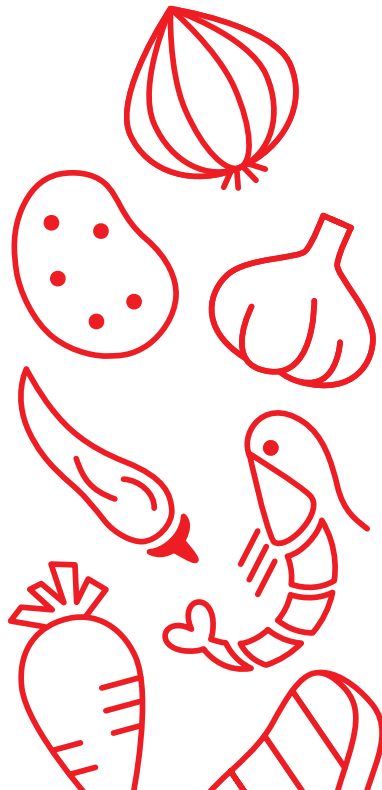


**CORPORATE GUIDE**  
HOUSE FOODS GROUP INC.

**2018**



Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives.



Status of inclusion on SRI indices

(as of June 30, 2018)



The MSCI Japan ESG Select Leaders Index is designed to represent the performance of companies that have high ESG (Environmental, Social and Governance) performance which are selected from the constituent stocks of the MSCI Japan IMI Top 500 Index. The Company has been granted an "A" ESG rating by MSCI INC.

THE INCLUSION OF House Foods Group Inc. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF House Foods Group Inc. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



The SNAM Sustainable Investment, launched by Sompo Japan Nipponkoa Asset Management Co., Ltd. ("SNAM") in August 2012, is a responsible investment product for pension funds and institutional investors that invests broadly in companies with high ESG (Environmental, Social and Governance) ratings. Stocks are chosen with emphasis on ESG evaluation by research companies, and allocation is determined based on a proprietary active index, the SNAM Sustainability Index.

House Foods Group Inc. has been selected for inclusion in the Index for seven consecutive years since the Index began operating in August 2012.



Morningstar Socially Responsible Investment Index is the first domestic index based on social responsible investment. This index is calculated through the indexation of the share prices of 150 companies selected from among nearly 4,000 listed companies in Japan by Morningstar Japan K.K. because of their higher level of sociability.



# CORPORATE GUIDE 2018

## Contents

|                                   |    |
|-----------------------------------|----|
| Group Philosophy                  | 1  |
| About House Foods Group           | 3  |
| Top Message                       | 9  |
| Overview by Business Segment      | 17 |
| Corporate Governance              | 22 |
| Group CSR                         | 33 |
| 11 Years' Selected Financial Data | 35 |
| Consolidated Financial Statements | 37 |
| House Foods Group Companies       | 41 |
| Corporate Information             | 44 |

## Aiming to be a Good Corporate Citizen to Create Smiles in People's Lives

“In every happy home throughout Japan you will find the warm flavor of home cooking, House”

To realize this wish, we have always worked to address the issues in each era.

Let us present the history of House Foods Group along with our efforts to create smiles in people's lives.

1913~



### From herbal medicine business to the development of curry powder, leading to the launch of “House Curry”

The predecessor of House Foods Group Inc. was Urakami Shoten, an enterprise dealing in herbal medicines, which was founded in 1913 in Kawaraya-machi, Minami-ku, Osaka-city by Seisuke Urakami at the age of 21. It was in 1921 that Seisuke, who had mainly dealt in various medical ingredients, undertook the bottling and sales of curry powder from his customer.

1960~



### Development of solid roux and the launch of Vermont Curry, a long-selling hit product

Amid the spread of instant foods owing to economic growth, we launched a solid curry roux product in 1960. Additionally, by leveraging our technologies, we developed a mild tasting solid roux curry using apples and honey as ingredients with the concept of “curry that can be enjoyed together with children.” In 1963, we created *Vermont Curry*, which is our mainstay product and loved by people even today.

