January 26, 2016

Consolidated Financial Results (Japanese Accounting Standards) for the Nine Months Ended December 31, 2015 (Q3 FY2015)

Company name: House Foods Group Inc.
Stock exchange listing: Tokyo Stock Exchange
Stock code: 2810
URL: http://housefoods-group.com
Representative: Hiroshi Urakami, President
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Scheduled date for filing of securities report: February 10, 2016
Scheduled date of commencement of dividend payment: –
Supplementary documents for quarterly results: Yes
Quarterly results briefing: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2015 (April 1, 2015 – December 31, 2015)

(1) Consolidated Results of Operations (Accumulated Total)

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Nine Months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2015	176,265	(1.8)	9,541	15.1	10,819	12.1	23,180	253.4
December 31, 2014	179,478	1.1	8,291	(2.5)	9,655	(0.9)	6,560	(19.1)

(Note) Comprehensive income: 22,293 million yen (83.4%) for the nine months ended December 31, 2015
12,156 million yen (24.7%) for the nine months ended December 31, 2014

	Net income per share (basic)	Net income per share (diluted)
Nine Months ended	Yen	Yen
December 31, 2015	225.67	–
December 31, 2014	63.55	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Nine Months ended December 31, 2015	327,943	251,244	72.7	2,328.22
Year ended March 31, 2015	286,149	221,456	76.9	2,140.27

(Reference) Shareholders' equity: As of December 31, 2015: 238,441 million yen
As of March 31, 2015: 219,927 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	–	15.00	–	15.00	30.00
Year ending March 31, 2016	–	15.00	–		
Year ending March 31, 2016 (forecasts)				15.00	30.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2016 (April 1, 2015 – March 31, 2016)

(Percentage figures for the fiscal year represent the changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2016	246,700	6.6	9,700	11.7	11,300	3.1	22,400	221.3	217.99

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

* Notes

(1) Changes of important subsidiaries during the period
(changes of specific subsidiaries in accordance with changes in the scope of consolidation): Yes
Newly added: One company (Ichibanya Co., Ltd.)
For details, see “2. Matters Relating to Summary Information (Notes), (1) Changes of Important Subsidiaries during the Period” on page 5.

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

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

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

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

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

(i) Number of shares outstanding at end of period (including treasury shares)	
As of December 31, 2015:	102,758,690 shares
As of March 31, 2015:	102,758,690 shares
(ii) Number of treasury shares at end of period	
As of December 31, 2015:	345,449 shares
As of March 31, 2015:	2,237 shares
(iii) Average number of shares outstanding during the term	
Nine months ended December 31, 2015:	102,717,790 shares
Nine months ended December 31, 2014:	103,224,950 shares

* Status of a quarterly review

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

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

- The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.
- For other matters related to the forecasts, please refer to “(3) Information on the Future Outlook, Including Consolidated Business Performance Forecasts” under “1. Qualitative Information on Results for the First Three Quarters Ended December 31, 2015” on page 4 of the accompanying materials.

Accompanying Materials – Contents

1. Qualitative Information on Results for the First Three Quarters Ended December 31, 2015

(1) Details of Operating Results

During the nine month period ended December 2015, the business environment continued to show an overall trend of modest recovery in spite of concerns over downside risks in the economy amid increasing instability in the international situation. In the food industry, efforts such as the strengthening of safety and security measures and responding to customer needs were required due to the lingering weakness in personal consumption.

In this operating environment, the Group has been taking steps to strengthen the earnings power of its domestic businesses, create new demand, and accelerate the growth of the International Business segment based on the theme of "striving to become a high quality company that provides 'Healthy Life Through Foods'" in its Fifth Medium-term Business Plan, which was launched in the consolidated fiscal year under review.

The Group strengthened the framework for further expansion of the curry market by acquiring additional shares of Ichibanya Co., Ltd., which was an equity method affiliate, in December 2015 to make it a consolidated subsidiary.

Consolidated net sales for the first nine months of the fiscal year under review declined 1.8% year on year, to 176,265 million yen, due to a decline in sales from the two core domestic business segments, which offset a strong performance in the International Business segment, particularly in the United States and China.

Consolidated operating income rose 15.1% year on year, to 9,541 million yen as a result of promoting efforts to increase the earnings power of each business. Consolidated ordinary income grew 12.1% year on year, to 10,819 million yen, and profit attributable to owners of parent climbed 253.4%, to 23,180 million yen, mainly reflecting the posting of a gain on step acquisitions arising from the acquisition of additional shares of Ichibanya Co., Ltd. in extraordinary income.

