July 28, 2016

Consolidated Financial Results (Japanese Accounting Standards) for the Three Months Ended June 30, 2016 (Q1 FY2016)

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

Scheduled date for filing of securities report:	August 10, 2016
Scheduled date of commencement of dividend payment:	–
Supplementary documents for quarterly results:	Yes
Quarterly results briefing:	None

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2016 (April 1, 2016 – June 30, 2016)

(1) Consolidated Results of Operations (Accumulated Total)

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2016	66,284	24.5	2,360	64.0	2,032	11.4	2,770	165.8
June 30, 2015	53,254	(4.4)	1,439	(12.3)	1,824	(2.7)	1,042	3.5

(Note) Comprehensive income: 443 million yen (-61.5%) for the three months ended June 30, 2016
1,149 million yen (-39.3%) for the three months ended June 30, 2015

	Net income per share (basic)	Net income per share (diluted)
Three months ended	Yen	Yen
June 30, 2016	27.00	–
June 30, 2015	10.14	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Three months ended June 30, 2016	346,851	258,824	65.5	2,211.12
Year ended March 31, 2016	349,427	260,329	65.5	2,231.86

(Reference) Shareholders' equity: As of June 30, 2016: 227,189 million yen
As of March 31, 2016: 228,812 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	–	15.00	–	15.00	30.00
Year ending March 31, 2017	–				
Year ending March 31, 2017 (forecasts)		15.00	–	15.00	30.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(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		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2016	142,300	26.6	4,000	(1.1)	4,400	(8.2)	3,200	8.5	31.21
Year ending March 31, 2017	295,800	22.3	10,400	(3.5)	11,400	(6.2)	6,900	(69.5)	67.30

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

* 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 (Gaban Co., Ltd.)

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

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

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

For details, please see the statement under the heading of “2. Matters Relating to Summary Information (Notes), (3) Changes in Accounting Policies and Changes or Restatement of Accounting Estimates” on page 5 of the accompanying materials.

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

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

As of June 30, 2016:	102,758,690 shares
As of March 31, 2016:	102,758,690 shares

(ii) Number of treasury shares at end of period

As of June 30, 2016:	10,013 shares
As of March 31, 2016:	237,762 shares

(iii) Average number of shares outstanding during the term

Three months ended June 30, 2016:	102,612,795 shares
Three months ended June 30, 2015:	102,756,219 shares

* Status of a quarterly review

- This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. Procedures for a quarterly review of the consolidated financial statements are being followed at the time of the announcement of this financial summary.

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

- The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.
- For other matters related to the forecasts, please refer to “(3) Information on the Future Outlook, Including Consolidated Business Performance Forecasts” under “1. Qualitative Information on Results for the First Quarter Ended June 30, 2016” on page 4 of the accompanying materials.

Accompanying Materials – Contents

1. Qualitative Information on Results for the First Quarter Ended June 30, 2016

(1) Details of Operating Results

During the first quarter of the fiscal year under review, the business environment continued to show an overall trend of modest recovery. Nonetheless, the outlook remained unforeseeable, reflecting increasing uncertainty about international economies and concerns about the stronger yen. In the food industry, the unpredictable situation continued as consumer confidence remained at a standstill.

In this operating environment, the Group was taking steps to strengthen the earnings power of its domestic businesses, create new demand, and accelerate the growth of the International Business segment based on the theme of "striving to become a high quality company that provides 'Healthy Life Through Foods'" in its Fifth Medium-term Business Plan, which was launched in the previous fiscal year and has entered its second year in the current fiscal year. In the meantime, the Company acquired additional shares of Gaban Co., Ltd. in June 2016 and made it a consolidated subsidiary.

Consolidated net sales in the first quarter of the fiscal year under review increased 24.5% year on year, to 66,284 million yen, due to a year-on-year rise in sales from the Spice / Seasoning / Processed Food Business and the significant positive effect of the new consolidation of Ichibanya Co., Ltd.

