

# FY2017 Results Briefing for the First Half House Foods Group Inc.



November 7, 2017  
<https://housefoods-group.com/>

◇ <b>FY2017 First-Half Results</b>	<b>pp. 3 - 14</b>
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## **Supplementary materials**

◇ <b>Supplementary Description</b>	<b>pp. 21 - 25</b>
<b>Fifth Medium-Term Business Plan / History of businesses / Major new products and varieties for the autumn and winter 2017 / Quarterly changes in average sales price and year-on-year sales change by major product line</b>	

# FY2017

## First-Half Results

- **The Spice/Seasoning/Processed Food Business and International Food Business were driving forces, and profitability also improved in Other Food Related Business.**
- **Malony Co., Ltd. became a Group company.**
  - \* **Consolidation timing of financial statements (book closing in July)**
    - B/S: Second quarter**
    - P/L: Third quarter (a gain on bargain purchase was recorded in the second quarter)**
- **Interim dividends were increased by ¥3 (¥18 per share).**

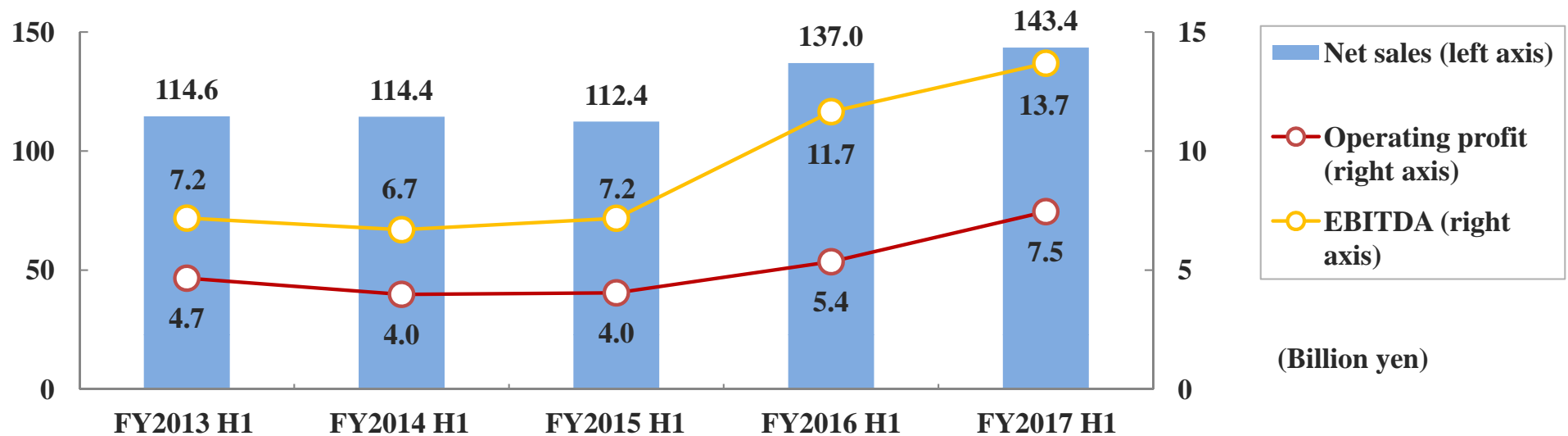
# Consolidated Performance



Billion yen	FY2017 H1 performance				
	Performance	Comparison with net sales	Year on year (%)		Comparison with target (%)
Net sales	143.4	—	+6.5	(104.7)	+0.6 (100.4)
Operating profit	7.5	5.2%	+2.1	(139.3)	+2.0 (135.5)
Ordinary profit	8.0	5.6%	+2.6	(149.0)	+2.0 (133.5)
Profit attributable to owners of parent	4.3	3.0%	+0.1	(102.9)	+1.4 (149.3)
EBITDA *1	13.7	9.5%	+2.0	(117.4)	+1.9 (116.0)
Profit attributable to owners of parent *2	6.1	4.2%	+1.5	(133.7)	+1.4 (129.5)

\*1 EBITDA = Operating profit (before amortization of goodwill) + Depreciation

\*2 Excluding the effects of extraordinary income (loss) arising from business combination and the amortization of goodwill



# Results by Segment



Billion yen	Net Sales				Operating profit						
	FY2017 H1				FY2017 H1						
	Performance	Year on year (%)		Comparison with target (%)	Performance	ROS	Year on year (%)		Comparison with target (%)		
<b>Total</b>	<b>143.4</b>	<b>+6.5</b>	<b>(104.7)</b>	<b>+0.6</b>	<b>(100.4)</b>	<b>7.5</b>	<b>5.2%</b>	<b>+2.1</b>	<b>(139.3)</b>	<b>+2.0</b>	<b>(135.5)</b>
<b>Spice / Seasoning / Processed Food Business</b>	<b>66.9</b>	<b>+4.6</b>	<b>(107.3)</b>	<b>+0.9</b>	<b>(101.4)</b>	<b>4.8</b>	<b>7.1%</b>	<b>+1.2</b>	<b>(131.8)</b>	<b>+0.8</b>	<b>(119.3)</b>
<b>Health Food Business</b>	<b>17.1</b>	<b>-0.7</b>	<b>(95.9)</b>	<b>-0.6</b>	<b>( 96.8)</b>	<b>0.8</b>	<b>4.9%</b>	<b>-0.3</b>	<b>( 74.3)</b>	<b>-0.1</b>	<b>( 93.3)</b>
<b>International Food Business</b>	<b>10.7</b>	<b>+2.1</b>	<b>(124.6)</b>	<b>+0.1</b>	<b>(101.2)</b>	<b>1.4</b>	<b>13.2%</b>	<b>+0.6</b>	<b>(184.5)</b>	<b>+0.5</b>	<b>(157.3)</b>
<b>Restaurant Business</b>	<b>25.8</b>	<b>+0.4</b>	<b>(101.5)</b>	<b>-0.1</b>	<b>( 99.6)</b>	<b>-0.0</b>	<b>-0.2%</b>	<b>+0.1</b>	<b>-</b>	<b>+0.1</b>	<b>-</b>
(Excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.)	<b>-</b>					<b>2.5</b>	<b>9.6%</b>	<b>+0.1</b>	<b>(102.4)</b>	<b>+0.1</b>	<b>(102.5)</b>
<b>Other Food Related Business</b>	<b>30.6</b>	<b>+0.4</b>	<b>(101.3)</b>	<b>+0.4</b>	<b>(101.2)</b>	<b>1.0</b>	<b>3.2%</b>	<b>+0.5</b>	<b>(222.5)</b>	<b>+0.4</b>	<b>(160.9)</b>
<b>Adjustment (elimination)</b>	<b>-7.7</b>	<b>-0.3</b>	<b>-</b>	<b>-0.1</b>	<b>-</b>	<b>-0.5</b>	<b>-</b>	<b>+0.0</b>	<b>-</b>	<b>+0.3</b>	<b>-</b>

## Reference: Net sales by area

<b>Japan</b>	<b>127.2</b>	<b>+3.0</b>	<b>(102.4)</b>
<b>United States</b>	<b>6.7</b>	<b>+0.9</b>	<b>(116.3)</b>
<b>East Asia</b>	<b>6.6</b>	<b>+1.3</b>	<b>(125.5)</b>
<b>Southeast Asia</b>	<b>2.5</b>	<b>+1.0</b>	<b>(164.6)</b>
<b>Other</b>	<b>0.5</b>	<b>+0.2</b>	<b>(192.0)</b>

