

May 10, 2011

Consolidated Financial Results (Japanese Accounting Standards) for the FY2010 (Ended March 31, 2011)

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 Stock exchange listing: Tokyo Stock Exchange, Osaka Securities Exchange
 Stock code: 2810
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 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, 2011 (April 1, 2010 – March 31, 2011)

(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, 2011	216,713	(1.8)	12,069	10.1	13,031	6.9	5,252	9.0
Year ended March 31, 2010	220,622	(0.9)	10,964	7.5	12,187	10.9	4,820	2.0

(Note) Comprehensive income: 4,918 million yen (-24.9%) for the fiscal year ended March 31, 2011
 6,551 million yen (- %) for the fiscal year ended March 31, 2010

	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, 2011	48.40	–	2.9	5.7	5.6
Year ended March 31, 2010	43.91	–	2.7	5.3	5.0

(Reference) Equity in net income of affiliates: 350 million yen for the fiscal year ended March 31, 2011
 294 million yen for the fiscal year ended March 31, 2010

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2011	228,810	181,298	79.1	1,694.59
Year ended March 31, 2010	231,927	182,628	78.6	1,660.57

(Reference) Shareholders' equity: As of March 31, 2011: 180,922 million yen
 As of March 31, 2010: 182,275 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, 2011	18,568	(10,228)	(6,466)	46,091
Year ended March 31, 2010	15,813	(10,129)	(2,771)	44,570

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, 2010	–	11.00	–	11.00	22.00	2,415	50.1	1.3
Year ended March 31, 2011	–	11.00	–	11.00	22.00	2,382	45.5	1.3
Year ending March 31, 2012 (forecasts)	–	11.00	–	11.00	22.00		28.0	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2012 (April 1, 2011 – March 31, 2012)

(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, 2011	109,000	(0.5)	6,000	2.7	6,600	5.7	3,800	23.4	35.59
Year ending March 31, 2012	217,000	0.1	13,000	7.7	14,300	9.7	8,400	59.9	78.68

4. Others

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

(2) Changes in accounting principles, procedures, and the method of presentation

- (i) Changes caused by revision of accounting standards: Yes
- (ii) Changes other than (i): None

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

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

As of March 31, 2011: 106,765,422 shares

As of March 31, 2010: 110,878,734 shares

(ii) Number of treasury stock at end of period

As of March 31, 2011: 1,278 shares

As of March 31, 2010: 1,112,105 shares

(iii) Average number of shares outstanding during the term

Year ended March 31, 2011: 108,515,516 shares

Year ended March 31, 2010: 109,767,649 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2011 (April 1, 2010 – March 31, 2011)

(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, 2011	155,136	(4.0)	13,536	8.0	15,536	9.5	8,107	6.3
Year ended March 31, 2010	161,680	(0.1)	12,532	4.9	14,186	2.3	7,626	2.6

	Net income per share (basic)		Net income per share (diluted)	
	Yen		Yen	
Year ended March 31, 2011	74.71		-	
Year ended March 31, 2010	69.47		-	

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended March 31, 2011	230,452	188,957	82.0	1,769.85
Year ended March 31, 2010	226,072	186,968	82.7	1,703.33

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

As of March 31, 2010: 186,968 million yen

2. Non-Consolidated Forecasts for the Fiscal Year Ending March 31, 2012 (April 1, 2011 – March 31, 2012)

(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, 2011	75,000	(1.2)	5,900	(17.6)	3,300	(20.9)	30.91
Year ending March 31, 2012	154,000	(0.7)	13,500	(13.1)	8,000	(1.3)	74.93

* 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.

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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 consumption environment in Japan was challenging as consumers, with a growing interest in reducing costs and saving in conditions of persistent deflation, were selective in their purchases throughout the year. The massive earthquake in March that struck eastern Japan has had immeasurable effects on the Japanese economy. At fiscal year end, the operating environment was extremely uncertain.

The House Foods Group viewed the consolidated fiscal year under review, the second year in the Third Medium-term Business Plan, as a critical year that would determine the success of the plan. The Company based its activities on two policies of focusing on profit and creating new demand.

Sales of health food focusing on the *Ukon No Chikara* series and spice products performed well, and beverages of our subsidiary, House Wellness Foods Corporation, also remained good. Meanwhile, the Company sought to revitalize the market, participating in “Curry Action Nippon”, a campaign linked to local production for local consumption activities, and carry out promotions, including promotions tied up with movies. However, sluggish sales of the mainstay products in the summer as a result of extreme heat and the sale of the mineral water business in May last year contributed to a year-on-year decline of 1.8% in consolidated sales, to 216,713 million yen in the fiscal year under review.

Looking at income, although the Company invested heavily in growth fields, continued efforts to cut costs and strengthening of the revenue base of health food resulted in a year-on-year rise of 10.1% in consolidated operating income, to 12,069 million yen and an increase of 6.9% in consolidated ordinary income, to 13,031 million yen. Despite extraordinary losses, including the earthquake-related expenses and a loss on valuation of investment securities, consolidated net income increased 9.0% year on year, to 5,252 million yen.

The Group has been giving aid to earthquake victims. In collaboration with the Earthquake Response Headquarters of the Ministry of Agriculture, Forestry and Fisheries, the Group provided products of it as relief supplies for earthquake victims.

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	128,590	99.9	11,540	100.5
Health Food Business	49,605	103.8	199	–
International Business	10,521	105.2	350	83.8
Transport and Other Businesses	27,997	82.0	(16)	–
Reportable segments total	216,713	98.2	12,073	110.4

* Figures in the consolidated operating income (segment margin) column are figures before elimination of inter-segment transactions of 4 million yen.

* The reportable segments have changed. Previously there were two segments: Foods, and Transport and Warehouse Operations. Starting the fiscal year under review, there are four reportable segments: Spice / Seasoning / Prepared Food Business, Health Food Business, International Business, and Transport and Other Businesses.

Spice / Seasoning / Prepared Food Business

Sales of curry products were affected by decreases in the frequency of cooking at home because of extreme heat in the summer, but the Group strove to revitalize the market through activities by area linked to local production and local consumption activities and campaigns. As a result, sales of key curry roux products such as *Vermont Curry* and *Java Curry* were mostly on a par with the year-ago level. The Group renewed *Kokumaro Curry*, which faced intensifying competition from low-priced products, and *The Curry*, a high-end curry roux product, in February this year to enhance brand value. Of retort pouched curry products, sales of *Curry Ya Curry* remained unchanged from a year ago despite a reaction to demand for stocks associated with a flu epidemic in the previous fiscal year.

Revenues from spice products were strong as *Neri Spice*, for which a new manufacturing method has been introduced, sold well, and customers continued to respond favorably to *Yofu Spice*.

Sales of stew products were solid overall. Demand was affected by extreme heat that continued until early autumn, when stew products begin to sell. The Group subsequently ran campaigns at year-end and New Year. As a consequence, *Fu Fu Stew*, a new product which has the sweetness of vegetables, steadily established its position in the market, although sales of *Stew Mix* and *Kokumaro Stew* declined from a year ago.

A cup-type soup product, *Soup De Okoge*, struggled in a challenging market environment.

Of dessert products, sales of the long-selling *Fruiche* increased, reflecting the launch of varieties and promotions.

As a result, sales in the spice / seasoning / prepared food business declined 0.1% year on year, to 128,590 million yen, and operating income increased 0.5% year on year, to 11,540 million yen.

Health Food Business

In the health food business, to expand the targets of the *Ukon No Chikara* series, which has been steadily winning market support, the Group focused on developing sales channels and launched *Ukon No Chikara Morning Rescue*, ideal for quick morning hydration, and *Ukon No Chikara Karyu Super*, a granular, stick-type product that is easy to drink. Sales of *Megashaki*, a new, spicy functional drink, increased, reflecting promotions targeting rest areas on expressways and students preparing for exams. As a result, overall sales were higher than the year-ago results.