Consolidated operating income rose 64.0% year on year, to 2,360 million yen, reflecting efforts to increase the earnings power of domestic businesses. Consolidated ordinary income grew 11.4% year on year, to 2,032 million yen, and profit attributable to owners of parent climbed 165.8%, to 2,770 million yen, chiefly owning to a significant increase in extraordinary income such as a gain on bargain purchase and a gain on step acquisition arising from the acquisition of additional shares of Gaban Co., Ltd.

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

Segment	Consolidated net sales		Consolidated operating income Segment profit (loss)	
	Amount (million yen)	Year-on-year change (%)	Amount (million yen)	Year-on-year change (%)
Spice / Seasoning / Processed Food Business	28,523	108.8	1,395	251.7
Health Food Business	8,926	96.6	567	125.0
International Food Business	4,777	110.4	607	135.9
Restaurant Business	12,982	733.4	(112)	–
Other Food Related Business	14,744	100.8	201	–
Subtotal	69,953	124.5	2,658	197.8
Adjustment (elimination)	(3,669)	–	(298)	–
Total	66,284	124.5	2,360	164.0

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

2. Different methods for distribution to each segment and classification have been used since previous consolidated fiscal year. For more details, see "(3) Notes to Quarterly Consolidated Financial Statements (Segment Information)" of "3. Quarterly Consolidated Financial Statements" on page 11.

Spice / Seasoning / Processed Food Business

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

The segment bolstered its efforts to further increase the brand value of roux products and focused on entrenching new retort pouched products that meet customer needs in the market. In addition, both roux and retort pouched products

continued to show a steady performance, thanks partly to the temporary stagnation of demand in the same period of the previous fiscal year associated with price revisions.
As a result, sales in the Spice / Seasoning / Processed Food Business stood at 28,523 million yen, up 8.8% year on year, and operating income was 1,395 million yen, up 151.7% year on year.

Health Food Business

This business segment has been making efforts to improve the profitability of its core products through comprehensive cost control and making preparations for their growth.
Of the core products, the segment worked to enhance the points of contact of customers with *Ukon No Chikara* based on its strategies by channel and area, given that the drinking scenes of customers are diversified. At the same time, the segment made efforts to develop *Ichinichibun No Vitamin* to enhance the revenue base.
While segment sales declined 3.4% year on year, to 8,926 million yen, operating income rose 25.0% year on year, to 567 million yen.

International Food Business

This business segment has been working to accelerate its growth and increase profitability in the three key areas (the United States, China, and Southeast Asia).
In the United States, stores selling existing products increased in both the Asian and the American markets, and high value-added products also gained stronger support. At the same time, improved production efficiency and cost reduction also made a contribution, and sales and profits grew in local currency terms, although sales declined from a year earlier in yen terms due to the effect of the stronger yen.
In China, both sales and profits increased because the market for both household use and professional use continued to grow strongly.
In Southeast Asia, the functional beverage business in Thailand continued to show a strong performance.
As a result of the above, sales in the International Food Business rose 10.4% year on year, to 4,777 million yen, and operating income increased 35.9%, to 607 million yen.

Restaurant Business

This business segment strives to further expand the world of curry through the operation of curry restaurants in Japan and overseas.
Ichibanya Co., Ltd., which was incorporated into consolidation in December 2015, continued to show a steady performance by making various efforts to increase quality, service and cleanliness (QSC) and the store attractiveness, putting the highest priority on an increase in sales of existing stores.
As a result, sales in the Restaurant Business rose 633.4% year on year, to 12,982 million yen due to the significant contribution of the new consolidation of Ichibanya Co., Ltd. The segment recorded an operating loss of 112 million yen (compared to an operating loss of 11 million yen in the first quarter of the previous fiscal year), partly attributable to the burden of amortizing goodwill, etc.

Other Food Related Business

This business segment has been working to enhance the overall strength of the Group by improving its functions and level of synergy with Group companies.
House Logistics Service Corporation, which operates the transportation and warehouse business, continued to pursue its efforts to modify its business structure and improve its earnings structure through activities to drastically reduce costs, as in the previous fiscal year.

Delica Chef Corporation, a Group company that produces prepared food for convenience stores, strengthened its earnings power, thanks to its efforts for the optimum allocation of staff and higher productivity.

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

As a result of the above, sales in Other Food Related Business increased 0.8% year on year, to 14,744 million yen, and operating income amounted to 201 million yen (compared to an operating loss of 100 million yen a year ago).