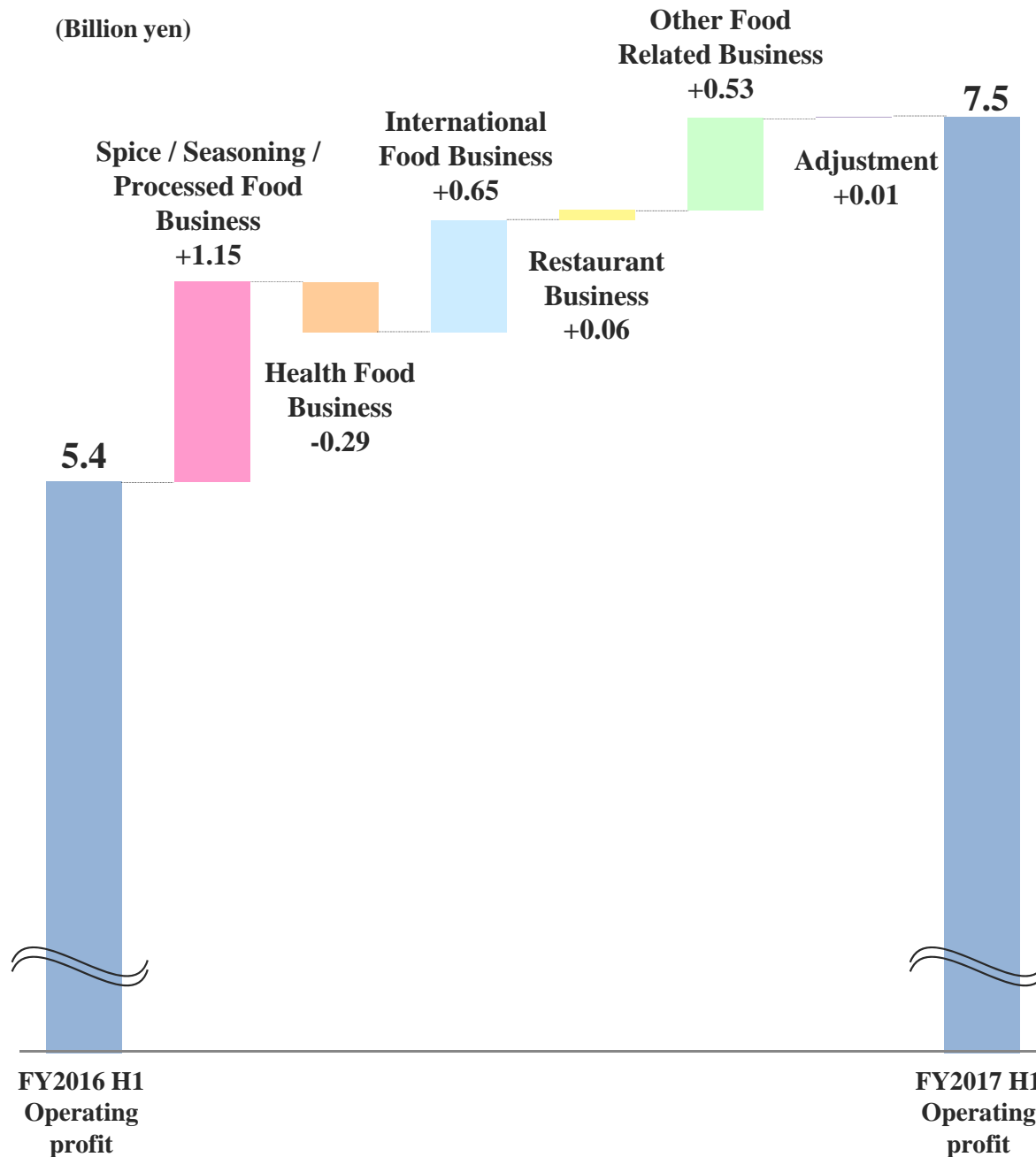
**Ratio of overseas sales: 11.3% (up 2.0 percentage point year on year)**

# Operating Profit Change Analysis



## ◆ Factors of changes by business segment

(Billion yen)



(Billion yen)

<b>Spice / Seasoning / Processed Food Business</b>	<b>+1.15</b>
- Change in sales	+1.0
- Change in cost of sales ratio	+0.2
- Marketing costs	-0.3
- Personnel expenses and other expenses	+0.0
- Effect of consolidation of Gaban Co., Ltd.	+0.2
<b>Health Food Business</b>	<b>-0.29</b>
- Change in sales	-0.3
- Change in cost of sales ratio	+0.1
- Marketing costs	-0.1
- Personnel expenses and other expenses	+0.0
<b>International Food Business</b>	<b>+0.65</b>
- Business in the United States (excl. restaurants)	+0.1
- Business in China	+0.4
- Businesses in Southeast Asia	+0.2
- Exports and others	-0.1
<b>Restaurant Business</b>	<b>+0.06</b>
- Ichibanya Co., Ltd. (non-consolidated)	+0.0
- Ichibanya Co., Ltd. (overseas) and others	+0.0
<b>Other Food Related Business</b>	<b>+0.53</b>
- House Logistics Service Corporation	+0.2
- Delica Chef Corporation	+0.2
- Vox Trading Co., Ltd.	+0.1
<b>Adjustment</b>	<b>+0.01</b>
<b>Changes in operating profit</b>	<b>+2.10</b>

# Spice / Seasoning / Processed Food Business

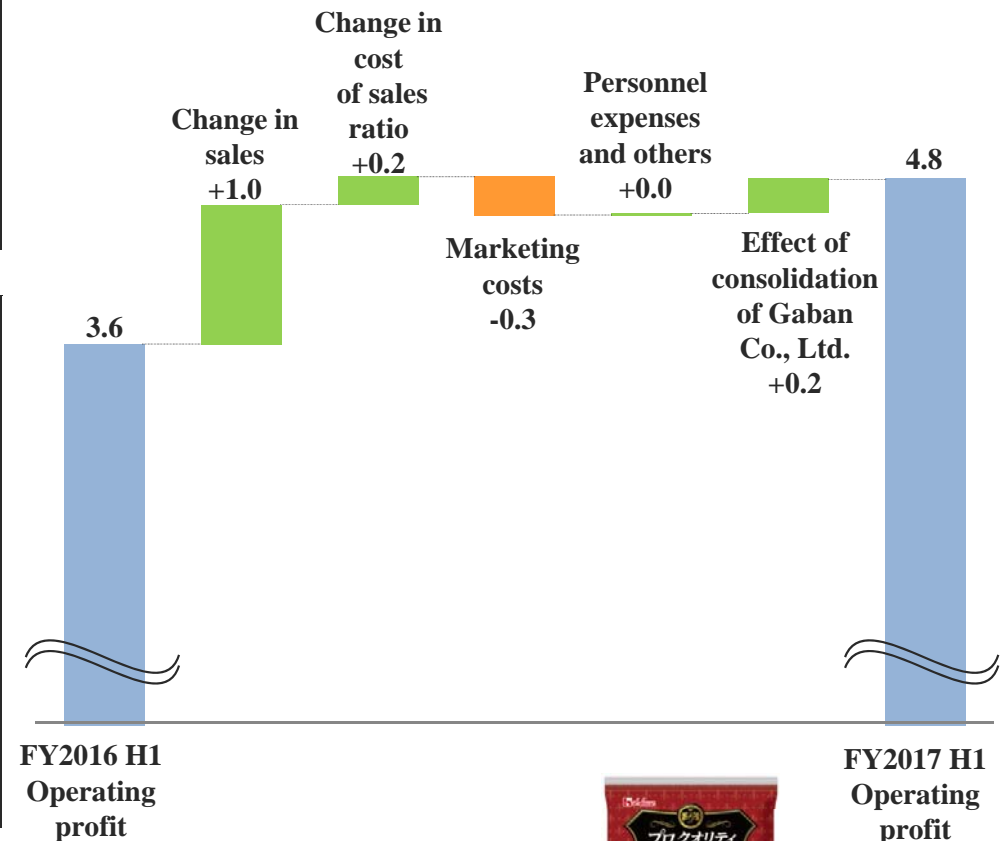


Billion yen	FY2017 H1				
	Performance	Year on year (%)		Comparison with target (%)	
Net sales	66.9	+4.6	(107.3)	+0.9	(101.4)
Operating profit	4.8	+1.2	(131.8)	+0.8	(119.3)
ROS	7.1%	+1.3Pt		+1.1Pt	