The following is an overview of results by segment.

Segment	Consolidated net sales		Consolidated operating income (Segment profit)	
	Amount (million yen)	Year-on-year change (%)	Amount (million yen)	Year-on-year change (%)
Spice / Seasoning / Processed Food Business	91,434	97.7	6,423	111.8
Health Food Business	27,269	90.4	1,672	156.1
International Business	19,682	117.6	1,326	171.8
Food Service Business	–	–	–	–
Other Food Related Business	37,838	97.2	149	–
Reportable segments total	176,224	98.2	9,570	130.0
Adjustment	41	123.7	(29)	–
Total	176,265	98.2	9,541	115.1

(Note) 1 The adjusted amount comprises profit or loss not distributed to business segments.
2. A different method for distribution to each segment has been used since the first quarter of this consolidated fiscal year. The classification of segments was reviewed in association with the move to make Ichibanya Co., Ltd. a consolidated subsidiary by acquiring additional shares of its common stock in the third quarter of the fiscal year under review, and the Food Service Business segment was added. For more details, see "(3) Notes to Quarterly Consolidated Financial Statements (segment information)" of "3. Quarterly Consolidated Financial Statements" on page 11.

Spice / Seasoning / Processed Food Business

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

Sales of curry roux and stew roux products, which were among the products whose prices were revised in February 2015, surpassed the year-ago level. This increase in sales was the result of making efforts to set in place new reasonable prices after the price revision by reinforcing product promotions in conjunction with special seasonal events such as Halloween. Meanwhile, sales of retort pouched curry products and snack products were weak amid efforts to rationalize sales.

As a result, sales in the Spice / Seasoning / Processed Food Business declined 2.3% year on year, to 91,434 million yen, while operating income increased 11.8% year on year, to 6,423 million yen, mainly due to the effects of the price revision and a decline in promotion expenses.

Health Food Business

This business segment has been making efforts to boost the earning power of its core products. However, segment sales fell 9.6% year on year, to 27,269 million yen, reflecting decline in sales of the *Ukon No Chikara* series from the year-ago level, in addition to a sharp drop in sales of products for sales consignment and the impact of the end of sales of certain products. Operating income rose 56.1% year on year, to 1,672 million yen, mainly reflecting the effective and fully-enforced operation of the marketing budget.

International Business

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

In the United States, sales and profits increased as a result of steady growth in high added value products such as organic tofu.

In China, sales and profits rose, reflecting efforts to penetrate the market for both household use and professional use with Japanese-style curry.

The Asian restaurant business achieved higher sales and higher profits due to efforts to steadily expand new stores and improve store quality amid the intensified competitive environment.

In Southeast Asia, the Group is continuing to build its infrastructure. For Group companies based in Southeast Asia, the account settlement date for the fiscal year under review has been made for an irregular period of nine months due to a change in the account settlement date.

As a result, sales in the International Business rose 17.6% year-on-year, to 19,682 million yen, and operating income jumped 71.8% to 1,326 million yen.

Other Food Related Business

This business segment has been working on improving its functions and level of synergy with Group companies to enhance the overall strength of the Group.

House Logistics Service Corporation, which operates the transportation and warehouse business, moved into profit by modifying its business structure, increasing its product transportation capacity, and improving its earnings structure through activities to drastically reduce costs.

Delica Chef Corporation, a Group company that produces prepared food for convenience stores, posted an operating loss due to a significant increase in the initial costs for a new prepared food plant that began operation and this pushed down this segment’s profits.

As a result, sales in Other Food Related Business decreased 2.8% year on year, to 37,838 million yen, and operating income amounted to 149 million yen (compared to an operating loss of 226 million yen for the first nine months of the previous fiscal year).

(2) Details of Financial Position

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

Total assets stood at 327,943 million yen, showing an increase of 41,794 million yen from the end of the previous fiscal year.

Current assets increased 706 million yen, to 123,839 million yen, reflecting increases in notes and accounts receivable-trade and cash and deposits due to the effect of making Ichibanya Co., Ltd. a consolidated subsidiary, which offset a decline in securities. Despite a decrease in investment securities as a result of sales and making Ichibanya Co., Ltd. a consolidated subsidiary, non-current assets amounted to 204,104 million yen, a rise of 41,089 million yen, chiefly reflecting increases in goodwill, buildings and structures, and land due to the effect of making Ichibanya Co., Ltd. a consolidated subsidiary.