The health food business of House Wellness Foods Corporation, a subsidiary, achieved a year-on-year increase in sales through the launch of *C1000 Vitamin Lemon Collagen*, a variety product in the *C1000 Vitamin Lemon* series, and strong sales of *C1000 Refresh Time*, which was renewed.

In the direct retail business, efforts were made through a range of media to expand points of contact with customers for *Nutrisystem J-Diet*, a weight-loss program that combines products and user support. The result, however, fell short of the target.

As a consequence, sales in the health food business increased 3.8% year on year, to 49,605 million yen, and operating income stood at 199 million yen.

International Business

Sales in the soybean business in the United States increased, reflecting new sales channels for tofu products, especially in the east, and ongoing sales promotions, including the proposal of menus using tofu that would be well received in the US market.

In the processed food business in China, the Group reviewed a joint venture there in February last year and launched a united corporate brand by integrating the curry roux business, which has been developed primarily by

the Company, with the retort business. The integration produced synergies. Meanwhile, the Company took action to boost the profile of Japanese curry through sales promotions using an Olympic athlete. Consequently, sales in the business rose sharply from a year ago.

In the curry restaurant business, sales rose steadily in the United States, where the economy was recovering. Restaurants in China continued to be popular. The Group opened new restaurants in Taiwan and South Korea. Sales in this business rose, and the business moved into the black in each country.

As a consequence, yen-based sales in the international business increased 5.2% year on year, to 10,521 million yen, and operating income fell 16.2%, to 350 million yen.

Transport and Other Businesses

Sales in the transport and warehouse business of House Logistics Service Corporation, a subsidiary of the Company, increased from the year-ago level thanks to the expansion of logistics operations commissioned by companies outside the Group, which offset the effect of the transfer of the Company's mineral water business.

The business of *Rokko No Oishii Mizu*, also included in this segment, experienced a significant contraction with the transfer of operations.

As a result, sales in the transport and other businesses were down 18.0% year on year, to 27,997 million yen, and operating income was 16 million yen.

(ii) Outlook for the Next Fiscal Year

Going forward, the economic outlook remains uncertain, reflecting concern over the effects of the unprecedented earthquake and the accident at the nuclear power plant, rising market prices of resources, and exchange rate fluctuations. In industries related to daily necessities, customers will be increasingly interested in cutting costs, and they will remain inclined towards selective purchases. In the environment, we expect that corporate earnings will be increasingly susceptible to changes in consumer confidence following the earthquake and surges in the prices of raw materials.

In the circumstances, the Group aspires to contribute in its modest way to the revitalization of the Japanese economy by fulfilling its role in society, that is, "bringing greater joy to families through our foods," as specified in its corporate philosophy.

In the domestic market, the Group will carry out promotions as a leading manufacturer to revitalize the market in its mainstay operations, including the curry, stew, and spice businesses. We will also strengthen our production facilities to increase the value of our products. We will seek to expand the health food business, including the business of the subsidiary House Wellness Foods Corporation, as a growth field. In overseas markets, we will introduce initiatives for the soybean business, which has been expanded particularly in Asian markets in the United States, to better penetrate local markets. Meanwhile, we will strive to expand the processed food business in China and the restaurant business in the United States and Asia. We will also develop new markets, especially in Southeast Asia where market growth is likely.

As a result, for the next fiscal year, we expect consolidated net sales of 217,000 million yen (a year-on-year increase of 0.1%), consolidated operating income of 13,000 million yen (a year-on-year increase of 7.7%), consolidated ordinary income of 14,300 million yen (a year-on-year increase of 9.7%), and consolidated net income of 8,400 million yen (a year-on-year increase of 59.9%).

(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 fall 3,116 million yen from a year earlier, to 228,810 million yen. Current assets stood at 99,644 million yen, a decrease of 2,863 million yen compared to the previous consolidated fiscal year. Noncurrent assets were 129,166 million yen a year-on-year decrease of 254 million yen.

The main factors in the decrease in current assets include a 2,898 million yen decrease in short-term investment securities due to bond redemption and other factors.

The main factor for the fall in noncurrent assets was decreases of 13,798 million yen in property, plant and equipment and intangible assets because of the sale of the mineral water business and depreciation, which offset an increase of 13,544 million yen in investments and other assets through acquisitions of bonds and shares, and other factors.

Total liabilities at the end of the consolidated fiscal year under review were 47,512 million yen, a decrease of 1,787 million yen compared to the previous consolidated fiscal year. Current liabilities were down 1,520 million yen from a year earlier to 37,755 million yen, and noncurrent liabilities were 9,757 million yen, a year-on-year decrease of 266 million yen.

The main factor in the decrease in current liabilities was a decrease of 1,161 million yen in notes and accounts payable-trade.

The principal component in the decrease in noncurrent liabilities was a fall of 245 million yen in lease obligations. Net assets at the end of the consolidated fiscal year under review stood at 181,298 million yen, a decrease of 1,330 million yen compared to the previous consolidated fiscal year. This was primarily attributable to a decrease of 2,468 million yen in retained earnings reflecting the retirement of treasury stock.

As a result, the equity ratio at the end of the consolidated fiscal year under review stood at 79.1%, compared with 78.6% for the previous term, and net assets per share were 1,694.59 yen, compared with 1,660.57 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 18,568 million yen, net cash used in investing activities, including the purchase of property, plant and equipment amounted to 10,228 million yen, and net cash used in financing activities including purchase of treasury stock and cash dividends paid was 6,466 million yen. As a result, cash and cash equivalents at the end of the consolidated fiscal year under review stood at 46,091 million yen, an increase of 1,521 million yen compared with the balance at beginning of 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 18,568 million yen, an increase of 2,755 million yen from the previous consolidated fiscal year. Key factors included 9,581 million yen in income before income taxes and minority interests and 5,704 million yen in depreciation and amortization.

The increase in comparison to the previous consolidated fiscal year is mainly attributable to a reduction in the

decrease in notes and accounts payable-trade (a year-on-year decrease of 786 million yen) and an increase in the loss on valuation of investment securities (a year-on-year increase of 742 million yen).

(Cash flows from investing activities)

Cash used in investing activities during the consolidated fiscal year under review was 10,228 million yen, which was 99 million yen higher than cash used in the previous consolidated fiscal year. Key factors included the purchase of investment securities of 16,987 million yen.

The primary factors for the increase in the outflow over the previous consolidated fiscal year were an increase in the purchase of investment securities including bonds and shares (a year-on-year rise of 5,541 million yen) and an increase in the proceeds from transfer of business (a year-on-year rise of 5,300 million yen).

(Cash flows from financing activities)

Cash used in financing activities during the consolidated fiscal year under review was 6,466 million yen, which was 3,695 million yen higher than cash used in the previous consolidated fiscal year. This figure is mainly attributable to purchase of treasury stock of 3,981 million yen, and cash dividends paid of 2,411 million yen.

The primary factor for the increase in the outflow over the previous consolidated fiscal year is an increase in purchase of treasury stock (a year-on-year rise of 3,977 million yen).

(Million yen)

	Year ended March 31, 2010	Year ended March 31, 2011	Year-on-year change
Net cash provided by (used in) operating activities	15,813	18,568	2,755
Net cash provided by (used in) investing activities	(10,129)	(10,228)	(99)
Net cash provided by (used in) financing activities	(2,771)	(6,466)	(3,695)
Effect of exchange rate changes on cash and cash equivalents	(23)	(353)	(330)
Net increase (decrease) in cash and cash equivalents	2,891	1,521	(1,370)
Cash and cash equivalents at beginning of period	41,680	44,570	2,891
Cash and cash equivalents at end of period	44,570	46,091	1,521

Cash flow indicators for the Group are as follows:

	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011
Equity ratio (%)	76.0	78.8	78.1	78.6	79.1
Equity ratio (market value basis) (%)	90.0	71.3	65.8	64.3	63.5
Cash flow/interest bearing liabilities ratio (%)	5.5	10.0	37.0	37.6	30.1
Interest coverage ratio (times)	1,114.9	295.5	397.1	383.2	517.3

(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 Years

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

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

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

The Company acquired 3,000,000 shares of treasury stock by resolution of a meeting of the Board of Directors held on October 29, 2010, and wrote off 4,113,312 shares of treasury stock on December 28, 2010. As a result, the number of shares issued became 106,765,422.