## ◆ Breakdown of sales (main factors)

House Foods Corporation	62.7	+2.3	(103.9)	+1.0	(101.6)
Curry roux	18.4	-0.5	( 97.3)	-0.6	( 97.0)
Stew roux	4.7	+0.3	(107.2)	+0.3	(106.2)
Spice	9.6	+0.5	(106.0)	+0.3	(102.8)
Retort pouched curry	7.8	+1.1	(116.2)	+0.7	(109.4)
Snacks	3.4	+0.8	(129.7)	+0.4	(114.9)
Food service products	8.7	+0.3	(103.7)	+0.1	(101.0)
Gaban Co., Ltd.	5.1	+2.5	(196.3)	-0.1	( 97.4)

## ◆ Analysis of operating profit change



### ◇ House Foods Corporation

- Retort pouched curry products grew as a result of the advancing response to the growing tendency of people to eat out or buy food to eat at home as well as the growth in single-serving food.
- *Stew On Rice*, which proposed a new way of eating stew, performed well.
- Snack products grew, reflecting demand for alternatives to potato products due to potato supply shortage.

### ◇ Gaban Co., Ltd.

- Profitability improved with the contribution of the stable market price.  
(The consolidation effect in the first quarter pushed up segment earnings.)



# Spice / Seasoning / Processed Food Business



Including Malony Co., Ltd. in Group companies, we will further pursue “Healthy Life Through Foods.”

◇ Malony

Four values as a “healthy ingredient”

The reassurance offered by our four values and the palatability created by a unique texture.



Low GI	Low calorie
Non-use of 27 allergen items	Gluten-free



◇ Overview of Malony Co., Ltd.

- Company name: Malony Co., Ltd.
- Established: March 1955
- Financial results (fiscal year ended July 2017)
 

Net sales	¥2,524 million
Operating profit	¥165 million

- Creation of new demand through stronger development capability
- Affinity for the tofu business in the United States

◇ Period of inclusion in consolidation

	Fiscal year-end	Q1	Q2	Q3	Q4
Consolidation	March	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.
Malony Co., Ltd.	July			Aug.-Oct.	Nov.-Jan.

◇ Impact on consolidated earnings

[P/L]	
- Gain on bargain purchase	+¥57 million

\* B/S and P/L were included in consolidation in Q2 and Q3, respectively



# Health Food Business

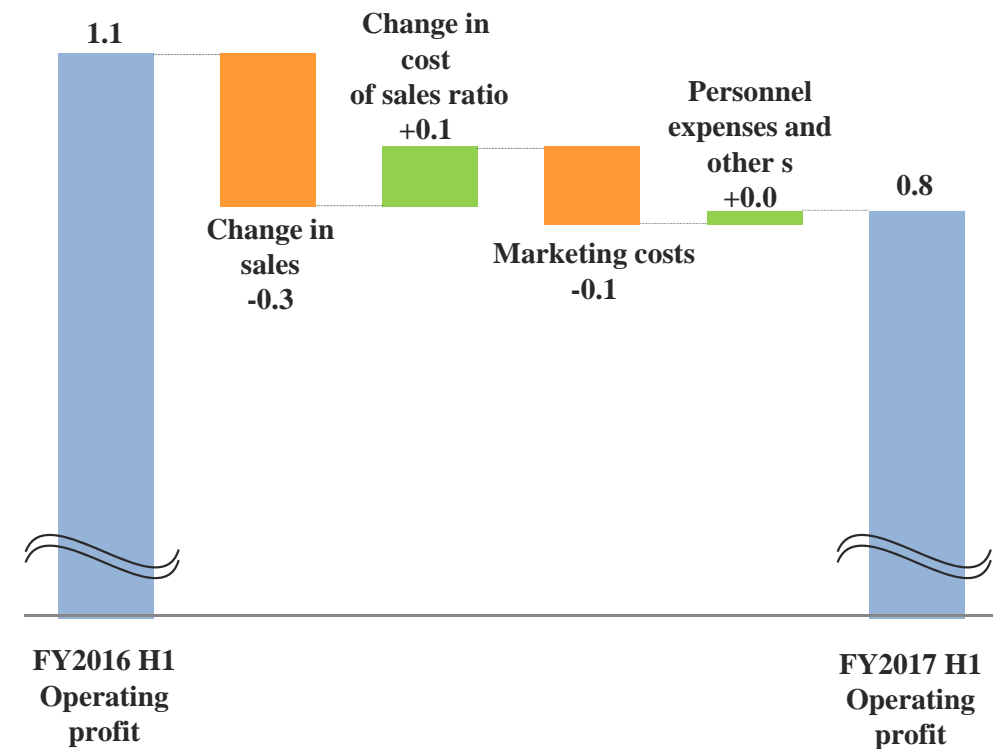


Billion yen	FY2017 H1		
	Performance	Year on year (%)	Comparison with target (%)
Net sales	17.1	-0.7 ( 95.9)	-0.6 ( 96.8)
Operating profit	0.8	-0.3 ( 74.3)	-0.1 ( 93.3)
ROS	4.9%	-1.4Pt	-0.2Pt

## ◆ Breakdown of sales (main factors)

<i>Ukon No Chikara</i>	5.0	-0.5 ( 91.1)	-0.6 ( 89.2)
<i>Megashaki</i>	1.3	-0.2 ( 88.2)	+0.0 (102.9)
<i>C1000</i>	6.3	+0.1 (100.9)	+0.3 (105.1)
Bottle products	3.3	+0.1 (102.8)	-0.1 ( 96.9)
<i>Ichinichibun No Vitamin</i>	1.9	+0.3 (121.0)	-0.1 ( 95.6)

## ◆ Analysis of operating profit change



## ◇ Functional spice business

- In *Ukon No Chikara*, drink-type products continued to face an uphill battle, while granule-type products were firm.  
*Liver Plus Platinum*, the top product in the series, was launched targeting heavy drinkers, but a trial was a challenge.
- *Megashaki* was affected by the backlash of products launched last year.

## ◇ Vitamin business

- Sales of *Ichinichibun No Vitamin* grew in both drink-type and jelly-type products.
- Sales of the *C1000 Vitamin Lemon* series remained firm.



# International Food Business



Billion yen	FY2017 H1				Year on year in local currency
	Performance	Year on year (%)	Comparison with target (%)		
Net sales	10.7	+2.1 (124.6)	+0.1 (101.2)	(114.7)	
Operating profit	1.4	+0.6 (184.5)	+0.5 (157.3)	(169.9)	
ROS	13.2%	+4.3Pt	+4.7Pt	-	

## ◆ Breakdown of sales (main factors)

Business in the United States	5.5	+0.7 (115.7)	-0.1 ( 97.6)	(106.4)
Tofu business	5.1	+0.8 (118.3)	-0.0 ( 99.3)	(108.7)
Business in China	2.4	+0.6 (136.7)	+0.1 (106.3)	(128.1)
Businesses in Southeast Asia	1.2	+0.4 (156.3)	+0.2 (115.4)	(139.6)
Thailand	1.1	+0.4 (154.9)	+0.2 (119.6)	(137.9)

- The fiscal year of the International Food Business ends in December.