1970~



### Expanded product lineup with the launch of retort pouched foods, etc. in response to diversified customer needs

We launched *Kukure Stew* in 1970 and *Kukure Curry* in 1971 and entered the retort pouched foods market to develop products which are long lasting and save the trouble of cooking. We also launched *Shanmen soy sauce flavor* in 1973, entering the packaged noodles market. Furthermore, we entered the snack foods market in 1977 and the beverage market in 1983 with the respective launches of *Potato Chips* and *Rokko no Oishii Mizu*.

1980~



### Started overseas development to offer the delicious flavors cultivated in Japan to the world

We started our overseas expansion with the establishment of a representative's office in Los Angeles in the United States in 1981. In 1983, we established House Foods & Yamauchi, Inc. (currently House Foods America Corporation) to enter the tofu business in the United States. Tofu has gradually received much attention as a healthy food and tofu products have achieved significant growth to date.

1913  
(Foundation)

1947  
(Establishment)

1950

1955

1960

1965

1970

1975





2000~

**Launched *Ukon No Chikara* with a good balance between taste and health to expand the Health Food Business**

Since around 2000, when people had become more conscious about their own health, progress has been made in research into the functional properties of spices. *Ukon No Chikara* was developed and launched in 2004, based on the idea of making a functional health drink by using turmeric, which is essential for making curry. Despite containing 30mg of curcumin, an active ingredient of turmeric, the distinctive bitterness was moderated and a refreshing taste was achieved. Because of the convenient and easy way to take in active ingredients with an enjoyable taste, it became a huge hit, leading to the further acceleration of efforts for the Health Food Business.



2010~

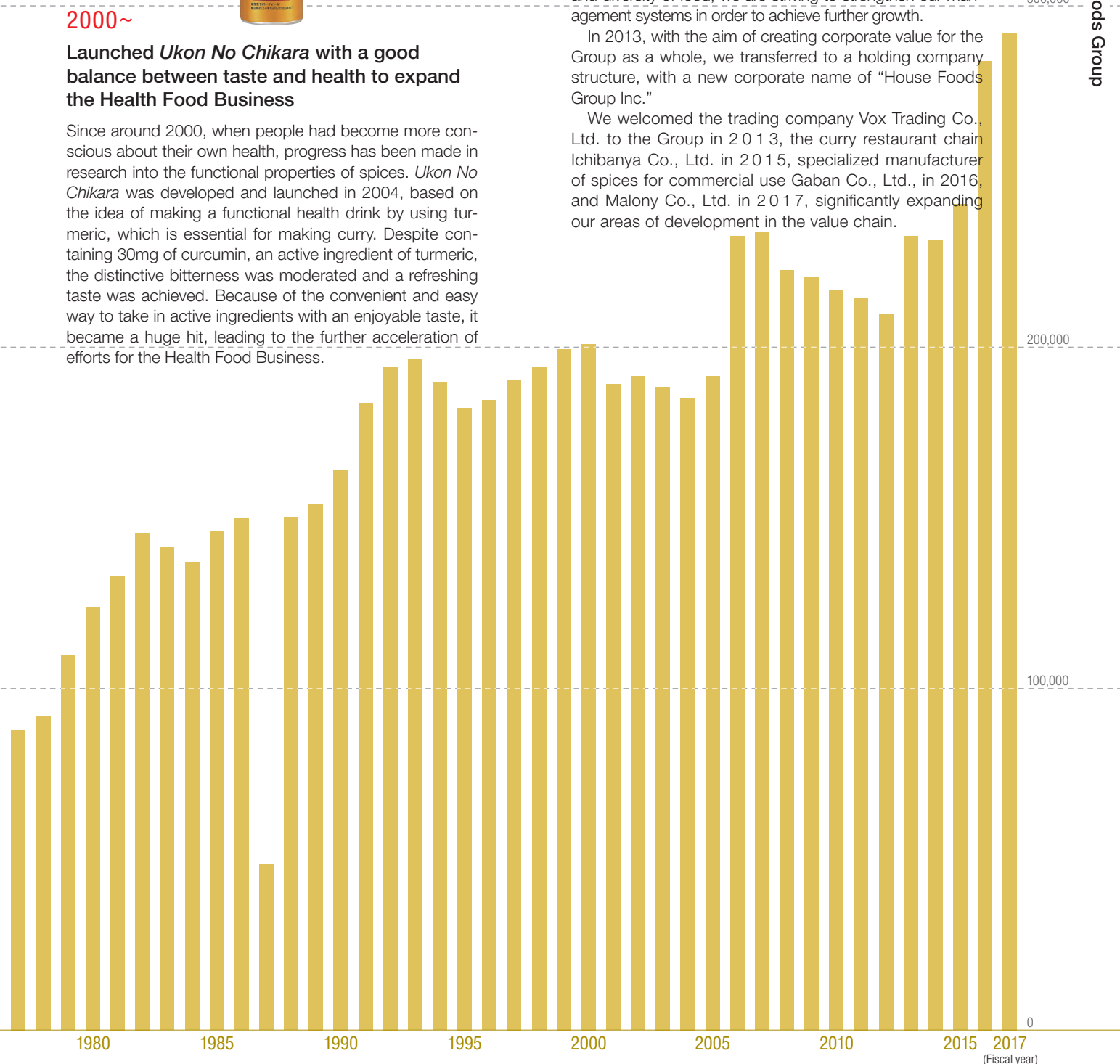
**Transferred to a holding company structure to strengthen management systems and enhance the Group's capabilities as a whole**