For the consolidated fiscal year under review, the Company plans to pay a year-end dividend of 11 yen per share. Together with the interim dividend of 11 yen, the dividend for the consolidated fiscal year under review will be 22 yen per share.

For next fiscal year (ending March 31, 2012), the Company again expects to pay a dividend of 22 yen per share (including an interim dividend of 11 yen).

(4) Business and Other Risks

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

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

(i) Food Safety Issues

Consumer demand for quality has increased in the food industry. In response, the Company is taking steps to strengthen its quality assurance system, centered on the Product Quality Assurance Division, which is dedicated exclusively to product quality assurance. In particular, the Company has constructed a traceability mechanism. 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 products of the Group 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 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 strengthening its risk management system, based on the assumption of greater direct damage.

(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) 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.

(v) 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.

(vi) 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.

(vii) Risks in Overseas Businesses

The Group manufactures and sells tofu, curry roux, and retort pouched curry products and operates curry restaurant chains in the United States, China, Taiwan, and South Korea. 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.

2. Corporate Group

The Company's corporate group consists of the Company, 16 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 such as curry roux 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.

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.

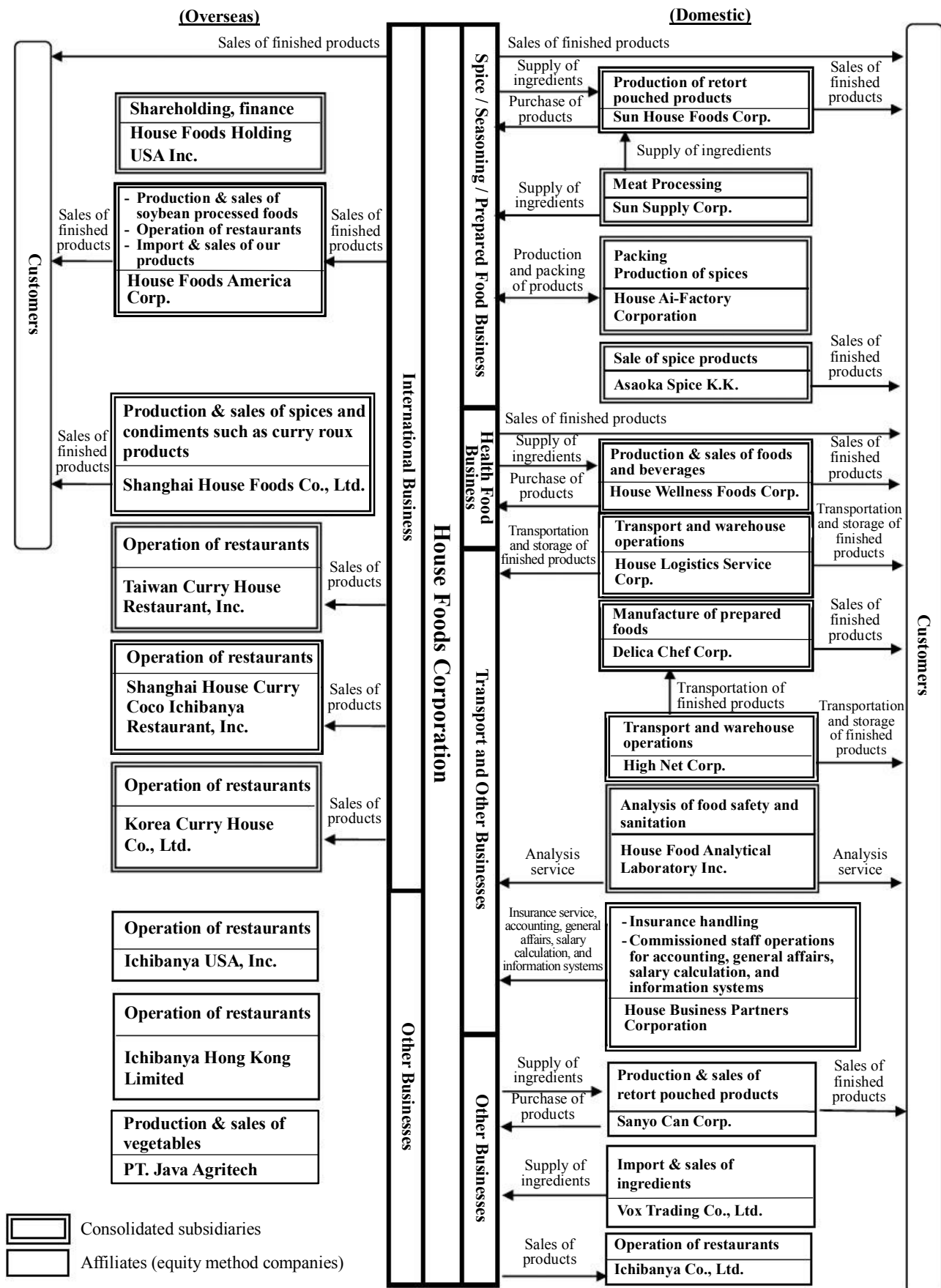
A subsidiary, House Food Analytical Laboratory Inc. conducts analysis on food safety and sanitation, while another subsidiary, House Business Partners Corporation handles insurance and is commissioned by the Company to handle staff operations for accounting, general affairs, salary calculation, and information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

Aiming to "create new value with health and taste," the Group launched its three-year Medium-term Business Plan by clarifying the directions for each of our businesses and the distribution of our management resources. Since then, it has been executing specific action plans so that it can achieve its targets.

The Group introduced its Third Medium-term Business Plan in April 2009. In this latest plan, we summarized important factors for achieving our goal into three points: (i) Reconstructing and achieving the Group's scenario for growth in its business strategies; (ii) Strengthening the corporate culture both in human resources and organizations; and, (iii) Clarifying resource distribution for business and internal resources. We intend to pursue specific action plans using these points as our guiding principles.

(i) Reconstructing and achieving the Group's scenario for growth in its business strategies

In our business strategies, we have identified growth businesses in areas where market expansion is anticipated as "growth drivers," and the specialty businesses that will be operated to maintain and increase the Group's profitability as "profitability drivers." The Group has clarified the role and function of each business area and has developed a new scenario for growth. Specifically, the Group has identified the health food business, the direct retail (mail order) business, and the overseas business as its growth drivers, and it aims to expand these businesses through concentrated investment. On the other hand, the Group has identified the spice / seasoning / prepared food business and the commercial product business as profitability drivers, helping these businesses evolve.

In addition, the Group plans to improve its cost competitiveness and upgrade its capabilities in product development and business development to create new value. This is designed to enable the Group to respond effectively to potential raw material procurement risks and soaring raw material prices, both of which will potentially add pressure to profitability.

(ii) Strengthening the corporate culture both in human resources and organizations

The Company aims to enhance its Group management by classifying the organization's functions required for the Group management into four, clarifying the roles of each function, and the strengthening them individually. The four functions are as follows: 1) business performance function, 2) Group business support function, 3) Group governance function, and 4) Group management strategy function.

(iii) Clarifying resource distribution for business and internal resources

The Group intends to focus the cash flows and other resources generated during the period of the Third Medium-term Business Plan on investing in areas that can serve as business growth drivers, so that it can expand sales and profits.

With respect to management indices, the Company aims to improve the ratio of operating income to sales (ROS) and return on equity (ROE) by refining the focus of its management resource allocation.