## ◇ Business in the United States

- The Group benefited from a growth market represented by the growing Asian-American population.
- The market expansion also continued in American channels due to growing health demand.
- Food service products also grew, reflecting an increase in the adoption of tofu menus at restaurants.

## ◇ Business in China

- Effects of agency policy and the rebuilding of the sales system (including the review of the evaluation system) became visible.
- Temporary demand associated with price revision in July (second half) was generated.

## ◇ Businesses in Southeast Asia

- The strong performance in Thailand continued.

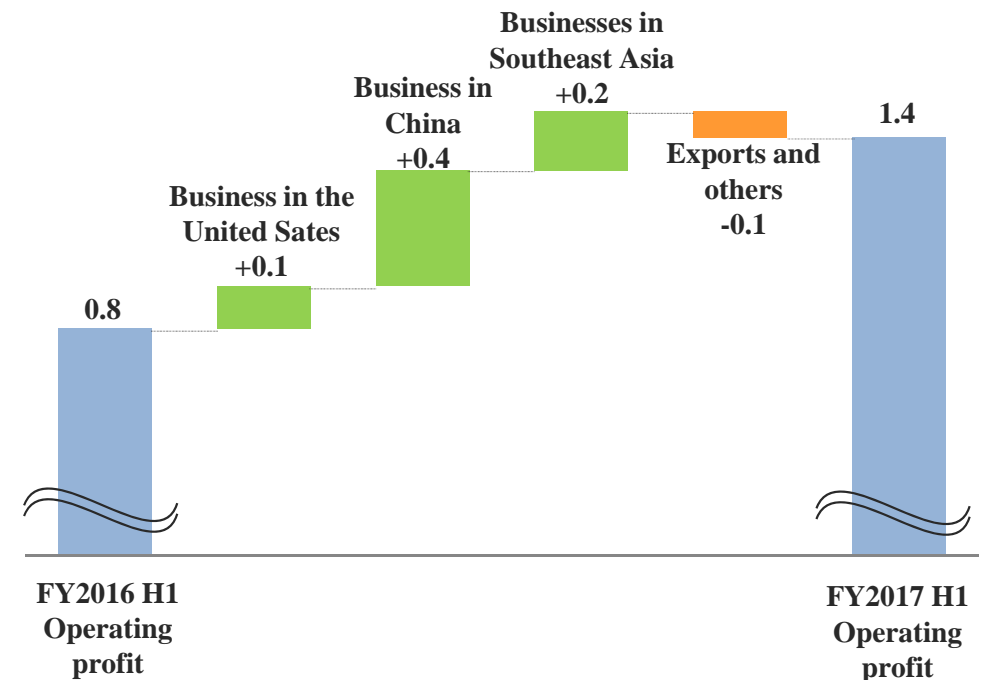
Brand recognition of *C-vitt* advanced, and the product expanded into traditional channels, in addition to modern channels.

## (Impact of exchange rates)

Net sales: ¥0.8 billion (¥0.4 billion in the U.S., ¥0.1 billion in China, ¥0.1 billion in Thailand)

Operating profit: ¥0.1 billion

## ◆ Analysis of operating profit change

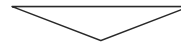


# International Food Business



## ◇ New development of the curry business in China

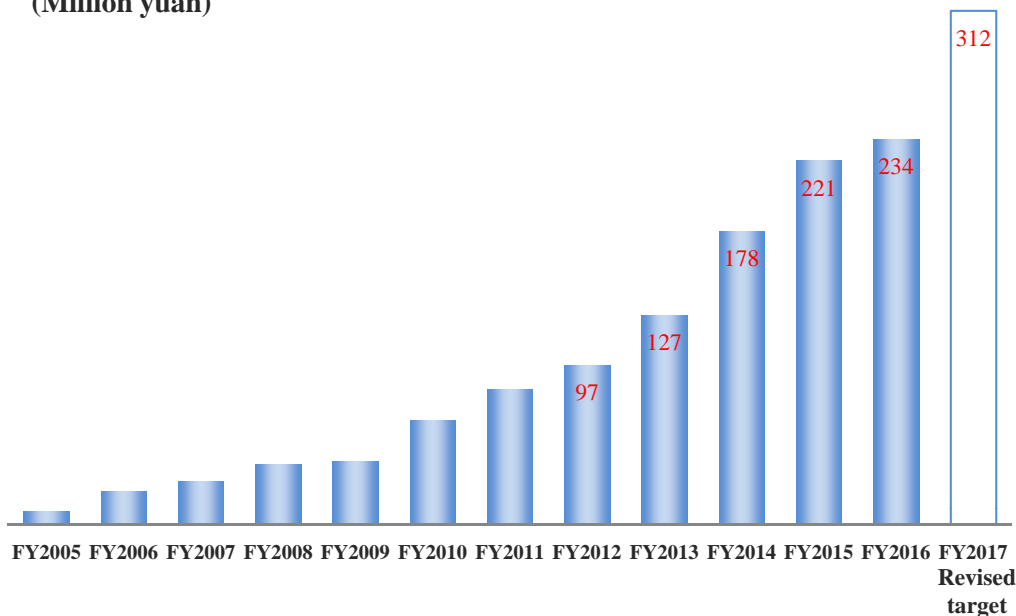
1997 – 2004	2005 –
<p>Searched for the business potential of Japanese curry.</p> <ul style="list-style-type: none"> <li>• Opened restaurants (1997)</li> <li>• Launched retort products (2002)</li> <li>• Commenced the franchisee business of Ichibanya (2004).</li> </ul>	<p>Created a market opportunity and gained recognition.</p> <ul style="list-style-type: none"> <li>• Commenced the roux business (2005).</li> <li>• Operated the second plant in Dalian (2014).</li> <li>• Increased menu recognition through tasting mainly in the coastal area.</li> </ul>



- 12 years after the launch of the roux business, the degree of recognition of curry roux and experience eating Japanese-style curry have both expanded.
- In the previous fiscal year, the Group developed a system for further growth by rebuilding the agency and sales systems.

## ◆ Sales trends of business in China

(Million yuan)



## ◆ Sales breakdown by management area



# International Food Business: Enhancement of Production Capacity



## ◇ China

- Third plant in Zhejiang (due to operate in around autumn 2018)  
To build a structure for the roux business of ¥13 billion

### Rendering of Zhejiang Plant



## ◇ United States

- Acquired adjacent land to the LA Plant
- Expected to begin operating in 2020.
- \* Red frame: LA Plant, Blue frame: Property acquired this time



Image@2017Google, Map data @2017Google

## ◇ Thailand

- Steadily expanded since the business launch in 2012.  
Embarked on the development of a system to increase production capacity associated with increasing demand for *C-vitt*.



### Sales trends of business in Thailand (Million baht)



# Restaurant Business



Billion yen	Performance	FY2017 H1			
		Year on year (%)		Comparison with target (%)	
Net sales	25.8	+0.4	(101.5)	-0.1	( 99.6)
Operating profit	-0.0	+0.1	-	+0.1	-
ROS	-0.2%		+0.2Pt		+0.2Pt
(Excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.)	2.5	+0.1	(102.4)	+0.1	(102.5)
ROS	9.6%		+0.1Pt		+0.3Pt

## ◆ Breakdown of sales (main factors)

<b>Ichibanya Co., Ltd. (consolidated)</b>	24.7	+0.4	(101.8)	+0.1	(100.5)
Ichibanya Co., Ltd. (non-consolidated)	22.1	+0.3	(101.2)	+0.1	(100.3)
Overseas	2.6	+0.2	(107.0)	+0.1	(102.1)

\* Ichibanya Co., Ltd. reorganized the overseas restaurant business in March 2017, and consolidated results are compared with values after reclassification.