Entering into an era with increasing concern over significance and diversity of food, we are striving to strengthen our management systems in order to achieve further growth.

In 2013, with the aim of creating corporate value for the Group as a whole, we transferred to a holding company structure, with a new corporate name of "House Foods Group Inc."

We welcomed the trading company Vox Trading Co., Ltd. to the Group in 2013, the curry restaurant chain Ichibanya Co., Ltd. in 2015, specialized manufacturer of spices for commercial use Gaban Co., Ltd., in 2016, and Malony Co., Ltd. in 2017, significantly expanding our areas of development in the value chain.

(Millions of yen)  
300,000



## Data to understand House Foods Group

|                                         | Net sales (Millions of yen) | Operating profit (Millions of yen) | Ratio of operating profit |
|-----------------------------------------|-----------------------------|------------------------------------|---------------------------|
| Spice/Seasoning/Processed Food Business | 139,937                     | 12,081                             | 8.6%                      |
| Health Food Business                    | 31,599                      | 907                                | 2.9%                      |
| International Food Business             | 22,855                      | 2,847                              | 12.5%                     |
| Restaurant Business                     | 51,974                      | -406                               | -0.8%                     |
| Other Food Related Business             | 61,024                      | 1,865                              | 3.1%                      |
| Adjustment                              | -15,492                     | -1,008                             | —                         |
| <b>Total</b>                            | <b>291,897</b>              | <b>16,288</b>                      | <b>5.6%</b>               |

### Spice/Seasoning/Processed Food Business

45.5%

The Group is engaged in the business of manufacturing and selling spices, seasonings, processed foods and food service products in the domestic market.

Through offering a wide range of products represented by curry roux products, stew roux products, retort pouched curry products and spice products, we contribute to enhancing the experience of family meals.



### Health Food Business

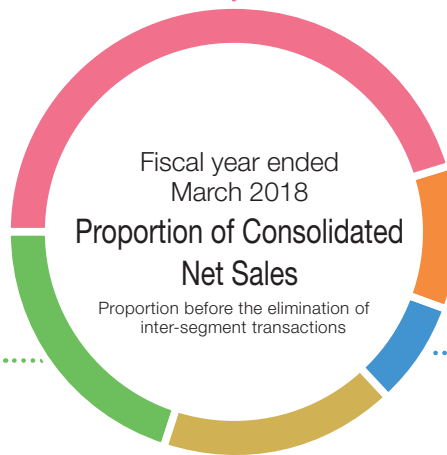
10.3%

The Group is engaged in the business of manufacturing, selling and direct marketing of health foods and functional beverages in the domestic market. With a vast product lineup possessing both functionality and tastiness, we support a healthy lifestyle through providing everyday diet.