(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. In this way we seek to further upgrade our quality assurance system.

(ii) Cost Competitiveness

Taking into consideration the cost burden on customers and viewing cost-cutting as necessary to enhance competitiveness, we will strengthen our cost competitiveness by reexamining systems and functions at all departments related to development, procurement, production, logistics, and sales, and by harnessing the resources of the Group to centralize and streamline indirect operations and fully benefit from any synergies.

(iii) Corporate Social Responsibility

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

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

(iv) 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 construct and operate governance systems for risk management, compliance, and other areas, to improve our corporate value and achieve sustainable development.

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.

(v) Overseas Operations

As the domestic market matures, the Group views global operations as vital for growth and is expanding its operations overseas.

The Group is developing operations in the United States, China, and other regions and is exploring potential operations in markets in Southeast Asia, which are expected to grow. The Group will focus on investing management resources in the area and will thus seek to develop new markets.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	Previous fiscal year (As of March 31, 2010)	Fiscal year under review (As of March 31, 2011)
Assets		
Current assets		
Cash and deposits	17,914	19,066
Notes and accounts receivable–trade	38,039	37,967
Short-term investment securities	31,803	28,905
Merchandise and finished goods	6,477	5,635
Work in process	966	950
Raw materials and supplies	2,939	2,692
Deferred tax assets	2,769	2,889
Other	1,604	1,544
Allowance for doubtful accounts	(3)	(4)
Total current assets	102,507	99,644
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	20,387	17,560
Machinery, equipment and vehicles, net	9,000	6,732
Land	27,007	24,102
Lease assets, net	4,876	4,623
Construction in progress	624	122
Other, net	913	721
Total property, plant and equipment	62,808	53,860
Intangible assets		
Goodwill	6,190	2,067
Software	2,694	2,276
Software in progress	298	8
Other	229	211
Total intangible assets	9,411	4,562
Investments and other assets		
Investment securities	46,394	60,225
Long-term loans receivable	280	259
Deferred tax assets	365	358
Long-term time deposits	2,100	3,118
Prepaid pension cost	5,581	4,535
Other	2,723	2,494
Allowance for doubtful accounts	(242)	(245)
Total investments and other assets	57,201	70,745
Total noncurrent assets	129,420	129,166
Total assets	231,927	228,810

(Million yen)

	Previous fiscal year (As of March 31, 2010)	Fiscal year under review (As of March 31, 2011)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	18,989	17,828
Short-term loans payable	592	577
Lease obligations	353	362
Accounts payable–other	12,505	12,147
Income taxes payable	2,592	2,285
Provision for directors’ bonuses	77	80
Provision for loss on guarantees	92	–
Other	4,075	4,476
Total current liabilities	39,276	37,755
Noncurrent liabilities		
Lease obligations	4,506	4,262
Long-term accounts payable–other	663	652
Deferred tax liabilities	2,258	2,432
Provision for retirement benefits	2,028	1,716
Provision for directors’ retirement benefits	26	–
Asset retirement obligations	–	281
Other	542	416
Total noncurrent liabilities	10,023	9,757
Total liabilities	49,299	47,512
Net assets		
Shareholders’ equity		
Capital stock	9,948	9,948
Capital surplus	23,868	23,868
Retained earnings	148,494	146,026
Treasury stock	(1,326)	(2)
Total shareholders’ equity	180,985	179,841
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	2,582	2,836
Foreign currency translation adjustment	(1,292)	(1,756)
Total other accumulated comprehensive income	1,290	1,080
Minority interests	353	377
Total net assets	182,628	181,298
Total liabilities and net assets	231,927	228,810

(2) Consolidated Statements of Income and Comprehensive Income

(Million yen)

	Previous fiscal year (April 1, 2009 – March 31, 2010)	Fiscal year under review (April 1, 2010 – March 31, 2011)
Net sales	220,622	216,713
Cost of sales	118,622	116,324
Gross profit	102,000	100,388
Selling, general and administrative expenses		
Advertising expenses	12,324	11,369
Transportation and warehousing expenses	6,367	6,149
Sales commission	4,876	4,531
Promotion expenses	31,010	30,021
Salaries, allowances and bonuses	12,191	12,453
Provision for directors' bonuses	77	90
Provision for directors' retirement benefits	16	–
Depreciation	1,216	1,273
Amortization of goodwill	4,121	4,121
Rent expenses	1,372	1,366
Experiment and research expenses	3,897	3,733
Other	13,568	13,213
Total selling, general and administrative expenses	91,036	88,319
Operating income	10,964	12,069
Non-operating income		
Interest income	326	402
Dividends income	431	494
Equity in earnings of affiliates	294	350
Other	270	247
Total non-operating income	1,321	1,493
Non-operating expenses		
Interest expenses	44	35
Foreign exchange losses	12	400
Other	41	97
Total non-operating expenses	97	531
Ordinary income	12,187	13,031

(Million yen)

	Previous fiscal year (April 1, 2009 – March 31, 2010)	Fiscal year under review (April 1, 2010 – March 31, 2011)
Extraordinary income		
Gain on sales of noncurrent assets	55	30
Gain on sales of investment securities	–	7
Gain on compensation for transfer	210	–
Gain on change in equity	–	51
Reversal of provision for loss on guarantees	–	92
Other	13	11
Total extraordinary income	278	191
Extraordinary loss		
Loss on sales of noncurrent assets	20	48
Loss on retirement of noncurrent assets	332	284
Loss on valuation of investment securities	799	1,541
Loss on valuation of membership	60	11
Impairment loss	349	982
Provision for loss on guarantees	92	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	177
Loss on disaster	–	516
Other	172	82
Total extraordinary loss	1,825	3,641
Income before income taxes	10,640	9,581
Income taxes-current	4,919	4,730
Income taxes-deferred	878	(305)
Total income taxes	5,796	4,425
Income before minority interests	–	5,156
Minority interests in income (loss)	24	(96)
Net income	4,820	5,252
Minority interests in income (loss)	–	(96)
Income before minority interests	–	5,156
Other comprehensive income		
Valuation difference on available-for-sale securities	–	268
Foreign currency translation adjustment	–	(495)
Share of other comprehensive income of associates accounted for using equity method	–	(11)
Total other comprehensive income	–	(238)
Comprehensive income	–	4,918
(Breakdown)		
Comprehensive income attributable to owners of the parent	–	5,042
Comprehensive income attributable to minority interests	–	(124)

(3) Consolidated Statements of Changes in Net Assets

(Million yen)

	Previous fiscal year (April 1, 2009 – March 31, 2010)	Fiscal year under review (April 1, 2010 – March 31, 2011)
Shareholders' equity		
Capital stock		
Balance at end of previous period	9,948	9,948
Changes of items during the period		
Total changes of items during the period	–	–
Balance at end of the period	9,948	9,948
Capital surplus		
Balance at end of previous period	23,868	23,868
Changes of items during the period		
Total changes of items during the period	–	–
Balance at end of the period	23,868	23,868
Retained earnings		
Balance at end of previous period	146,107	148,494
Changes of items during the period		
Dividends from surplus	(2,415)	(2,415)
Net income	4,820	5,252
Retirement of treasury stock	–	(5,305)
Other	(17)	–
Total changes of items during the period	2,387	(2,468)
Balance at end of the period	148,494	146,026
Treasury stock		
Balance at end of previous period	(1,322)	(1,326)
Changes of items during the period		
Purchase of treasury stock	(4)	(3,981)
Retirement of treasury stock	–	5,305
Total changes of items during the period	(4)	1,324
Balance at end of the period	(1,326)	(2)
Total shareholders' equity		
Balance at end of previous period	178,602	180,985
Changes of items during the period		
Dividends from surplus	(2,415)	(2,415)
Net income	4,820	5,252
Purchase of treasury stock	(4)	(3,981)
Retirement of treasury stock	–	–
Other	(17)	–
Total changes of items during the period	2,383	(1,144)
Balance at end of the period	180,985	179,841