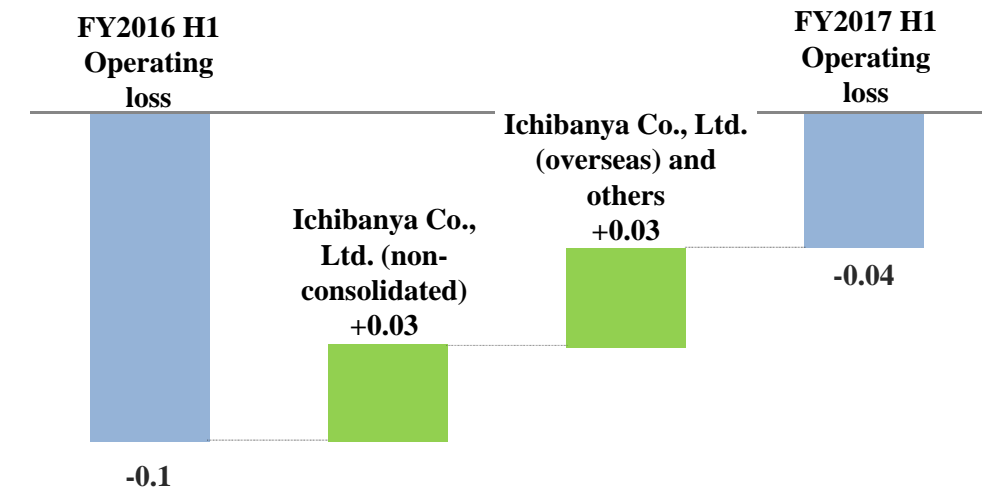
## ◇ Ichibanya Co., Ltd.(Japan)

- Effect of price revision by area underpinned earnings, despite a slight decline in the number of customers mainly due to the unseasonal weather in summer.
- Developed a halal restaurant to make it a contact point for Muslim customers (Akihabara, Tokyo). Curry sauce is manufactured by PT. JAVA AGRITECH (Indonesia).

## ◇ Overseas

- China and Taiwan, the business for which was transferred to Ichibanya, saw improved profitability from the previous fiscal year partly due to the effect of closing unprofitable restaurants.  
 <Impact of exchange rate> Net sales: ¥0.3 billion (¥0.1 billion in China, ¥0.1 billion in Taiwan)  
 Impact on operating profit was minor.

## ◆ Analysis of operating profit change



Halal Akihabara Restaurant

# Other Food Related Business

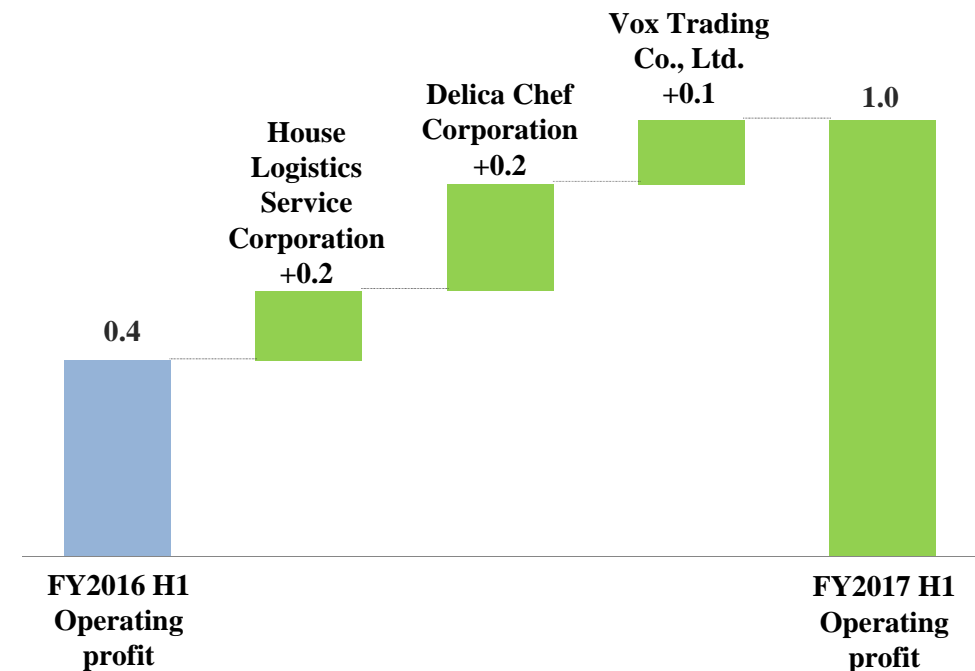


Billion yen	Performance	FY2017 H1	
		Year on year (%)	Comparison with target (%)
Net sales	30.6	+0.4 (101.3)	+0.4 (101.2)
Operating profit	1.0	+0.5 (222.5)	+0.4 (160.9)
ROS	3.2%	+1.7Pt	+1.2Pt

## ◆ Breakdown of sales (main factors)

House Logistics Service Corporation	11.3	-0.3 ( 97.0)	+0.1 (100.7)
Delica Chef Corporation	8.4	-0.1 ( 98.7)	+0.1 (101.3)
Vox Trading Co., Ltd.	10.5	+0.9 (109.6)	+0.2 (102.2)

## ◆ Analysis of operating profit change



### ◇ House Logistics Service Corporation (transport and warehousing)

- Profit increased with the rise in cargo of the House Group, despite smaller sales due to the transfer of Hokkaido and Kyushu areas to F-LINE.
- Profitability improved with the effect of the disposal of certain unprofitable businesses completed in the previous fiscal year in cargo outside the Group.

### ◇ Delica Chef Corporation (convenience store vendor)

- The profitability of the Kuki Plant improved due to stable procurement of vegetables and improved productivity.
- The weight of self-developed products, particularly in desserts, increased.

### ◇ Vox Trading Co., Ltd. (import, sales, etc. of foodstuffs)

- Sales of condiment vegetables increased, and earnings of agricultural materials improved with the impact of exchange rates.
- Costs such as SG&A expenses and logistics expenses declined.

# Full-Year Plan for FY2017

**We aim to achieve operating profit of ¥15 billion set in the Fifth Medium-Term Business Plan.**

- **Seek sustainable growth by cultivating the revenue base in greater depth amid a changing management climate for domestic businesses.**
- **Continue to invest in the growth of overseas business.**
- **Increase the year-end dividend forecast by ¥1, given our results forecast (Year-end dividend of ¥18 per share and annual dividend of ¥36 per share, a year-on-year increase in the annual dividend by ¥4)**

# Targets for Consolidated Income (Loss)



Billion yen	FY2017				FY2017 H2				
	Revised target	Comparison with net sales	Year on year (%)	Comparison with initial target (%)	Revised target	Comparison with net sales	Year on year (%)	Comparison with initial target (%)	
Net sales	291.6	—	+7.8 (102.7)	-1.2 ( 99.6)	148.2	—	+1.3 (100.9)	-1.8 ( 98.8)	
Operating profit	15.0	5.1%	+2.7 (121.8)	+1.5 (111.1)	7.5	5.1%	+0.6 (108.4)	-0.5 ( 94.3)	
Ordinary profit	16.1	5.5%	+2.1 (115.4)	+1.6 (111.0)	8.1	5.5%	-0.5 ( 94.4)	-0.4 ( 95.2)	
Profit attributable to owners of parent	8.6	2.9%	-0.1 ( 99.0)	+0.9 (111.7)	4.3	2.9%	-0.2 ( 95.5)	-0.5 ( 89.0)	
ROE	*1	3.6%	—	-0.1Pt	+0.4Pt	—	—	—	—
EBITDA	*2	27.7	9.5%	+2.5 (109.8)	+1.5 (105.7)	14.0	9.5%	+0.4 (103.2)	-0.4 ( 97.3)
Profit attributable to owners of parent	*3	12.1	4.2%	+1.3 (112.1)	+0.8 (107.5)	6.0	4.1%	-0.2 ( 96.5)	-0.5 ( 91.9)