### Fiscal year ended March 2018 Proportion of Consolidated Net Sales

Proportion before the elimination of inter-segment transactions



### Other Food Related Business

19.9%

The Group is engaged in businesses such as transportation and warehousing, manufacturing and selling of prepared foods, analysis of foods, and imports and sales of foodstuffs. By enhancing each function and pursuing inter-Group synergies, we are making efforts to reinforce the overall capability of the Group.

### Restaurant Business

16.9%

The Group is engaged in the business of operating restaurants in the domestic market and the overseas market. The Group provides Japanese-style curry to customers in countries throughout the world through "CURRY HOUSE Coco ICHIBANYA," a restaurant specializing in curry operated by Ichibanya Co., Ltd.

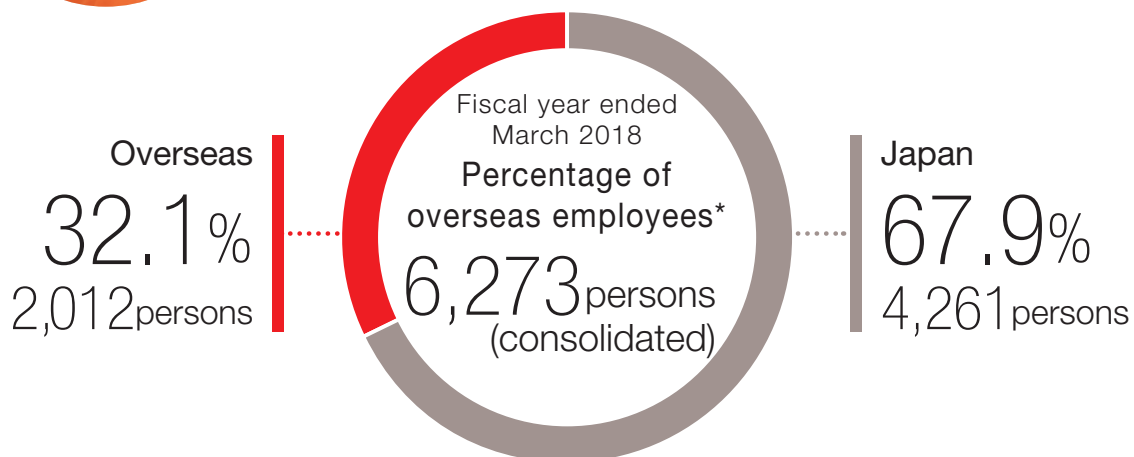
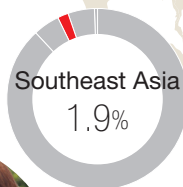
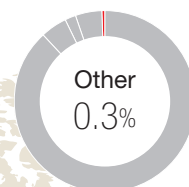
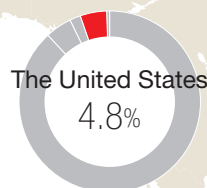
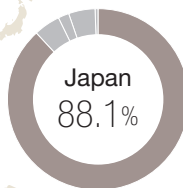
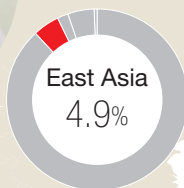
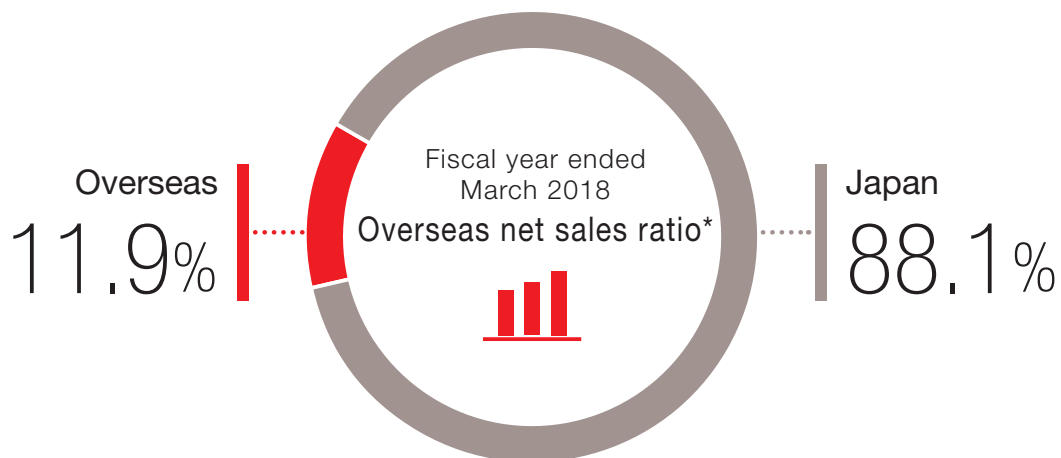


