes of items during the period		
Dividends from surplus	(2,415)	(2,562)
Net income	8,107	7,884
Purchase of treasury stock	(3,981)	(2)
Retirement of treasury stock	–	–
Total changes of items during the period	1,711	5,319
Balance at the end of the period	186,025	191,344
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of the period	2,655	2,932
Changes of items during the period		
Net changes of items other than shareholders' equity	277	2,663
Total changes of items during the period	277	2,663
Balance at the end of the period	2,932	5,595
Total valuation and translation adjustments		
Balance at the beginning of the period	2,655	2,932
Changes of items during the period		
Net changes of items other than shareholders' equity	277	2,663
Total changes of items during the period	277	2,663
Balance at the end of the period	2,932	5,595
Total net assets		
Balance at the beginning of the period	186,968	188,957
Changes of items during the period		
Dividends from surplus	(2,415)	(2,562)
Net income	8,107	7,884
Purchase of treasury stock	(3,981)	(2)
Retirement of treasury stock	–	–
Net changes of items other than shareholders' equity	277	2,663
Total changes of items during the period	1,988	7,982
Balance at the end of the period	188,957	196,939

(4) Notes relating to Assumptions for the Going Concern

Not applicable.

(5) Significant Accounting Policies

1. Valuation Standard and Method for Securities

Bonds held to maturity:	Amortized cost method
Shares of subsidiaries and affiliated companies:	Cost accounting method using the gross average method
Other marketable securities:	
Securities with fair market value:	Market value method based on the quoted market value as of the fiscal year-end (Valuation differences are directly charged or credited to shareholders' equity, and the cost of securities sold is calculated using the moving-average method.)
Securities without fair market value:	Cost accounting method using the gross average method

2. Valuation Standard and Method for Inventories

(i) Finished goods, raw materials, work in process:

Cost accounting method using the gross average method (The values in the non-consolidated balance sheet were calculated using the book-value write-down method based on the decline in profitability.)

(ii) Supplies:

Cost accounting method using the first-in, first-out (FIFO) method (The values in the non-consolidated balance sheet were calculated using the book-value write-down method based on the decline in profitability.)

3. Depreciation Method for Noncurrent Assets

(i) Property, plant and equipment (excluding lease assets):

At the Company, buildings (excluding building attachments) are depreciated using the straight-line method, and property, plant and equipment other than buildings are depreciated using the declining balance method.

The service lives for these major categories are as follows:

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

(ii) Intangible assets: Straight-line method

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

(iii) Lease assets:

Depreciation for lease assets concerning finance lease transactions that do not involve a transfer of ownership is calculated using the straight-line method over the lease terms as service life, assuming no residual value.

Finance lease transactions that do not involve a transfer of ownership and that started on or before March 31, 2008 are accounted for in a manner similar to accounting for ordinary lease transactions.

4. Accounting Standards for Allowances

(i) Allowance for doubtful accounts:

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

(ii) Reserve for bonuses for directors and corporate auditors:

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

(iii) Reserve for retirement benefits:

To prepare for the payment of employee retirement benefits, the Company provides accrued retirement benefits based on projected benefits obligations and the fair value of pension assets at the fiscal year-end under review.

Additionally, the pension assets of the Company exceeded retirement allowance liabilities at the end of the fiscal year under review, and this excess amount is recorded as prepaid pension cost in investment and other assets.

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

5. Significant methods of hedge accounting

(i) Method of hedge accounting

By deferred hedge accounting

Appropriation processing is adopted for forward exchange contracts that meet the requirements for that method.

(ii) Hedging instruments and hedged items

Hedging instruments...Forward exchange contracts

Hedged items...Foreign currency time deposits

(iii) Hedging policy

It is the policy of the Company to enter into derivative transactions for the purpose of hedging the exchange rate risk of transactions denominated in a foreign currency and not to use any derivative transactions for non-hedging purposes, in accordance with internal regulations concerning derivative transactions.

(iv) Method of evaluating the effectiveness of hedging

The effectiveness of hedging is evaluating by confirming that the hedging instrument and hedged item are denominated in the same currency and have a similar value and maturity, and by confirming that the hedging instrument is applied in full to settlement of the hedged item.

(Additional information)

Starting the fiscal year under review, the Company uses forward exchange contracts for the purpose of hedging exchange rate risk and applies hedge accounting.

6. Translation Standard for Foreign Currency-denominated Assets and Liabilities into the Japanese Yen

Foreign currency amounts are translated into Japanese yen on the basis of the spot exchange rate in effect on the balance sheet date for monetary assets and liabilities. The resulting gains and losses are included in net profit or loss for the period.

7. Accounting Method for Consumption Taxes

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

(6) Notes to Non-Consolidated Financial Statements

(Notes to Non-Consolidated Balance Sheet)

1. Assets supplied to collateral and corresponding debts

A pledge is created on certificates of time deposits of 24 million yen to guarantee the monetary debt of trading partners.

2. Accumulated depreciation of property, plant and equipment

Previous fiscal year	85,251 million yen
Fiscal year under review	85,164 million yen

3. Short-term loans to affiliates

Previous fiscal year	938 million yen
Fiscal year under review	1,089 million yen

Long-term loans to affiliates

Previous fiscal year	2,505 million yen
Fiscal year under review	2,159 million yen

Short-term borrowing from affiliates

Previous fiscal year	12,673 million yen
Fiscal year under review	13,873 million yen

4. Contingent liabilities

Guarantee obligation to the housing loans of the Company employees

Previous fiscal year	11 million yen
Fiscal year under review	8 million yen

Guarantee obligation to the monetary debt of trading partners

Previous fiscal year	5 million yen
Fiscal year under review	19 million yen

(Notes to Non-Consolidated Statements of Changes in Net Assets)

Matters relating to treasury stock (Thousand shares)

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

(Reason for the change)

Breakdown of Increase/Decrease is as follows.

Increase due to purchases of fractional shares: 2 thousand shares

(Important Subsequent Events)

Not applicable.

6. Other Information

(1) Senior Management Changes

1. Newly Appointed Director Candidates (as of June 27, 2012)
   Director Masahiko Kudo (currently Managing Executive Officer and General Manager of Marketing Headquarters)
   Director Masao Taguchi (currently Managing Executive Officer and General Manager of Somatech Center)
   Director Hirofumi Fujimura (currently Managing Executive Officer and General Manager of Sales Headquarters)

2. Newly Appointed Auditor Candidates (as of June 27, 2012)
   Standing Auditor Toshikazu Kato (currently Advisor and Director of House Business Partners Corporation)
   Non-standing Auditor Shinpei Nihei (currently Consultant to Cedyna Financial Corporation)
   * Mr. Shinpei Nihei is a candidate for Outside Auditor.

3. Retiring Directors (as of June 27, 2012)
   Director Hiroshi Mizobuchi
   * Mr. Hiroshi Mizobuchi plans to assume post of full-time Technical Advisor after retiring as director.
   Director Hiroshi Kato
   * Mr. Hiroshi Kato has been concurrently serving as Executive Vice-President of House Wellness Foods Corporation since April 1, 2012, and plans to serve exclusively as Executive Vice-President of House Wellness Foods Corporation after resigning as director.

4. Retiring Auditors (as of June 27, 2012)
   Standing Auditor Mitsuo Yoshimura (plans to assume post as part-time Corporate Advisor)
   Non-standing Auditor Seishi Jiromaru
   * Mr. Seishi Jiromaru is an Outside Auditor