Current liabilities increased 9,118 million yen, to 55,421 million yen, owing mainly to increases in notes and accounts payable-trade and income taxes payable, etc. due to the effect of making Ichibanya Co., Ltd. a consolidated subsidiary.

Non-current liabilities rose 2,888 million yen, to 21,278 million yen, mainly reflecting an increase in other non-current liabilities due to the effect of making Ichibanya Co., Ltd. a consolidated subsidiary.

Net assets increased 29,788 million yen from the end of the previous consolidated fiscal year, to 251,244 million yen, reflecting an increase in retained earnings due to profit attributable to owners of parent and a rise in non-controlling interests due to the effect of making Ichibanya Co., Ltd. a consolidated subsidiary.

As a result, the equity ratio stood at 72.7% (compared with 76.9% at the end of the previous fiscal year) and net assets per share amounted to 2,328.22 yen (2,140.27 yen at the end of the previous fiscal year) at the end of the third quarter of the fiscal year under review.

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

There has been no change to the consolidated performance forecasts announced on December 2, 2015, for the fiscal year ending March 31, 2016.

2. Matters Relating to Summary Information (Notes)

(1) Changes of Important Subsidiaries during the Period

In the third quarter of the fiscal year under review, the Company acquired shares of Ichibanya Co., Ltd. through a tender offer to common stock of the company. Because the percentage of the Company's voting rights to Ichibanya Co., Ltd. exceeded 50% as a result of the acquisition, the Company has included the company, which was previously an equity method affiliate, in its scope of consolidation in the third quarter of the fiscal year under review.

Because the amount of capital stock of Ichibanya Co., Ltd. is more than an amount equivalent to 10% of the amount of capital stock of the Company, it is classified as a specified subsidiary of the Company.

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

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

Calculation of tax expenses

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

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

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

Changes in Accounting Policies

Standards such as the Accounting Standard for Business Combinations (ASBJ Statement No.21 of September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No.7 of September 13, 2013) have been applied from the first quarter of the fiscal year under review. The purpose for applying these standards was to change the method for recording the difference from changes in the Company's equity in its subsidiaries that remain controlled by the Company as capital surplus and as an expense in the consolidated fiscal year in which expenses related to acquisition are incurred. For business combinations implemented after the beginning of the first quarter of the fiscal year under review, the method will be changed to one that reflects the revision of distributed amounts of acquisition costs by determining provisional accounting treatment in the quarterly consolidated financial statements for the quarterly consolidated accounting period to which the date of business combination belongs. In addition, the Company has changed the presentation of quarterly net profit and other items and the presentation of minority interests to non-controlling interests. To reflect this change, the quarterly consolidated financial statements and consolidated financial statements for the nine-month period ended December 31, 2014 and fiscal year ended March 31, 2015 have been replaced.

The application of the Accounting Standard for Business Combinations and the other standards follows the transitional treatment specified in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statement, and Article 57-4 (4) of the Accounting Standard for Business Divestiture. The application of these standards has been under way since the beginning of the first quarter of the fiscal year under review, and will continue to be applied going forward.

As a result, operating income and ordinary income for the first nine months of the fiscal year under review declined 185 million yen each, and income before income taxes decreased 259 million yen. Capital surplus at the end of the third quarter of the fiscal year under review increased 34 million yen.

(4) Additional Information

(Changes in matters concerning the business year, etc. of consolidated subsidiaries)