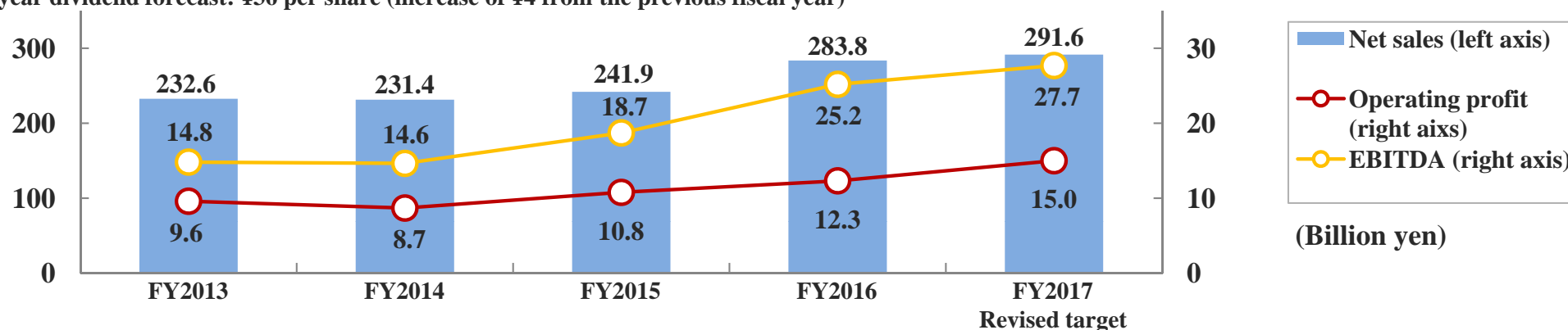
\*1 The posting of a gain on bargain purchases associated with the inclusion of Gaban in the Group and the reversal of deferred tax liabilities associated with the tax rate change for Ichibanya are included in ROE in the previous fiscal year.

\*2 EBITDA = Operating profit (before amortization of goodwill) + Depreciation

\*3 Excluding the effects of extraordinary income (loss) arising from business combination and the amortization of goodwill

- Given the performance in the current fiscal year, interim dividend per share and year-end dividend per share are increased by ¥3 and ¥1 respectively from the previous fiscal year.

Full-year dividend forecast: ¥36 per share (increase of ¥4 from the previous fiscal year)





# Revised Targets in H2 by Segment



Billion yen	Net sales				Operating profit			
	FY2017 H2				FY2017 H2			
	Revised target	Year on year (%)		Comparison with initial target (%)	Revised target	ROS	Year on year (%)	
Total	148.2	+1.3	(100.9)	-1.8 ( 98.8)	7.5	5.1%	+0.6 (108.4)	-0.5 ( 94.3)
Spice / Seasoning / Processed Food Business	73.1	+3.4	(104.8)	+1.7 (102.4)	6.4	8.8%	+0.2 (102.6)	+0.1 (102.1)
Health Food Business	15.9	+0.4	(102.9)	-1.0 ( 93.9)	0.2	1.0%	-0.0 ( 78.4)	-0.4 ( 26.7)
International Food Business	11.7	+0.2	(101.5)	+0.1 (100.6)	1.2	10.1%	+0.3 (129.6)	+0.1 (107.6)
Restaurant Business	25.7	-0.3	( 99.0)	-0.4 ( 98.4)	-0.2	-0.6%	+0.2 -	-0.1 -
Excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.	-				2.3	9.1%	+0.2 (107.6)	-0.1 ( 97.5)
Other Food Related Business	29.4	-2.5	( 92.1)	-2.1 ( 93.4)	0.7	2.5%	+0.4 (258.0)	+0.2 (146.9)
Adjustment (elimination)	-7.6	+0.1	-	-0.1 -	-0.8	-	-0.4 -	-0.4 -

## <Comparison with initial target>

Spice / Seasoning / Processed Food Business	<ul style="list-style-type: none"> <li>- Results similar to initial targets are expected, given the reinforcement of retort pouched curry and stew, although the contraction of curry roux is anticipated.</li> <li>- The effect of the new consolidation of Malony Co., Ltd. will make a contribution (inclusion in consolidation in Q3: Net sales ¥1.9 billion, operating profit ¥0.1 billion)</li> </ul>
Health Food Business	<ul style="list-style-type: none"> <li>- More severe results than the initial targets are estimated by taking the current situation of <i>Ukon No Chikara</i> into account.</li> </ul>
International Food Business	<ul style="list-style-type: none"> <li>- Growth will continue mainly in China and Thailand.</li> <li>- (International Food Business: YoY comparison of net sales on a local currency basis 112.8%, the impact of exchange rates -¥1.3 billion)</li> </ul>
Restaurant Business	<ul style="list-style-type: none"> <li>- Full-year targets remain unchanged. In the second half, higher rice prices and an increase in costs for promoting work style reforms are expected.</li> </ul>
Other Food Related Business	<ul style="list-style-type: none"> <li>- In Vox Trading Co., Ltd., the initial net sales target will be revised downward because there is no prospect for some bidding.</li> <li>- The profitability of each company will continue to improve, as in the first half.</li> </ul>
Adjustment (elimination)	<ul style="list-style-type: none"> <li>- The effect of corporate costs carried forward from the first half and an increase in costs for the development of new businesses</li> </ul>

# Revised Targets in the Full-Year by Segment



Billion yen	Net sales				Operating profit			
	Revised target	FY2017		Comparison with initial target (%)	Revised target	FY2017		Comparison with initial target (%)
		Year on year (%)				ROS	Year on year (%)	
Total	291.6	+7.8	(102.7)	-1.2 ( 99.6)	15.0	5.1%	+2.7 (121.8)	+1.5 (111.1)
Spice / Seasoning / Processed Food Business	140.0	+7.9	(106.0)	+2.6 (101.9)	11.2	8.0%	+1.3 (113.3)	+0.9 (108.7)
Health Food Business	33.0	-0.3	( 99.2)	-1.6 ( 95.4)	1.0	3.0%	-0.3 ( 74.9)	-0.5 ( 66.7)
International Food Business	22.4	+2.3	(111.4)	+0.2 (100.9)	2.6	11.6%	+0.9 (154.6)	+0.6 (130.0)
Restaurant Business	51.5	+0.1	(100.2)	-0.5 ( 99.0)	-0.2	-0.4%	+0.2 -	+0.0 (100.0)
Excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.	-				4.8	9.4%	+0.2 (104.9)	+0.0 (100.0)
Other Food Related Business	60.0	-2.1	( 96.6)	-1.7 ( 97.2)	1.7	2.8%	+1.0 (236.5)	+0.6 (154.6)
Adjustment (elimination)	-15.3	-0.2	-	-0.2 -	-1.3	-	-0.4 -	-0.1 -

**Spice / Seasoning / Processed Food Business**

- Strengthen strategies for changes in eating at home. Incorporate the growth of the retort pouched curry market mainly into *Pro Quality*. Expand value provided by stew (raise the menu position from a side dish to the main dish).

**Health Food Business**

- *Ukon No Chikara*: Focus on the expansion of contact points for drinks for heavy users and granules with high portability.
- *Ichinichibun No Vitamin*: Focus on the further cultivation of brand.

**International Food Business**

- The United States: Embark on the expansion of production capacity, given progress in the American market penetration of tofu products.
- China: Focus on the early establishment of price revisions in July, the deeper cultivation of the market for the operation of the third plant and the expansion of priority areas.
- Southeast Asia: Develop a system to boost production capacity associated with increasing demand for *C-vitt*.