(2) Details of Financial Position

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

Total assets were 346,851 million yen, a decrease of 2,576 million yen compared to the end of the previous consolidated fiscal year.

Current assets increased 4,049 million yen, to 122,996 million yen, mainly reflecting a rise in merchandise and finished goods due to the effect of making Gaban Co., Ltd. a consolidated subsidiary. Non-current assets declined 6,624 million yen, to 223,856 million yen. This was chiefly due to decreases in investment securities and long-term time deposits, although land and buildings and structures increased primarily due to the effect of making Gaban Co., Ltd. a consolidated subsidiary.

Liabilities stood at 88,027 million yen, a decrease of 1,070 million yen from the end of the previous consolidated fiscal year.

Current liabilities increased 424 million yen, to 51,238 million yen, owning mainly to an increase in notes and accounts payable – trade, while accounts payable – other declined. Non-current liabilities fell by 1,495 million yen, to 36,789 million yen, reflecting a fall in deferred tax liabilities due to reversal.

Net assets declined 1,505 million yen from the end of the previous consolidated fiscal year, to 258,824 million yen as a result primarily of decreases in foreign currency translation adjustment and valuation difference on available-for-sale securities due to the falling market value of investment securities owned, although retained earnings increased thanks to profit attributable to owners of parent.

As a result, the equity ratio stood at 65.5% (compared with 65.5% at the end of the previous fiscal year) and net assets per share amounted to 2,211.12 yen (2,231.86 yen at the end of the previous fiscal year) at the end of the first quarter of the fiscal year under review.

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

There has been no change to the consolidated performance forecasts announced on June 24, 2016, for the period ending March 31, 2017.

2. Matters Relating to Summary Information (Notes)

(1) Changes of Important Subsidiaries during the Period

In the first quarter of the consolidated fiscal year under review, the Company acquired shares of Gaban Co., Ltd. through a tender offer for its common shares. Because the voting right holding ratio of the Company to Gaban Co., Ltd. exceeded 50% as a result of the acquisition, the Company has included Gaban Co., Ltd. and Gaban Spice Manufacturing (M) SDN. BHD., a consolidated subsidiary of Gaban Co., Ltd., in the scope of consolidation from the first quarter of the consolidated fiscal year under review.

Because the amount of capital stock of Gaban Co., Ltd. is more than an amount equivalent to 10 hundredths of the amount of capital stock of the Company, Gaban Co., Ltd. falls under a specified subsidiary of the Company.

Given that the last day of the quarterly accounting period of the consolidated subsidiary is June 30, the same as the closing date of the first quarter of the consolidated fiscal year under review, only the balance sheet is consolidated in the first quarter of the consolidated fiscal year under review.

The consolidation of Gaban Co., Ltd. is also expected to have a significant impact on the Company's consolidated financial statements for the consolidated fiscal year to which the first quarter under review belongs. The overview of the impact is increases in total assets and total liabilities on the consolidated balance sheet and increases in net sales and others on consolidated statements of income and comprehensive income.

For more details, see "(3) Notes to Quarterly Consolidated Financial Statements (Business Combinations, etc.)" of "3. Quarterly Consolidated Financial Statements" on page 13.

In addition, the Company conducted an absorption-type merger in April 2016, in which Vox Trading Co., Ltd. became the surviving company and Horie Yamatoya Co., Ltd. became an absorbed company. As a result, Horie Yamatoya Co., Ltd. ceased to exist, and the Company excluded it from the scope of consolidation.

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

Calculation of tax expenses

Following the application of tax effect accounting for the current-term income before income taxes for the consolidated fiscal year, the Company has adopted a method of calculating tax expenses using a reasonable estimate of the effective tax rate and multiplying quarterly income before income taxes by this estimated effective tax rate.

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

(3) Changes in Accounting Policies and Changes or Restatement of Accounting Estimates

Changes in Accounting Policies

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

The effect of this change on the quarterly consolidated financial statements for the first quarter of the financial year ending March 31, 2017 is immaterial.

(4) Additional Information

(Change of the name of a consolidated subsidiary)

PT. Vox Trading Indonesia changed its name to PT House And Vox Indonesia in May 2016.