As for consolidated subsidiaries, in the first quarter of the consolidated fiscal year under review, House Foods Vietnam Co., Ltd. and House Osotspa Foods Co., Ltd. changed their account settlement date from March 31 to December 31. The effect of this change on the first nine months of the consolidated fiscal year ending March 31, 2016 is minimal.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	End of previous fiscal year (As of March 31, 2015)	End of third quarter of the fiscal year under review (As of December 31, 2015)
Assets		
Current assets		
Cash and deposits	26,906	34,861
Notes and accounts receivable - trade	40,695	52,656
Securities	34,577	14,512
Merchandise and finished goods	9,708	10,696
Work in process	1,535	1,614
Raw materials and supplies	3,590	3,655
Deferred tax assets	2,070	2,344
Other	4,132	3,574
Allowance for doubtful accounts	(79)	(73)
Total current assets	123,134	123,839
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,176	29,223
Machinery, equipment and vehicles, net	10,801	11,319
Land	25,842	28,816
Lease assets, net	3,775	4,547
Construction in progress	556	858
Other, net	1,465	2,005
Total property, plant and equipment	66,616	76,769
Intangible assets		
Goodwill	476	36,723
Software	1,960	2,080
Software in progress	75	27
Other	967	964
Total intangible assets	3,478	39,794
Investments and other assets		
Investment securities	80,240	71,949
Long-term loans receivable	369	356
Deferred tax assets	636	1,071
Long-term time deposits	2,000	2,500
Net defined benefit asset	7,103	7,369
Claims provable in bankruptcy, claims provable in rehabilitation and other	512	719
Other	2,764	4,472
Allowance for doubtful accounts	(702)	(895)
Total investments and other assets	92,922	87,541
Total non-current assets	163,016	204,104
Total assets	286,149	327,943

(Million yen)

	End of previous fiscal year (As of March 31, 2015)	End of third quarter of the fiscal year under review (As of December 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,592	22,177
Electronically recorded obligations - operating	1,447	1,409
Short-term loans payable	6,770	7,152
Lease obligations	483	762
Accounts payable - other	12,432	13,290
Income taxes payable	1,557	3,025
Provision for bonuses	–	276
Provision for directors’ bonuses	65	41
Provision for shareholder benefit program	–	96
Other	5,957	7,192
Total current liabilities	46,303	55,421
Non-current liabilities		
Long-term loans payable	810	890
Provision for loss on guarantees	–	6
Lease obligations	3,393	3,867
Long-term accounts payable - other	661	327
Deferred tax liabilities	11,383	11,281
Net defined benefit liability	960	1,394
Asset retirement obligations	285	707
Other	898	2,805
Total non-current liabilities	18,390	21,278
Total liabilities	64,693	76,699
Net assets		
Shareholders’ equity		
Capital stock	9,948	9,948
Capital surplus	23,868	23,903
Retained earnings	157,338	177,436
Treasury shares	(5)	(750)
Total shareholders’ equity	191,150	210,537
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	20,402	20,240
Deferred gains or losses on hedges	47	(7)
Foreign currency translation adjustment	2,878	2,580
Remeasurements of defined benefit plans	5,450	5,091
Total other accumulated comprehensive income	28,777	27,904
Non-controlling interests	1,530	12,804
Total net assets	221,456	251,244
Total liabilities and net assets	286,149	327,943

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(First nine-month period)

(Million yen)

	First nine-month period of previous fiscal year (April 1, 2014 - December 31, 2014)	First nine-month period of the fiscal year under review (April 1, 2015 - December 31, 2015)
Net sales	179,478	176,265
Cost of sales	106,276	103,521
Gross profit	73,202	72,745
Selling, general and administrative expenses		
Advertising expenses	7,950	7,649
Transportation and warehousing expenses	5,229	5,071
Sales commission	1,877	1,773
Promotion expenses	23,760	22,688
Salaries, allowances and bonuses	10,383	10,485
Provision for directors' bonuses	87	51
Depreciation	743	796
Amortization of goodwill	122	121
Rent expenses	1,180	1,101
Experiment and research expenses	2,687	2,637
Other	10,894	10,830
Total selling, general and administrative expenses	64,912	63,204
Operating income	8,291	9,541
Non-operating income		
Interest income	392	373
Dividend income	328	347
Share of profit of entities accounted for using equity method	487	585
Foreign exchange gains	556	71
Other	206	209
Total non-operating income	1,969	1,585
Non-operating expenses		
Interest expenses	98	69
Other	507	238
Total non-operating expenses	605	308
Ordinary income	9,655	10,819

(Million yen)