**Restaurant Business**

- Japan: Enhance sales of existing restaurants and promote work style reforms.
- Overseas: Promote an improvement in the revenue structure of business in China.

**Other Food Related Business**

- Continue the efforts of each company that contributed to the improved revenue structure in the first half.

# By Segment



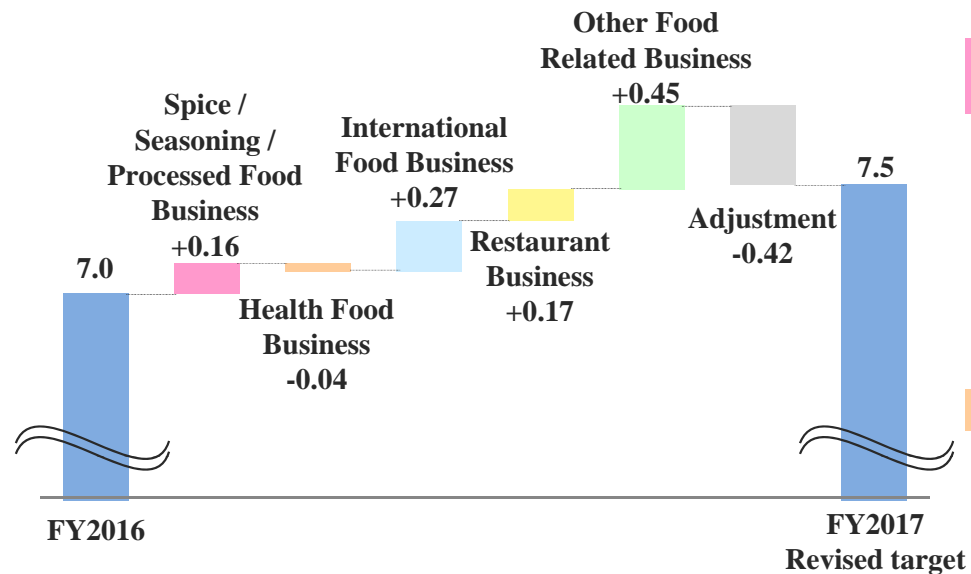
Billion yen		FY2017			Breakdown of sales (main factors)	FY2017		
		Revised target	Year on year (%)			Revised target	Year on year (%)	
Spice / Seasoning / Processed Food Business	Net sales	140.0	+7.9	(106.0)	House Foods Corporation	130.1	+4.1	(103.3)
	Operating profit	11.2	+1.3	(113.3)	Curry roux	37.1	-0.9	( 97.7)
Health Food Business	Net sales	33.0	-0.3	( 99.2)	Stew roux	13.3	+0.7	(105.9)
	Operating profit	1.0	-0.3	( 74.9)	Spice	19.1	+1.2	(107.0)
International Food Business	Net sales	22.4	+2.3	(111.4)	Retort pouched curry	15.2	+1.3	(109.6)
	Operating profit	2.6	+0.9	(154.6)	Snacks	6.5	+1.0	(118.5)
Restaurant Business	Net sales	51.5	+0.1	(100.2)	Food service products	17.5	+0.6	(103.8)
	Operating profit	-0.2	+0.2	—	Gaban Co., Ltd.	10.0	+2.5	(132.7)
Other Food Related Business	Net sales	60.0	-2.1	( 96.6)	Malony Co., Ltd.	1.9	+1.9	—
	Operating profit	1.7	+1.0	(236.5)	Ukon No Chikara	10.7	-0.8	( 93.0)
					C1000	10.9	+0.2	(101.7)
					Ichinichibun No Vitamin	4.1	+1.1	(137.3)
					Business in the United States	11.1	+0.2	(102.0)
					Business in China	5.1	+1.2	(131.1)
					Businesses in Southeast Asia	2.3	+0.4	(123.2)
					Ichibanya Co., Ltd. (consolidated)	49.3	+0.4	(100.9)
					Ichibanya Co., Ltd. (non-consolidated)	44.0	+0.6	(101.4)
					Overseas	5.2	-0.1	( 97.2)
					House Logistics Service Corporation	21.9	-1.3	( 94.5)
					Delica Chef Corporation	16.6	-0.2	( 99.1)
					Vox Trading Co., Ltd.	20.8	-0.4	( 98.0)

Major details of net sales by segment are also stated in “5. Trends in Net Sales by Business Segment” in Fact Data.

# Operating Profit Change Analysis

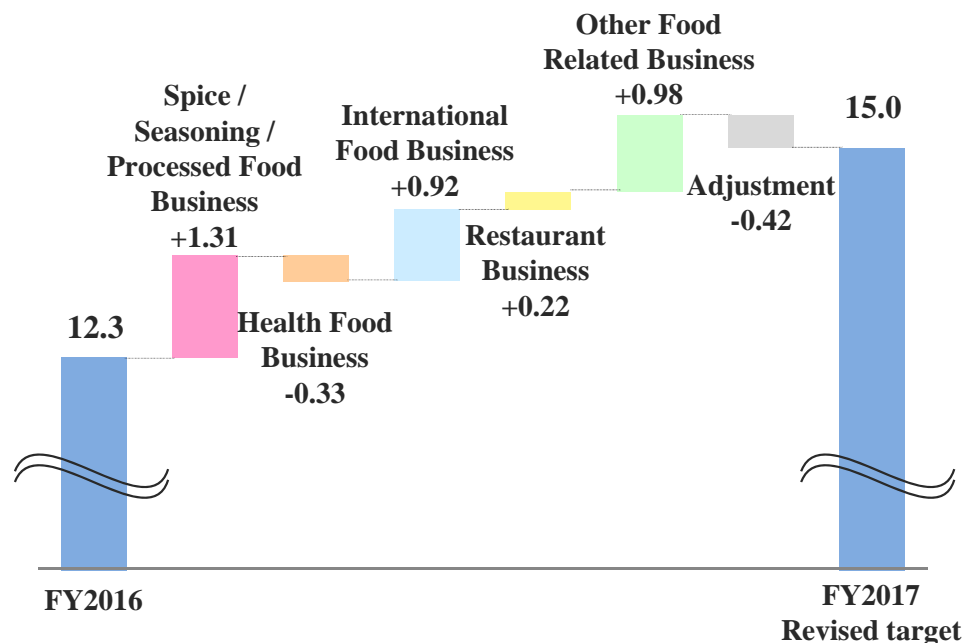


## ◆ Factors of changes by business segment in H2



(Billion yen)	FY2017 H1 Performance	FY2017 H2 Revised target	FY2017 Revised target
<b>Spice / Seasoning / Processed Food Business</b>	<b>+1.15</b>	<b>+0.16</b>	<b>+1.31</b>
- Change in sales	+1.0	+0.8	+1.7
- Change in cost of sales ratio	+0.2	-0.3	-0.1
- Marketing costs	-0.3	+0.2	-0.1
- Personnel expenses and other expenses	+0.0	-0.6	-0.6
- Consolidation effect of Gaban and Malony	+0.2	+0.1	+0.4
<b>Health Food Business</b>	<b>-0.29</b>	<b>-0.04</b>	<b>-0.33</b>
- Change in sales	-0.3	+0.1	-0.1
- Change in cost of sales ratio	+0.1	+0.0	+0.1
- Marketing costs	-0.1	+0.0	-0.1
- Personnel expenses and other expenses	+0.0	-0.2	-0.2
<b>International Food Business</b>	<b>+0.65</b>	<b>+0.27</b>	<b>+0.92</b>
- Business in the United States (excl. restaurants)	+0.1	-0.1	+0.1
- Business in China	+0.4	+0.3	+0.7
- Businesses in Southeast Asia	+0.2	+0.0	+0.2
- Exports and others	-0.1	+0.0	-0.1
<b>Restaurant Business</b>	<b>+0.06</b>	<b>+0.17</b>	<b>+0.22</b>
- Ichibanya Co., Ltd. (consolidated)	+0.0	-0.1	-0.0
- Ichibanya Co., Ltd. (overseas) and others	+0.0	+0.2	+0.2
<b>Other Food Related Business</b>	<b>+0.53</b>	<b>+0.45</b>	<b>+0.98</b>
- House Logistics Service Corporation	+0.2	+0.2	+0.4
- Delica Chef Corporation	+0.2	+0.0	+0.3
- Vox Trading Co., Ltd.	+0.1	+0.2	+0.3
<b>Adjustment</b>	<b>+0.01</b>	<b>-0.42</b>	<b>-0.42</b>
<b>Changes in operating profit</b>	<b>+2.10</b>	<b>+0.58</b>	<b>+2.69</b>