(Changes in Presentation Methods)

(Change in presentation relating to restaurant management)

Restaurant costs related to restaurant management at certain consolidated subsidiaries that had been previously recorded in cost of sales were recorded in selling, general and administrative expenses from the previous consolidated fiscal year under review.

This change was made following the inclusion of the Ichibanya Group in the scope of consolidation and the establishment of a Restaurant Business segment to manage the Group's performance in a unified manner and present the results of its operating activities more appropriately. To reflect this change in presentation, the reclassification of accounts was made to the quarterly consolidated balance sheet for the first quarter of the previous consolidated fiscal year.

As a result, cost of sales in the Quarterly Consolidated Statements of Income and Comprehensive Income for the first quarter of the previous consolidated fiscal year decreased by 1,128 million yen and gross profit and selling, general and administrative expenses increased by the same amount. Therefore, this change did not affect operating income, ordinary income and income before income taxes in the first quarter of the previous consolidated fiscal year.

(Quarterly Consolidated Statements of Income and Comprehensive Income)

"House rent income," which had been included in "Other" under "Non-operating income," was presented as a separate item from the previous consolidated fiscal year, as the amount became more material. To reflect this change in presentation, the reclassification of accounts was made to the quarterly consolidated balance sheet for the first quarter of the previous consolidated fiscal year.

As a result, 64 million yen that was presented in "Other" under "Non-operating income" in the Quarterly Consolidated Statements of Income and Comprehensive Income for the first quarter of the previous consolidated fiscal year was reclassified as "House rent income" of 0 million yen and "Other" of 64 million yen.

(Application of implementation guidance on recoverability of deferred tax assets)

The Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 dated March 28, 2016) from the first quarter of the consolidated fiscal year under review.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	End of previous fiscal year (As of March 31, 2016)	End of first quarter of the fiscal year under review (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	44,128	43,710
Notes and accounts receivable - trade	43,140	42,775
Securities	10,009	9,136
Merchandise and finished goods	9,628	11,692
Work in process	1,563	1,884
Raw materials and supplies	3,723	4,551
Deferred tax assets	2,397	2,862
Other	4,499	6,527
Allowance for doubtful accounts	(141)	(141)
Total current assets	118,947	122,996
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,848	29,985
Machinery, equipment and vehicles, net	11,722	12,512
Land	28,851	30,479
Lease assets, net	4,400	4,359
Construction in progress	1,140	241
Other, net	2,261	2,299
Total property, plant and equipment	77,223	79,876
Intangible assets		
Goodwill	16,542	15,647
Trademark right	26,570	26,407
Software	2,109	2,062
Contract-related intangible assets	28,753	28,512
Software in progress	89	211
Other	736	743
Total intangible assets	74,799	73,583
Investments and other assets		
Investment securities	68,800	62,886
Long-term loans receivable	360	359
Deferred tax assets	2,247	2,184
Long-term time deposits	2,500	500
Net defined benefit asset	285	282
Claims provable in bankruptcy, claims provable in rehabilitation and other	719	687
Other	4,441	4,367
Allowance for doubtful accounts	(893)	(868)
Total investments and other assets	78,458	70,397
Total non-current assets	230,480	223,856
Total assets	349,427	346,851

(Million yen)

	End of previous fiscal year (As of March 31, 2016)	End of first quarter of the fiscal year under review (As of June 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,749	20,676
Electronically recorded obligations - operating	1,540	1,369
Short-term loans payable	6,849	6,511
Lease obligations	733	715
Accounts payable - other	13,887	12,018
Income taxes payable	2,810	2,143
Provision for bonuses	129	364
Provision for directors’ bonuses	68	24
Provision for shareholder benefit program	75	81
Asset retirement obligations	3	–
Other	5,971	7,337
Total current liabilities	50,814	51,238
Non-current liabilities		
Long-term loans payable	824	755
Lease obligations	3,745	3,714
Long-term accounts payable - other	319	344
Deferred tax liabilities	25,330	23,848
Provision for loss on guarantees	6	5
Net defined benefit liability	4,668	4,676
Asset retirement obligations	711	714
Other	2,681	2,734
Total non-current liabilities	38,284	36,789
Total liabilities	89,098	88,027
Net assets		
Shareholders’ equity		
Capital stock	9,948	9,948
Capital surplus	23,927	23,442
Retained earnings	176,898	178,129
Treasury shares	(516)	(22)
Total shareholders’ equity	210,257	211,497
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	18,294	16,380
Deferred gains or losses on hedges	(19)	(59)
Foreign currency translation adjustment	2,410	1,395
Remeasurements of defined benefit plans	(2,128)	(2,023)
Total other accumulated comprehensive income	18,555	15,692
Non-controlling interests	31,517	31,635
Total net assets	260,329	258,824
Total liabilities and net assets	349,427	346,851