### International Food Business

7.4%

The Group is engaged in the business of manufacturing and selling foods overseas. We believe that we should capitalize on the technology developed in Japan to provide new value in foodstuffs, and offer the world of food that the Group has developed.



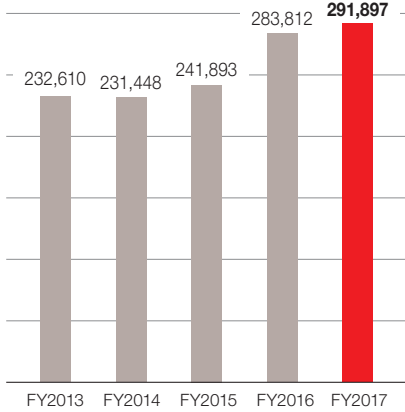


\*As of March 31, 2018

## Financial highlights

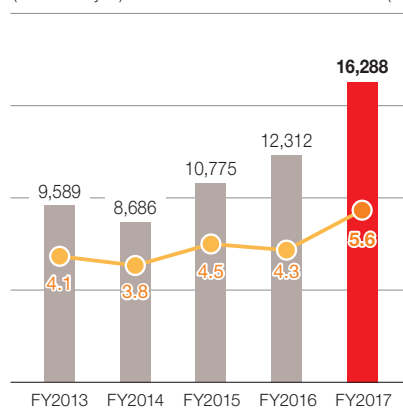
### Net sales

(Millions of yen)



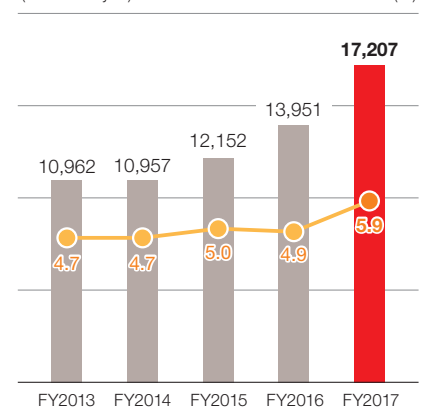
### Operating profit / Ratio of operating profit to net sales

(Millions of yen) (%)



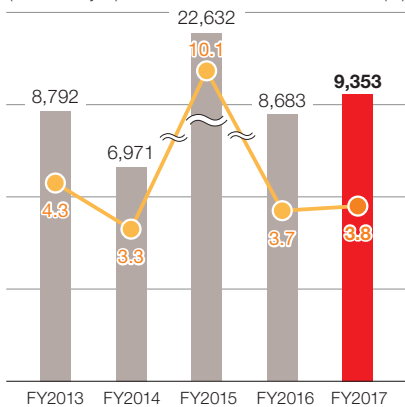
### Ordinary profit / Ratio of ordinary profit to net sales

(Millions of yen) (%)



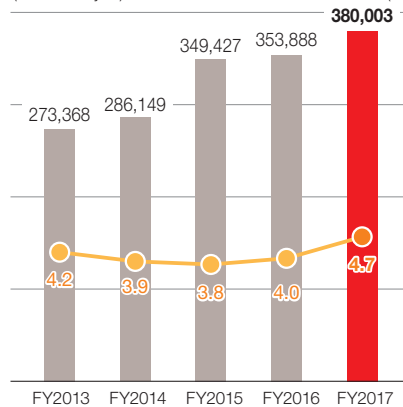
### Profit attributable to owners of parent / ROE

(Millions of yen) (%)