(Million yen)

	Previous fiscal year (April 1, 2009 – March 31, 2010)	Fiscal year under review (April 1, 2010 – March 31, 2011)
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities		
Balance at end of previous period	941	2,582
Changes of items during the period		
Net changes of items other than shareholders' equity	1,641	254
Total changes of items during the period	1,641	254
Balance at end of the period	2,582	2,836
Foreign currency translation adjustment		
Balance at end of previous period	(1,347)	(1,292)
Changes of items during the period		
Net changes of items other than shareholders' equity	56	(464)
Total changes of items during the period	56	(464)
Balance at end of the period	(1,292)	(1,756)
Total other accumulated comprehensive income		
Balance at end of previous period	(406)	1,290
Changes of items during the period		
Net changes of items other than shareholders' equity	1,697	(210)
Total changes of items during the period	1,697	(210)
Balance at end of the period	1,290	1,080
Minority interests		
Balance at end of previous period	326	353
Changes of items during the period		
Net changes of items other than shareholders' equity	26	24
Total changes of items during the period	26	24
Balance at end of the period	353	377
Total net assets		
Balance at end of previous period	178,522	182,628
Changes of items during the period		
Dividends from surplus	(2,415)	(2,415)
Net income	4,820	5,252
Purchase of treasury stock	(4)	(3,981)
Retirement of treasury stock	–	–
Other	(17)	–
Net changes of items other than shareholders' equity	1,723	(186)
Total changes of items during the period	4,106	(1,330)
Balance at end of the period	182,628	181,298

(4) Consolidated Statements of Cash Flows

(Million yen)

	Previous fiscal year (April 1, 2009 – March 31, 2010)	Fiscal year under review (April 1, 2010 – March 31, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes	10,640	9,581
Depreciation and amortization	6,102	5,704
Amortization of goodwill	4,121	4,121
Impairment loss	349	982
Bad debts expenses	3	–
Equity in (earnings) losses of affiliates	(294)	(350)
Loss (gain) on valuation of investment securities	799	1,541
Loss on valuation of membership	60	11
Increase (decrease) in allowance for doubtful accounts	43	3
Increase (decrease) in provision for directors' bonuses	(2)	2
Increase (decrease) in provision for directors' retirement benefits	(12)	(26)
Increase (decrease) in provision for retirement benefits	(376)	(312)
Interest and dividends income	(757)	(896)
Interest expenses	44	35
Foreign exchange losses (gains)	53	153
Loss (gain) on sales of investment securities	–	(7)
Loss (gain) on sales of membership	4	–
Loss (gain) on sales of noncurrent assets	(35)	18
Loss on retirement of noncurrent assets	332	284
Decrease (increase) in notes and accounts receivable-trade	479	(2)
Decrease (increase) in inventories	947	1,072
Increase (decrease) in notes and accounts payable-trade	(1,173)	(387)
Increase (decrease) in accounts payable-bonuses	(47)	69
Decrease (increase) in other assets	(349)	1,115
Increase (decrease) in other liabilities	(470)	(64)
Subtotal	20,464	22,647
Interest and dividends income received	840	973
Interest expenses paid	(41)	(36)
Income taxes paid	(5,449)	(5,017)
Net cash provided by (used in) operating activities	15,813	18,568

(Million yen)

	Previous fiscal year (April 1, 2009 – March 31, 2010)	Fiscal year under review (April 1, 2010 – March 31, 2011)
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	60	1,112
Payments into time deposits	(512)	(1,964)
Purchase of short-term investment securities	(1,899)	–
Proceeds from sales of short-term investment securities	4,200	4,600
Purchase of property, plant and equipment	(3,328)	(2,747)
Proceeds from sales of property, plant and equipment	100	53
Purchase of intangible assets	(724)	(467)
Purchase of investment securities	(11,447)	(16,987)
Proceeds from sales of investment securities	3,600	1,008
Proceeds from sales of membership	13	–
Purchase of investments in capital of subsidiaries	–	(60)
Purchase of stocks of subsidiaries and affiliates	(156)	(75)
Proceeds from transfer of business	–	5,300
Payments of loans receivable	(35)	–
Net cash provided by (used in) investing activities	(10,129)	(10,228)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	2,704	1,541
Decrease in short-term loans payable	(2,704)	(1,506)
Repayments of lease obligations	(356)	(366)
Purchase of treasury stock	(4)	(3,981)
Cash dividends paid	(2,411)	(2,411)
Proceeds from stock issuance to minority shareholders	–	257
Cash dividends paid to minority shareholders	(0)	(0)
Net cash provided by (used in) financing activities	(2,771)	(6,466)
Effect of exchange rate change on cash and cash equivalents	(23)	(353)
Net increase (decrease) in cash and cash equivalents	2,891	1,521
Cash and cash equivalents at beginning of period	41,680	44,570
Cash and cash equivalents at end of period	44,570	46,091

(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 16 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.

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

Ichibanya Hong Kong Limited became an equity method affiliate in the fiscal year under review with the acquisition of an equity stake by the Company.

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. is the last day of December. The book-closing date for Asaoka Spice K.K. is the last day of February. 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 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.

c. 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.

(iv) 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.

(v) Matters concerning amortization of goodwill

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

(vi) 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.

(vii) Accounting method for consumption taxes

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

(7) Changes in Basic Important Matters for the Preparation of Consolidated Financial Statements (Changes in Accounting Policies)

The “Accounting Standards for Asset Retirement Obligations (Accounting Standards Board of Japan (ASBJ) Statement No. 18 on March 31, 2008)” and the “Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21 on March 31, 2008)” were applied from the fiscal year under review.

As a result of the applications, operating income and ordinary income decreased 11 million yen and income before income taxes declined 188 million yen during the fiscal year under review.

(Changes in Presentation)

With the application of the “Cabinet Office Ordinance Revising the Regulations on Financial Statements (Cabinet Office Ordinance No. 5 on March 24, 2009) under the “Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 on December 26, 2008),” the account item “Income before minority interests” was included from the fiscal year under review.

(8) 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 14 million yen to guarantee the monetary debt of trading partners.

2. Accumulated depreciation of property, plant and equipment

Previous consolidated fiscal year	111,901 million yen
Consolidated fiscal year under review	107,852 million yen

3. Contingent liabilities

Guarantee obligation to the housing loans of the Company employees	
Previous consolidated fiscal year	14 million yen
Consolidated fiscal year under review	11 million yen
Guarantee obligation to the monetary debt of trading partners	
Previous consolidated fiscal year	4 million yen
Consolidated fiscal year under review	5 million yen

(Notes to Consolidated Statements of Income and Comprehensive Income)

1. Impairment loss

The House Foods Group recognized impairment loss (982 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 Kanto Factory	Facilities to manufacture processed foods	Machinery and equipment, others	679
House Foods Corporation Higashi-Osaka Factory	Facilities to manufacture spices	Buildings, others	87
House Foods Corporation	Idle properties, others	Buildings, machinery and equipment, software, others	215

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.

2. Comprehensive income

Consolidated fiscal year under review (April 1, 2010 – March 31, 2011)

Comprehensive income in the previous fiscal year

Comprehensive income attributable to owners of the parent	6,516 million yen
Comprehensive income attributable to minority interests	34 million yen
Total	6,551 million yen

Other comprehensive income in the previous fiscal year

Valuation difference on available-for-sale securities	1,655 million yen
Foreign currency translation adjustment	63 million yen
Share of other comprehensive income of associates accounted for using equity method	-11 million yen
Total	1,707 million yen

(Additional Information)

The “Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25 on June 30, 2010)” was applied from the fiscal year under review. The amounts of “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” for the previous fiscal year are the amounts of “Valuation and translation adjustments” and “Total valuation and translation adjustments” respectively for the previous fiscal year.