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(First three-month period)

(Million yen)

	First three-month period of previous fiscal year (April 1, 2015 - June 30, 2015)	First three-month period of the fiscal year under review (April 1, 2016 - June 30, 2016)
Net sales	53,254	66,284
Cost of sales	30,655	37,016
Gross profit	22,599	29,268
Selling, general and administrative expenses		
Advertising expenses	2,598	2,332
Transportation and warehousing expenses	1,661	2,245
Sales commission	565	595
Promotion expenses	6,578	6,992
Salaries, allowances and bonuses	3,854	5,459
Provision for directors’ bonuses	27	25
Depreciation	374	953
Amortization of goodwill	41	895
Rent expenses	666	1,066
Experiment and research expenses	867	949
Other	3,931	5,398
Total selling, general and administrative expenses	21,160	26,908
Operating income	1,439	2,360
Non-operating income		
Interest income	133	100
Dividend income	51	64
Share of profit of entities accounted for using equity method	140	1
House rent income	0	179
Foreign exchange gains	108	–
Other	64	53
Total non-operating income	496	397
Non-operating expenses		
Interest expenses	26	23
Rent expenses	–	153
Foreign exchange losses	–	451
Other	86	98
Total non-operating expenses	112	725
Ordinary income	1,824	2,032

(Million yen)

	First three-month period of previous fiscal year (April 1, 2015 - June 30, 2015)	First three-month period of the fiscal year under review (April 1, 2016 - June 30, 2016)
Extraordinary income		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	–	6
Gain on sales of restaurants	–	63
Gain on step acquisitions	–	448
Gain on bargain purchase	–	1,018
Other	0	59
Total extraordinary income	0	1,596
Extraordinary loss		
Loss on retirement of non-current assets	34	22
Impairment loss	–	163
Other	4	1
Total extraordinary loss	38	186
Income before income taxes	1,786	3,441
Income taxes	733	(14)
Net income	1,053	3,455
Profit attributable to		
Profit attributable to owners of parent	1,042	2,770
Profit attributable to non-controlling interests	11	685
Other comprehensive income		
Valuation difference on available-for-sale securities	301	(1,886)
Deferred gains or losses on hedges	(46)	(109)
Foreign currency translation adjustment	(89)	(1,093)
Remeasurements of defined benefit plans, net of tax	(122)	87
Share of other comprehensive income of entities accounted for using equity method	51	(12)
Total other comprehensive income	96	(3,012)
Comprehensive income	1,149	443
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,167	(93)
Comprehensive income attributable to non-controlling interests	(18)	536

(3) Notes to Quarterly Consolidated Financial Statements

Notes Relating to Assumptions for the Going Concern

Not applicable.

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

Not applicable.

Segment Information

I. First three-month period of previous fiscal year (April 1, 2015 - June 30, 2015)

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

(Million yen)

	Reported segments						Other	Total	Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total				
Net sales										
Sales – outside customers	26,086	9,190	4,249	1,770	11,947	53,242	–	53,242	12	53,254
Sales and transfer – inter-segment	126	50	78	–	2,676	2,930	–	2,930	(2,930)	–
Total	26,212	9,240	4,326	1,770	14,623	56,172	–	56,172	(2,918)	53,254
Segment profit (loss)	554	454	446	(11)	(100)	1,343	–	1,343	96	1,439

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

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

(2) "Segment profit (loss)" includes a profit of 96 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments, and -1 million yen for the elimination of inter-segment transactions.