	First nine-month period of previous fiscal year (April 1, 2014 - December 31, 2014)	First nine-month period of the fiscal year under review (April 1, 2015 - December 31, 2015)
Extraordinary income		
Gain on sales of non-current assets	2	2
Gain on sales of investment securities	1,311	3,129
Gain on sales of investments in capital	18	–
Gain on change in equity	3	–
Compensation income	13	–
Gain on step acquisitions	–	13,851
Other	2	0
Total extraordinary income	1,349	16,982
Extraordinary loss		
Loss on sales of non-current assets	121	0
Loss on retirement of non-current assets	80	155
Loss on sales of investment securities	–	2
Loss on valuation of investment securities	4	–
Impairment loss	323	–
Other	16	41
Total extraordinary loss	543	197
Income before income taxes	10,461	27,604
Income taxes	3,705	4,275
Net income	6,756	23,329
Net income attributable to		
Profit attributable to owners of parent	6,560	23,180
Profit attributable to non-controlling interests	196	149
Other comprehensive income		
Valuation difference on available-for-sale securities	4,652	(110)
Deferred gains or losses on hedges	133	(136)
Foreign currency translation adjustment	671	(327)
Remeasurements of defined benefit plans, net of tax	(91)	(364)
Share of other comprehensive income of entities accounted for using equity method	36	(99)
Total other comprehensive income	5,401	(1,036)
Comprehensive income	12,156	22,293
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	11,817	22,307
Comprehensive income attributable to non-controlling interests	340	(15)

(3) Notes to Quarterly Consolidated Financial Statements

Notes Relating to Assumptions for the Going Concern

Not applicable.

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

Not applicable.

Segment Information

I. First nine-month period of previous fiscal year (April 1, 2014 - December 31, 2014)

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

(Million yen)

	Reported segments						Other	Total	Adjustment (Note) 1	Amount recorded in the consolidated financial statements (Note) 2
	Spice / Seasoning / Processed Food Business	Health Food Business	International Business	Food Service Business	Other Food Related Business	Total				
Net sales										
Sales – outside customers	93,630	30,154	16,741	–	38,919	179,445	–	179,445	34	179,478
Sales and transfer – inter-segment	146	111	160	–	8,309	8,726	–	8,726	(8,726)	–
Total	93,776	30,266	16,901	–	47,228	188,171	–	188,171	(8,693)	179,478
Segment profit (loss)	5,744	1,071	772	–	(226)	7,361	–	7,361	929	8,291

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

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

(2) "Segment profit (loss)" includes a profit of 929 million yen of the Company and House Business Partners Corporation, which is not distributed to business segments, and 0 million yen for the elimination of inter-segment transactions.

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

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

(Important impairment loss on non-current assets)

During the first nine months of the fiscal year under review, an impairment loss of 323 million yen was recorded in the Spice / Seasoning / Processed Food Business segment due to the closure of a company dormitory.

(Significant changes in the amount of goodwill)

Not applicable.

II. First nine-month period of the fiscal year under review (April 1, 2015 - December 31, 2015)

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

(Million yen)

	Reported segments						Other	Total	Adjustment (Note) 1	Amount recorded in the consolidated financial statements (Note) 2
	Spice / Seasoning / Processed Food Business	Health Food Business	International Business	Food Service Business	Other Food Related Business	Total				
Net sales										
Sales – outside customers	91,434	27,269	19,682	–	37,838	176,224	–	176,224	41	176,265
Sales and transfer – inter-segment	46	125	147	–	8,275	8,592	–	8,592	(8,592)	–
Total	91,481	27,394	19,829	–	46,113	184,816	–	184,816	(8,551)	176,265
Segment profit	6,423	1,672	1,326	–	149	9,570	–	9,570	(29)	9,541

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

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

(2) “Segment profit (loss)” includes a loss of 29 million yen of the Company and House Business Partners Corporation, which is not distributed to the business segment, and 0 million yen for the elimination of inter-segment transactions.

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

2. Information on assets by reported segment

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

In the third quarter of the fiscal year under review, segment assets in the Food Service Business increased 69,791 million yen from the end of the previous fiscal year as a result of acquiring additional shares of common stock of Ichibanya Co., Ltd. and including it within the scope of consolidation.

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

(Important impairment loss on non-current assets)

Not applicable.

(Significant changes in the amount of goodwill)

In the third quarter of the fiscal year under review, goodwill increased 36,369 million yen in the Food Service Business segment as a result of acquiring additional shares of common stock of Ichibanya Co., Ltd. and including it within the scope of consolidation.

The amount of goodwill is calculated provisionally because the allocation of the acquisition cost has yet to be completed as of the end of the third quarter of the fiscal year under review.

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

(Changes in the method for calculating the profit or loss of reported segments)

To clarify the responsibilities of business companies for segment profits, the method for presenting the profits and losses of the Company and House Business Partners Corporation was changed from distribution to business segments to indication as an adjustment in the first quarter of the consolidated fiscal year under review, which marks the beginning of the Fifth Medium-term Business Plan.