(Notes to Consolidated Statements of Changes in Net Assets)

Previous consolidated fiscal year (April 1, 2009 – March 31, 2010)

1. Matters relating to outstanding shares

Types of shares	At end of fiscal year ended March 31, 2009 (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	At end of fiscal year ended March 31, 2010 (thousand shares)
Common stock	110,879	–	–	110,879

2. Matters relating to treasury stock

Types of shares	At end of fiscal year ended March 31, 2009 (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	At end of fiscal year ended March 31, 2010 (thousand shares)
Common stock	1,109	3	–	1,112

(Reason for the change)

Breakdown of Increase is as follows.

Increase due to purchases of fractional shares: 3 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, 2009	Common stock	1,207	11	March 31, 2009	June 26, 2009
Meeting of the Board, October 30, 2009	Common stock	1,207	11	September 30, 2009	December 10, 2009

(ii) Dividends with a record date that falls during the fiscal year ended March 31, 2009 but an effective date that falls fiscal year ended March 31, 2010

Resolution	Type of shares	Source of dividends	Total dividends paid (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary shareholders' meeting, June 25, 2010	Common stock	Retained earnings	1,207	11	March 31, 2010	June 28, 2010

Consolidated fiscal year under review (April 1, 2010 – March 31, 2011)

1. Matters relating to outstanding shares

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

2. Matters relating to treasury stock

Types of shares	At end of previous consolidated fiscal year (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	At end of consolidated fiscal year under review (thousand shares)
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

(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	19,066
Short-term investment securities	28,905
Total	47,971
Time deposit account with maturity over three months	(375)
Securities other than negotiable certificates of deposit and the like	(1,505)
Cash and cash equivalents	46,091

(Lease Transactions)

Previous consolidated fiscal year (April 1, 2009 – March 31, 2010)

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	209	308
Machinery, equipment and vehicles	654	393	261
Other (tools, furniture and fixtures)	399	283	115
Total	1,570	886	685

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

(Million yen)

Due within one year	199
Due after one year	485
Total	685

(iii) Lease payment and equivalent to accumulated depreciation

(Million yen)

Lease payment	330
Equivalent to accumulated depreciation	330

(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	124
Due after one year	1,003
Total	1,127

Consolidated fiscal year under review (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

(Matters Relating to Securities)

Previous consolidated fiscal year (as of March 31, 2010)

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	1,404	1,409	5
	(3) Others	3,238	3,273	34
	Subtotal	4,642	4,682	40
Securities with market value not exceeding consolidated balance sheet value	(1) Government and municipal bonds, etc.	–	–	–
	(2) Corporate bonds	–	–	–
	(3) Others	7,530	7,378	(152)
	Subtotal	7,530	7,378	(152)
Total		12,172	12,060	(112)

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	18,853	12,527	6,326
	(2) Bonds	4,944	4,900	44
	Government and municipal bonds, etc.	1,010	1,000	10
	Corporate bonds	2,914	2,898	16
	Others	1,020	1,002	18
	(3) Others	–	–	–
	Subtotal	23,798	17,427	6,371
Securities with market value not exceeding consolidated balance sheet value	(1) Stocks	7,592	9,617	(2,025)
	(2) Bonds	2,730	2,738	(8)
	Government and municipal bonds, etc.	–	–	–
	Corporate bonds	1,632	1,638	(6)
	Others	1,098	1,100	(2)
	(3) Others	–	–	–
	Subtotal	10,322	12,354	(2,033)
Total		34,119	29,781	4,338

(Note) Unlisted shares (consolidated balance sheet value: 654 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: 27,200 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. Marketable securities impaired

The acquisition cost of “2. Other marketable securities” are book values after impairment charges. As a result of impairment charges, a loss on valuation of investment securities of 799 million yen and a loss on valuation of membership of 6 million yen were posted in the fiscal year under review.

Consolidated fiscal year under review (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

The acquisition cost of “2. Other marketable securities” are book values after impairment charges. As a result of impairment charges, a loss on valuation of investment securities of 1,541 million yen and a loss on valuation of membership of 5 million yen were posted in the fiscal year under review.

(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), a qualified pension system, and a retirement lump-sum grants system.

At the end of the consolidated fiscal year under review, defined benefit corporate pension plans (fund-type and contract-type) had been adopted by four companies, retirement lump-sum grants system had been adopted by six companies, and a qualified pension system had been adopted by one company.

2. Matters relating to projected benefit obligations

(Million yen)

	Previous consolidated fiscal year	Consolidated fiscal year under review
a. Projected benefit obligations	(44,161)	(48,560)
b. Pension assets	43,103	43,304
c. Unfunded obligations for retirement and severance benefits ((a) + (b))	(1,058)	(5,256)
d. Unrecognized actuarial gain or loss	4,903	8,221
e. Unrecognized prior service cost	(292)	(146)
f. Net accrued retirement benefits reflected in consolidated balance sheets ((c) + (d) + (e))	3,553	2,819
g. Prepaid pension cost	5,581	4,535
h. Allowance for retirement benefits ((f) - (g))	(2,028)	(1,716)

(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	1,568	1,655
b. Interest cost	1,010	1,039
c. Expected return on pension assets	(682)	(823)
d. Recognized actuarial gain or loss	1,818	1,489
e. Amortization of prior service cost	(146)	(165)
f. Net retirement benefit costs ((a) + (b) + (c) + (d) + (e))	3,569	3,195

(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 2.5%	Primarily 2.0%
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	4,438	5,571
Impairment loss on noncurrent assets	1,128	1,201
Undefined amount of sales commission	1,211	1,186
Accrued bonuses	775	791
Provision for retirement benefits	857	725
Loss on valuation of investment securities	700	327
Long-term accounts payable-other	264	253
Enterprise tax payable	242	205
Loss on valuation of inventories	175	170
Amortization of goodwill	1,757	-
Others	985	808
Subtotal	12,531	11,237
Valuation allowance	(7,565)	(6,398)
Total deferred tax assets	4,967	4,839
Deferred tax liabilities		
Provision for retirement benefits	(2,271)	(1,845)
Valuation difference on available-for-sale securities	(1,726)	(2,075)
Others	(94)	(103)
Total deferred tax liabilities	(4,091)	(4,023)
Net total deferred tax assets (liabilities)	875	816

(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	2,769	2,889
Noncurrent assets - Deferred tax assets	365	358
Current liabilities - Other	0	0
Noncurrent liabilities - Deferred tax liabilities	2,258	2,432

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	2.85%
Non-taxable items such as dividends received	(0.76%)
Per capita inhabitant tax, etc.	0.92%
Tax credit for testing and research expenses	(2.54%)
Valuation allowance for deferred tax assets	(12.17%)
Amortization of goodwill	17.50%
Consolidation adjustments such as equity in earnings of affiliates	(0.40%)
Others	0.10%
Actual effective tax rate	46.19%

(Asset Retirement Obligations)

Consolidated fiscal year under review (as of March 31, 2011)

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)	278 million yen
Adjustment with the passing of time	<u>3 million yen</u>
Obligations at end of fiscal year	281 million yen

(Note) Obligations occurred at the beginning of the fiscal year under review with the application of the “Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18 on March 31, 2008)” and the “Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21 on March 31, 2008)”

(Segment Information)**Segment information by operating segment**

Previous consolidated fiscal year (April 1, 2009 – March 31, 2010)

(Million yen)

	Foods	Transport and Warehouse Operations	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income (loss)					
Net sales					
(1) Sales - outside customers	208,768	11,854	220,622	–	220,622
(2) Sales and transfer - inter-segment	2	13,118	13,119	(13,119)	–
Total	208,769	24,972	233,741	(13,119)	220,622
Operating expenses	194,394	24,402	218,797	(9,139)	209,658
Operating income	14,375	569	14,944	(3,981)	10,964
II. Assets, depreciation cost, impairment loss and capital expenditures					
Assets	258,934	12,268	271,202	(39,276)	231,927
Depreciation cost	5,431	671	6,102	–	6,102
Impairment loss	349	–	349	–	349
Capital expenditures	4,097	637	4,734	–	4,734

(Notes) 1. Operating segments are classified by product category and product similarity.