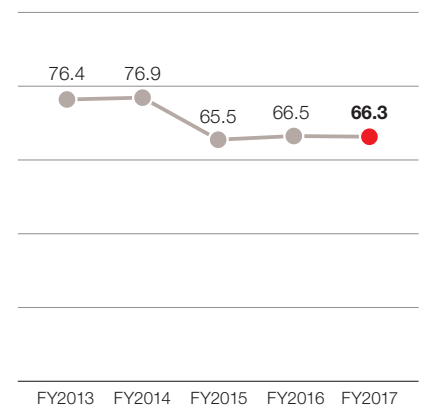
### Total assets / ROA

(Millions of yen) (%)



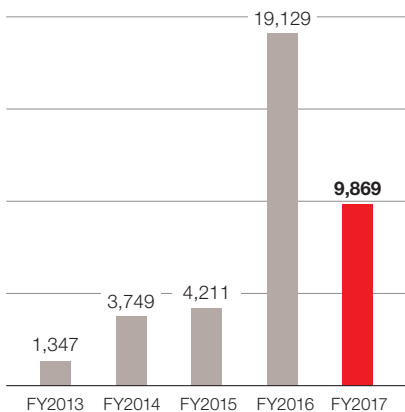
### Equity ratio

(%)



### Free cash flow\*

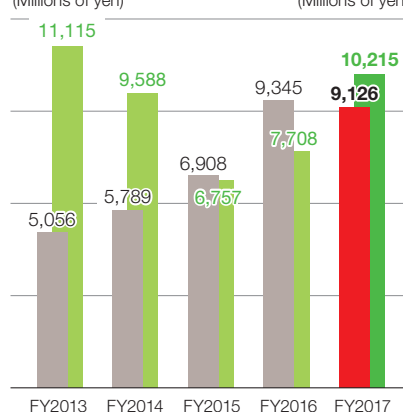
(Millions of yen)



\*Operating cash flow + Investing cash flow

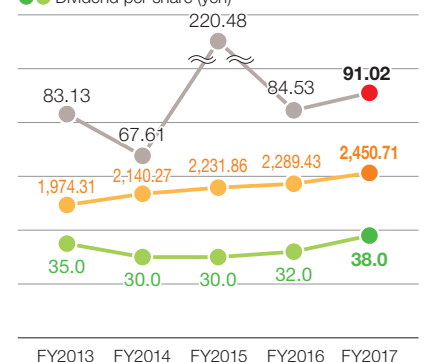
### Depreciation / Capital investment

(Millions of yen) (Millions of yen)



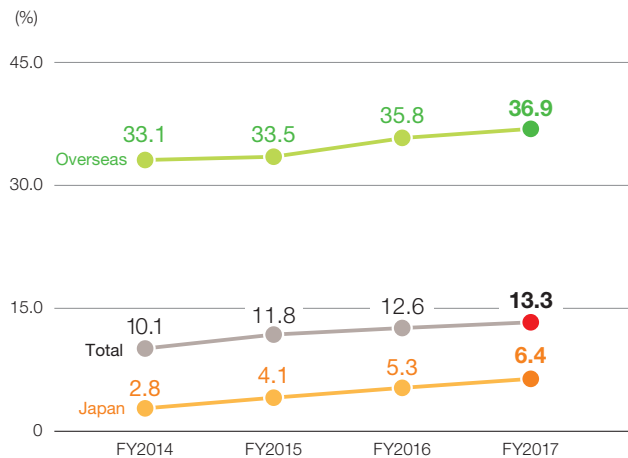
### Profit per share / Net assets per share / Dividend per share

(yen) (yen) (yen)