The segment information for the first three quarters of the previous consolidated fiscal year (the term ended December 31, 2014), which is presented as comparative information for the first three quarters of the consolidated fiscal year under review (the term ended December 31, 2015), is presented using the new calculation method.

(Change in the method to categorize reported segments)

In the third quarter of the fiscal year under review, the Food Service Business is added to the reported segments as a result of acquiring additional shares of common stock of Ichibanya Co., Ltd. and including it within the scope of consolidation.

Because the deemed acquisition date for Ichibanya Co., Ltd. is set on December 31, 2015, "-" is written in net sales and segment profit (loss) for each segment for the nine month period of the fiscal year under review.

Business Combination, etc.

Business combination by acquisition

(1) Overview of business combination

(i) Name and business of the acquired company

Name of the acquired company	Ichibanya Co., Ltd.
Business	Store operation and franchise development of CURRY HOUSE CoCo ICHIBANYA, a curry specialty store, and other restaurant businesses, etc.

(ii) Main reason for business combination

To further strengthen its relationship with Ichibanya Co., Ltd., the Company acquired 5,000 of its shares in October 1998 (10,000 shares in May 1999 through a share split), 10,000 shares in February 2000, and 3,100,000 shares in January 2002 (a total of 3,120,000 shares), making Ichibanya Co., Ltd. an equity method affiliate.

While the business environment surrounding the domestic business of the Company continues along a moderate recovery trend, driven mainly by improved employment and income conditions, the situation in the food industry remains difficult, reflecting the ongoing bipolarization in consumption, the continued high prices of raw materials due to the weaker yen and an increase in demand in emerging countries. In regards to the environment for curry dishes, the operating environment surrounding the Group and the Ichibanya Group is also growing increasingly severe because competition is spreading into areas beyond product categories, in addition to competition with the industry peers, in the situation it is difficult to expect the size of this mature market to expand. On the other hand, overseas markets centering on China and the Southeast Asia are growing rapidly, and this growth presents both the Company and Ichibanya Co., Ltd. with the management challenge of how to proceed with business expansion at a high speed.

Under these circumstances, in July 2015 both companies began discussing and considering ways in which to enhance the level of cooperation between them. As a result, they realized that the Group believed there was an urgent need to increase the competitiveness of its existing businesses and efforts for new businesses in Japan, focus more on rapidly expanding the international business, as well as further improve productivity and management efficiency. The Ichibanya Group also felt it was important to increase the attractiveness of its existing stores in Japan, and focus more on efforts to expand the areas for developing its overseas business and cultivate new businesses. Given these needs, both companies reached the common understanding that it would be extremely effective to move beyond the capital relationship as an equity method affiliate and make Ichibanya Co., Ltd. a consolidated subsidiary of the Company, with the aim of enhancing the corporate value of both companies to foster greater business synergy by working together as the same group under a firmer capital relationship.

(iii) Date of business combination

December 8, 2015

(iv) Legal form of business combination

Acquisition of shares with cash as consideration

(v) Name of the acquired company after the combination

No change

(vi) Percentage of voting rights acquired

Percentage of voting rights owned just before the acquisition	19.55%
Percentage of voting rights additionally acquired	31.45%
Percentage of voting rights after the acquisition	51.00%

(vii) Main reason for deciding the company to acquire

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

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

In the first three quarters of the consolidated fiscal year under review, only the balance sheet is consolidated, and the financial results of the acquired company are not included in quarterly consolidated statements of income and comprehensive income. Financial results related to the acquired company before the third quarter of the consolidated fiscal year under review are recorded as the share of profit of entities accounted for using equity method in the consolidated financial statements for the third quarter under review.

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

Market value of shares of Ichibanya Co., Ltd. owned just before the additional acquisition as of the date of business combination	18,720 million yen
Market value of shares of Ichibanya Co., Ltd. additionally acquired on the date of business combination	30,127 million yen
Acquisition cost	48,847 million yen

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

Gain on step acquisitions 13,851 million yen

(5) Amount, source, amortization method and amortization period of goodwill generated

(i) The amount of goodwill generated

36,369 million yen

The amount of goodwill is calculated provisionally as the allocation of the acquisition cost has yet to be completed as of the end of the third quarter of the fiscal year under review.

(ii) Source of goodwill

The excess earnings power of Ichibanya Co., Ltd. that is expected from its future business operation

(iii) Amortization method and amortization period

Straight-line method over five years