2. Major products by operating segment

(1) Foods: Food, beverages and restaurants

(2) Transport and Warehouse Operations: Transport and warehousing, etc.

3. Because all operating expenses are allocated to each operating segment, there are no undistributed operating expenses.

4. The food analysis business and insurance agency business, which were previously recognized in the “Other business” segment are included in the “Transport and Warehouse Operations” operating segment due to its minor significance.

Segment information by geographic area

Previous consolidated fiscal year (April 1, 2009, to March 31, 2010)

Since the domestic share of sales and assets both exceeds 90% in total sales and total assets, segment information by geographic area is omitted.

Overseas sales

Previous consolidated fiscal year (April 1, 2009, to March 31, 2010)

Overseas sales are omitted since they were less than 10% of consolidated net sales in each segment and not material.

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 Spice / Seasoning / Prepared Food Business segment manufactures and sells spices and seasoned and processed foods and food service products in Japan. The Health Food Business segment manufactures and sells health foods and operates direct retail (mail order) business in Japan. The International Business segment manufactures and sells tofu and other products and operates restaurants in other countries. It also exports and sells products such as spices and seasoned and processed foods. The Transport and Other Businesses segment operates transport and warehouse businesses, manufactures delicatessen products, operates a shared service business in accounting, employee affairs, information systems, and general affairs within the Group, and operates a food analysis business. The sales and income from the mineral water business, which was transferred on May 31, 2010, for the period between the first day of the consolidated fiscal year under review and the date of the sale are included in "Transport and Other Businesses."

3. Information on Amounts of Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment
Previous consolidated fiscal year (April 1, 2009 – March 31, 2010)

(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	128,688	47,795	10,004	34,135	220,622	–	220,622
Sales and transfer – inter-segment	0	1	–	11,298	11,300	–	11,300
Total	128,688	47,796	10,004	45,433	231,921	–	231,921
Segment profit	11,482	(640)	418	(323)	10,937	–	10,937
Segment assets	66,775	32,605	9,100	18,078	126,558	–	126,558
Segment liabilities	–	–	–	–	–	–	–
Other items							
Depreciation and amortization	3,180	929	607	1,385	6,102	–	6,102
Increase in property, plant and equipment, and intangible assets	2,620	561	650	903	4,734	–	4,734

Consolidated fiscal year under review (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	11,540	199	350	(16)	12,073	–	12,073
Segment assets	62,656	27,138	8,823	11,855	110,472	–	110,472
Segment liabilities	–	–	–	–	–	–	–
Other items							
Depreciation and amortization	3,325	916	518	945	5,704	–	5,704
Increase in property, plant and equipment, and intangible assets	1,505	613	434	402	2,954	–	2,954

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	231,921	228,463
Sales in the “Other” segment	–	–
Elimination of inter-segment transactions	(11,300)	(11,751)
Sales on consolidated financial statements	220,622	216,713

(Million yen)

Profit	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segments total	10,937	12,073
Profit in the “Other” segment	–	–
Elimination of inter-segment transactions	27	(4)
Operating income on consolidated financial statements	10,964	12,069

(Million yen)

Assets	Previous consolidated fiscal year	Consolidated fiscal year under review
Reportable segments total	126,558	110,472
Assets in the “Other” segment	–	–
Company-wide assets (Note)	105,368	118,338
Total assets on consolidated financial statements	231,927	228,810

(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	6,102	5,704	–	–	–	–	6,102	5,704
Increase in property, plant and equipment, and intangible assets	4,734	2,954	–	–	–	–	4,734	2,954

(Additional Information)

The “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17 on March 27, 2009)” and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20 on March 21, 2008)” were applied from the fiscal year under review.

[Related information]

Consolidated fiscal year under review (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

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

Consolidated fiscal year under review (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

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

Consolidated fiscal year under review (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

[Information on gain on negative goodwill by reported segment]

Consolidated fiscal year under review (April 1, 2010 – March 31, 2011)

Not applicable.

(Per Share Information)

(Yen)

	Previous consolidated fiscal year (April 1, 2009 – March 31, 2010)	Consolidated fiscal year under review (April 1, 2010 – March 31, 2011)
Net assets per share	1,660.57	1,694.59
Net income per share	43.91	48.40

(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, 2009 – March 31, 2010)	Consolidated fiscal year under review (April 1, 2010 – March 31, 2011)
	Million yen	Million yen
Net income	4,820	5,252
Amount not allocable to common shareholders	–	–
Net income available for common stock	4,820	5,252
	Thousand shares	Thousand shares
Weighted average number of shares of common stock outstanding during each period	109,768	108,516

(Important Subsequent Events)

Not applicable.

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Million yen)

	Previous fiscal year (As of March 31, 2010)	Fiscal year under review (As of March 31, 2011)
Assets		
Current assets		
Cash and deposits	15,488	16,946
Notes receivable-trade	24	51
Accounts receivable-trade	30,043	30,454
Short-term investment securities	31,102	28,905
Merchandise and finished goods	4,991	4,565
Work in process	867	844
Raw materials and supplies	1,984	1,875
Deferred tax assets	1,982	1,898
Other	1,702	1,841
Allowance for doubtful accounts	(3)	(4)
Total current assets	88,182	87,376
Noncurrent assets		
Property, plant and equipment		
Buildings, net	13,040	10,630
Structures, net	633	436
Machinery and equipment, net	5,983	4,054
Vehicles, net	44	27
Tools, furniture, and fixtures, net	518	371
Land	17,556	14,719
Lease assets, net	32	56
Construction in progress	311	30
Total property, plant and equipment	38,116	30,322
Intangible assets		
Leasehold right	6	6
Right of trademark	7	6
Telephone subscription right	45	44
Right of using facilities	0	0
Software	2,221	1,763
Software in progress	270	8
Total intangible assets	2,549	1,826
Investments and other assets		
Investment securities	42,148	55,734
Stocks of subsidiaries and affiliates	41,628	42,587
Investments in capital	39	39
Investments in capital of subsidiaries and affiliates	1,155	1,463
Long-term loans receivable from employees	7	5
Long-term loans receivable from subsidiaries and affiliates	3,450	2,505
Long-term prepaid expenses	216	37
Guarantee deposits	1,147	1,156
Long-term time deposits	2,000	3,018
Prepaid pension cost	5,581	4,535
Other	62	60
Allowance for doubtful accounts	(207)	(210)
Total investments and other assets	97,225	110,928
Total noncurrent assets	137,890	143,076
Total assets	226,072	230,452

(Million yen)

	Previous fiscal year (As of March 31, 2010)	Fiscal year under review (As of March 31, 2011)
Liabilities		
Current liabilities		
Notes payable-trade	2,158	1,339
Accounts payable-trade	10,803	11,363
Short-term loans payable to subsidiaries and affiliates	7,311	10,280
Lease obligations	9	15
Accounts payable-other	10,881	10,233
Accrued expenses	1,896	1,983
Income taxes payable	2,189	2,081
Deposits received	116	127
Provision for directors' bonuses	58	69
Provision for loss on guarantees	92	-
Other	394	596
Total current liabilities	35,908	38,085
Noncurrent liabilities		
Lease obligations	23	41
Long-term guarantee deposited	268	268
Long-term accounts payable-other	650	623
Deferred tax liabilities	2,254	2,427
Asset retirement obligations	-	51
Total noncurrent liabilities	3,196	3,411
Total liabilities	39,103	41,495
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	15,489	15,876
Total retained earnings	151,876	152,263
Treasury stock	(1,326)	(2)
Total Shareholders' equity	184,314	186,025
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,655	2,932
Total valuation and translation adjustments	2,655	2,932
Total net assets	186,968	188,957
Total liabilities and net assets	226,072	230,452