## ◆ Factors of changes by business segment in the full year



# Supplementary Description

## ◆ 2020 Vision

**Striving to become a high quality company that provides “Healthy Life Through Foods”**

## ◆ Fifth Medium-Term Business Plan Basic Concept

- Start up a business model (new business) that offers new value in the mature domestic market, in addition to the core domestic businesses and the overseas core growth businesses.
- Enhance the significance of Group’s existence in society by fulfilling the “three responsibilities.”
- Further strengthen the capacity to put functions and plans into practice.
- Narrow the gap with the target ROE by improving the ROA.

## ◆ Guidelines concerning business investments

- Utilize 50 billion yen for business investment funds. \* Set 70 billion yen as the upper limit if necessary (by borrowing 20 billion yen)

Actual results of utilizing funds as of the end of September 2017: 44.9 billion yen

Conversion of Ichibanya Co., Ltd. to a subsidiary: 30.3 billion yen / Conversion of Gaban Co., Ltd. to a subsidiary: 6.7 billion yen / Investment in the third plant in China: 5.0 billion yen, among others

## ◆ Guidelines concerning profit distribution

### - Dividend policy

Maintain stable dividends, with a dividend payout ratio of at least 30% on a consolidated basis excluding the effects of extraordinary income (loss) arising from business combination and the amortization of goodwill as a standard.

	FY2015 performance	FY2016 performance	FY2017 H1 performance	FY2017 revised target
Annual dividend per share	¥30	¥32	¥18	¥36
Payout ratio	13.6%	37.9%	42.7%	43.0%
Payout ratio based on dividend policy	32.0%	30.4%	30.5%	30.6%

## Major business developments (in Japan)

1913	Urakami Shoten, an enterprise dealing in herbal medicines, founded
1926	Launch of powder curry start
1964	Launch of home dessert
1966	Launch of instant stew
1970	Launch of retort pouched products
1973	Launch of packaged noodles
1971	Listed on the Tokyo Stock Exchange and Osaka Securities Exchange
1977	Launch of snacks
1983	Launch of mineral water
1997	Entry into the health foods market
2006	House Wellness Foods Corporation established
2013	100th anniversary; switch to a holding company system
2015	Ichibanya Co., Ltd. made into a consolidated subsidiary
2016	Gaban Co., Ltd. made into a consolidated subsidiary
2017	Malony Co., Ltd. made into a consolidated subsidiary

## Major events overseas

1981	Entry into USA
1983	Start of tofu business and restaurant business in the United States
1997	Entry into China (Restaurants)
2000	Entry into Taiwan (Restaurants)
2005	Start of curry roux sales in China
2007	Entry into South Korea (Restaurants)
2011	Entry into Thailand (functional drinks)
2012	Entry into Vietnam (home dessert)
2016	Entry into Indonesia (Halal curry for commercial use)
2017	Restructuring of restaurant business in Asia (Ichibanya taking the lead)

## Years when major products were launched

Vermont Curry



Launched in 1963

Stew Mix



Launched in 1966

Kukure Curry



Launched in 1971

C1000



Launched in 1990

Ukon No Chikara



Launched in 2004

tofu (USA)



Launched in 1983

Vermont Curry (China)



Launched in 2005

# Major new products and varieties for the autumn and winter 2017



## ◆ New product

Category	Product	Suggested retail price (reference price)	On-shelf date
Curry roux	100g Dashi No Takumi Curry	Open (¥200)	Aug. 14
Stew roux	Kiwadachi Stew (Nyuseihin-no Koku-ga Kiwadatsu Cream, Akawain-no Kaori-ga Kiwadatsu Beef)	Open (¥250)	Aug. 14
Stew roux	Stew On Rice (Chicken fricassee sauce, beef stroganoff sauce)	Open (¥248)	Aug. 14
Instant Stew	Bistrori (cream stew, corn cream stew)	Open (¥198)	Aug. 14
Spice	Domestically produced Ichimi Tougarashi and Shichimi Tougarashi	Open (¥380)	Aug. 14
Retort pouched curry	Oogama Shikomi Curry (Chu-kara, Kara-kuchi)	Open (¥200)	Aug. 14
Wellness drinks	C1000 Fruit Mist Yuzu & Mikan 500 mL	¥140	Sep. 11



## ◆ Variety

Curry roux	Kiwadachi Curry Kajitsukan-ga Kiwadatsu Mild Type	Open (¥250)	Aug. 14
Retort pouched curry	Delhi Premium Recipe Keema Palak Curry	¥330	Aug. 14
Wellness drinks	Ichinichibun No Vitamin Orange Taste	¥190	Oct. 23



## ◆ Renewal

Curry roux	98g Chicken Masala Curry	Open (¥200)	Aug. 14
Curry roux	100g Jukusei Kokudemi Curry	Open (¥200)	Aug. 14
Retort pouched curry	Delhi Premium Recipe (Beef Masala Curry, Butter Chicken Curry)	¥330	Aug. 14
Retort pouched curry	Pro Quality Beef Curry with four bags (Mild blend, Chu-kara, Kara-kuchi)	Open (¥478)	Aug. 14
Wellness drinks	Ukon No Chikara Liver Plus	Open (¥324)	Oct. 16



\* There are other new, variety and fresh-up products.



# Quarterly changes in average sales price and year-on-year sales change by major product line



## ◆ Trends in the curry roux market

(Source: Intage Inc. SRI monthly data (April 2017 – September 2017))

		Q1	Q2	H1
Whole market	Avg. sales price	¥190	¥191	¥190
	YoY (change)	+¥1	+¥1	+¥1
House Foods	Avg. sales price	¥192	¥192	¥192
	YoY (change)	+¥0	-¥1	+¥0
	Share in value	62.5%	62.5%	62.5%

## ◆ Year-on-year sales change by major product line (shipments)

		Q1	Q2	H1
<b>Spice / Seasoning / Processed Food Business</b>				
	<b>Curry roux total</b>	<b>100.2%</b>	<b>94.4%</b>	<b>97.3%</b>
	<b>Retort pouched curry total</b>	<b>128.2%</b>	<b>106.4%</b>	<b>116.2%</b>
	<b>Stew roux total</b>	<b>101.8%</b>	<b>109.2%</b>	<b>107.2%</b>
	<b>Hashed beef sauce roux total</b>	<b>96.3%</b>	<b>92.3%</b>	<b>94.5%</b>
	<b>Spice total</b>	<b>107.0%</b>	<b>105.0%</b>	<b>106.0%</b>
<b>Health Food Business</b>				
	<i>Ukon No Chikara</i>	<b>92.4%</b>	<b>89.9%</b>	<b>91.1%</b>
	<i>C1000</i>	<b>101.3%</b>	<b>100.6%</b>	<b>100.9%</b>
	<i>Ichinichibun No Vitamin</i>	<b>116.0%</b>	<b>126.5%</b>	<b>121.0%</b>