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

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

Not applicable.

II. First three-month period of the fiscal year under review (April 1, 2016 - June 30, 2016)

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

(Million yen)

	Reported segments						Other	Total	Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business	Total				
Net sales										
Sales – outside customers	27,507	8,870	4,703	12,980	12,210	66,270	–	66,270	14	66,284
Sales and transfer – inter-segment	1,016	57	74	2	2,534	3,683	–	3,683	(3,683)	–
Total	28,523	8,926	4,777	12,982	14,744	69,953	–	69,953	(3,669)	66,284
Segment profit (loss)	1,395	567	607	(112)	201	2,658	–	2,658	(298)	2,360

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

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

(2) "Segment profit (loss)" includes a profit of -298 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments, and 1 million yen for the elimination of inter-segment transactions.

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

2. Information on assets by reported segment

(Significant increase in assets due to the acquisition of a subsidiary)

As a result of including Gaban Co., Ltd. in the scope of consolidation in the first quarter of the consolidated fiscal year under review by additionally acquiring common shares of Gaban Co., Ltd., segment assets in the Spice / Seasoning / Processed Food Business increased 10,194 million yen from the end of the previous consolidated fiscal year.

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

(Important impairment loss on non-current assets)

In the first quarter of the consolidated fiscal year under review, the Company recorded an impairment loss of 163 million yen associated with a fall in profitability of store assets and assets for lease, etc. in the Restaurant Business segment.

(Important gain on bargain purchase)

As a result of including Gaban Co., Ltd. in the scope of consolidation in the first quarter of the consolidated fiscal year under review by additionally acquiring common shares of Gaban Co., Ltd., the Company recorded a gain on bargain purchase of 1,018 million yen in the Spice / Seasoning / Processed Food Business segment.

The amount of the gain on bargain purchase is calculated provisionally because the allocation of the acquisition cost is not yet completed as of the end of the first quarter of the consolidated fiscal year under review.

4. Matters relating to changes in the Company's reported segment

(Change in the method to categorize reported segments)

In the previous consolidated fiscal year, the Company added the Restaurant Business as a reported segment after additionally acquiring common shares of Ichibanya Co., Ltd. and including it in the scope of consolidation. As a result, the Restaurant Business of House Foods America Corp., House Restaurant Management (Shanghai) Co., Ltd., House Restaurant Management (Beijing) Co., Ltd., House Restaurant Management (Guangzhou) Co. Ltd., Taiwan Curry

House Restaurant Inc. and Curry House Korea Corporation, which were previously included in the International Food Business, were included in the Restaurant Business.

With the establishment of the Restaurant Business segment, the Company changed the name of the International Business to the International Food Business.

The segment information for the first quarter of the previous consolidated fiscal year, which is presented as comparative information for the first quarter of the consolidated fiscal year under review, is categorized by the new method.

Business Combinations, etc.

Business combination by acquisition

(1) Overview of business combination

(i) Name and business of the acquired company

Name Gaban Co., Ltd.

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

(ii) Main reason for business combination

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

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

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

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

(iii) Date of business combination

June 30, 2016

(iv) Legal form of business combination

Acquisition of shares with cash as consideration

(v) Name of the acquired company after the combination

No change

(vi) Percentage of voting rights acquired

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

(vii) Main reason for deciding the company to acquire

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

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

Given that the last day of the quarterly accounting period of the acquired company is June 30, the same as the closing date of the first quarter of the consolidated fiscal year under review, only the balance sheet is consolidated in the first quarter of the consolidated fiscal year under review, and financial results of the acquired company are not included in the quarterly consolidated statements of income and comprehensive income.

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

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

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

Gain on step acquisitions	448

(5) Amount and source of the gain on bargain purchase that has arisen

(i) Amount of the gain on bargain purchase that has arisen

1,018 million yen

The amount of the gain on bargain purchase is calculated provisionally because the allocation of the acquisition cost is not yet completed as of the end of the first quarter of the consolidated fiscal year under review.

(ii) Source

The gain on bargain purchase was generated because the amount of net assets of Gaban Co., Ltd. in the market value at the time of business combination exceeded their acquisition cost.