(2) Non-Consolidated Statements of Income

(Million yen)

	Previous fiscal year (April 1, 2009 – March 31, 2010)	Fiscal year under review (April 1, 2010 – March 31, 2011)
Net sales	161,680	155,136
Cost of sales		
Beginning merchandise and finished goods	5,748	4,991
Cost of purchased goods	22,254	21,332
Cost of products manufactured	55,406	53,470
Total	83,408	79,793
Transfer to other account	887	1,097
Ending merchandise and finished goods	4,991	4,565
Total cost of sales	77,530	74,131
Gross profit	84,150	81,005
Selling, general and administrative expenses		
Advertising expenses	10,919	10,092
Transportation and warehousing expenses	5,428	4,608
Sales commissions	4,876	4,531
Promotion expenses	25,440	23,424
Directors' compensation	239	243
Salaries, allowances and bonuses	8,251	8,318
Provision for directors' bonuses	58	69
Retirement benefit expenses	1,985	1,569
Welfare expenses	1,802	1,935
Travel and communication expenses	1,371	1,307
Depreciation	817	895
Rent expenses	1,144	1,125
Experiment and research expenses	3,312	3,185
Investigation expenses	857	842
Other	5,119	5,326
Total selling, general and administrative expenses	71,618	67,469
Operating income	12,532	13,536
Non-operating income		
Interest income	94	87
Interest on securities	274	364
Dividends income	1,020	1,461
Rent income	223	235
Other	210	190
Total non-operating income	1,822	2,337
Non-operating expenses		
Interest expenses	13	32
Rent expenses	77	79
Foreign exchange losses	64	205
Other	14	21
Total non-operating expenses	168	337
Ordinary income	14,186	15,536

(Million yen)

	Previous fiscal year (April 1, 2009 – March 31, 2010)	Fiscal year under review (April 1, 2010 – March 31, 2011)
Extraordinary income		
Gain on sales of noncurrent assets	15	29
Reversal of allowance for doubtful accounts	2	1
Gain on sales of investment securities	–	7
Reversal of provision for loss on guarantees	–	92
Other	–	4
Total extraordinary income	17	134
Extraordinary loss		
Loss on sales of noncurrent assets	18	45
Loss on retirement of noncurrent assets	188	207
Loss on valuation of investment securities	799	1,535
Loss on valuation of stocks of subsidiaries and affiliates	–	50
Loss on valuation of membership	60	6
Impairment loss	345	982
Provision for loss on guarantees	92	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	44
Loss on disaster	–	453
Other	74	4
Total extraordinary loss	1,576	3,327
Income before income taxes	12,627	12,344
Income taxes-current	4,383	4,311
Income taxes-deferred	618	(75)
Total income taxes	5,001	4,236
Net income	7,626	8,107

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

(Million yen)

	Previous fiscal year (April 1, 2009 – March 31, 2010)	Fiscal year under review (April 1, 2010 – March 31, 2011)
Shareholders' equity		
Capital stock		
Balance at end of previous period	9,948	9,948
Changes of items during the period		
Total changes of items during the period	–	–
Balance at end of the period	9,948	9,948
Capital surplus		
Legal capital surplus		
Balance at end of previous period	23,815	23,815
Changes of items during the period		
Total changes of items during the period	–	–
Balance at end of the period	23,815	23,815
Total capital surplus		
Balance at end of previous period	23,815	23,815
Changes of items during the period		
Total changes of items during the period	–	–
Balance at end of the period	23,815	23,815
Retained earnings		
Legal retained earnings		
Balance at end of previous period	2,487	2,487
Changes of items during the period		
Total changes of items during the period	–	–
Balance at end of the period	2,487	2,487
Other retained earnings		
General reserve		
Balance at end of previous period	133,900	133,900
Changes of items during the period		
Total changes of items during the period	–	–
Balance at end of the period	133,900	133,900
Retained earnings brought forward		
Balance at end of previous period	10,278	15,489
Changes of items during the period		
Dividends from surplus	(2,415)	(2,415)
Net income	7,626	8,107
Retirement of treasury stock	–	(5,305)
Total changes of items during the period	5,211	387
Balance at end of the period	15,489	15,876
Total retained earnings		
Balance at end of previous period	146,665	151,876
Changes of items during the period		
Dividends from surplus	(2,415)	(2,415)
Net income	7,626	8,107
Retirement of treasury stock	–	(5,305)
Total changes of items during the period	5,211	387
Balance at end of the period	151,876	152,263

(Million yen)

	Previous fiscal year (April 1, 2009 – March 31, 2010)	Fiscal year under review (April 1, 2010 – March 31, 2011)
Treasury stock		
Balance at end of previous period	(1,322)	(1,326)
Changes of items during the period		
Purchase of treasury stock	(4)	(3,981)
Retirement of treasury stock	–	5,305
Total changes of items during the period	(4)	1,324
Balance at end of the period	(1,326)	(2)
Total shareholders' equity		
Balance at end of previous period	179,107	184,314
Changes of items during the period		
Dividends from surplus	(2,415)	(2,415)
Net income	7,626	8,107
Purchase of treasury stock	(4)	(3,981)
Retirement of treasury stock	–	–
Total changes of items during the period	5,207	1,711
Balance at end of the period	184,314	186,025
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at end of previous period	1,008	2,655
Changes of items during the period		
Net changes of items other than shareholders' equity	1,646	277
Total changes of items during the period	1,646	277
Balance at end of the period	2,655	2,932
Total valuation and translation adjustments		
Balance at end of previous period	1,008	2,655
Changes of items during the period		
Net changes of items other than shareholders' equity	1,646	277
Total changes of items during the period	1,646	277
Balance at end of the period	2,655	2,932
Total net assets		
Balance at end of previous period	180,115	186,968
Changes of items during the period		
Dividends from surplus	(2,415)	(2,415)
Net income	7,626	8,107
Purchase of treasury stock	(4)	(3,981)
Retirement of treasury stock	–	–
Net changes of items other than shareholders' equity	1,646	277
Total changes of items during the period	6,853	1,988
Balance at end of the period	186,968	188,957

(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 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.

(iii) 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.

5. 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.

6. Accounting Method for Consumption Taxes

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

(6) Changes in Significant Accounting Policies

(Accounting Standards for Asset Retirement Obligations)

The “Accounting Standards for Asset Retirement Obligations (Accounting Standards Board of Japan (ASBJ) Statement No. 18 on March 31, 2008)” and the “Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21 on March 31, 2008)” were applied from the fiscal year under review.

As a result of the applications, operating income and ordinary income decreased 2 million yen and income before income taxes declined 45 million yen during the fiscal year under review.

(7) 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 14 million yen to guarantee the monetary debt of trading partners.

2. Accumulated depreciation of property, plant and equipment

Previous fiscal year	90,511 million yen
Fiscal year under review	85,251 million yen

3. Short-term loans to affiliates

Previous fiscal year	821 million yen
Fiscal year under review	938 million yen

Long-term loans to affiliates

Previous fiscal year	3,450 million yen
Fiscal year under review	2,505 million yen

Short-term borrowing from affiliates

Previous fiscal year	9,365 million yen
Fiscal year under review	12,673 million yen

4. Contingent liabilities

Guarantee obligation to the housing loans of the Company employees

Previous fiscal year	14 million yen
Fiscal year under review	11 million yen

Guarantee obligation to the monetary debt of trading partners

Previous fiscal year	4 million yen
Fiscal year under review	5 million yen

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

Matters relating to treasury stock

Types of shares	At end of previous fiscal year (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	At end of fiscal year under review (thousand shares)
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

(Important Subsequent Events)

Not applicable.