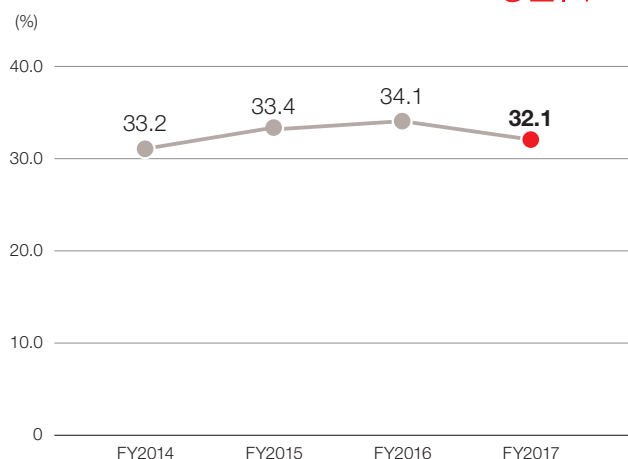


## Non-financial highlights

### Percentage of female managers (consolidated) 13.3%



### Percentage of foreign employees (consolidated) 32.1%

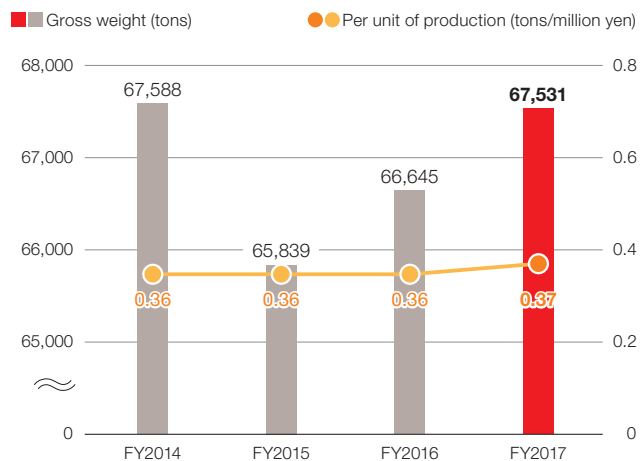


### Study sessions held during FY2017 (organized by House Foods Group Inc.)

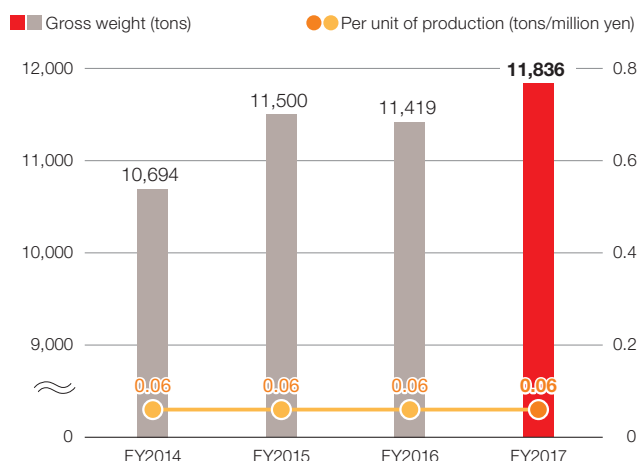
|                                  | Number of people (Persons) | Number of days (Days) | Total hours (Hours) |
|----------------------------------|----------------------------|-----------------------|---------------------|
| Held in Japan                    | 1,054                      | 139                   | 29,481              |
| Held overseas (Global Challenge) | 3                          | 450                   | 3,600               |

Human resources development programs, career formation, etc. at entire House Foods Group  
 \*Does not include various training and OJT at each business company.

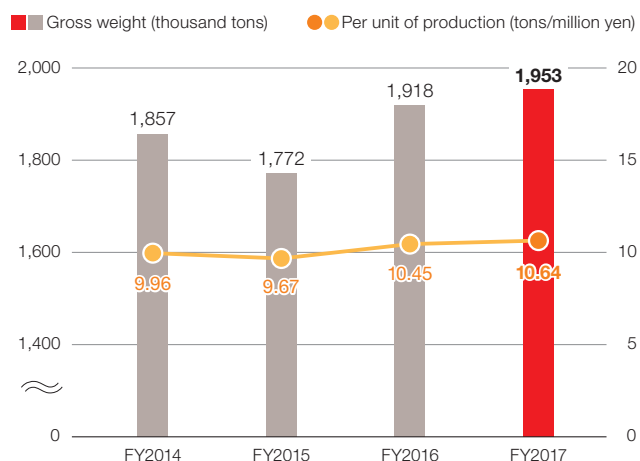
### CO<sub>2</sub> emissions



### Amount of waste



### Water usage



[Scope of data] CO<sub>2</sub> emissions, amount of waste and water usage  
 House Foods Group Inc. (Japan), House Foods Corporation, House Wellness Foods Corporation, Sun House Foods Corporation, Sun Supply Corporation, House Logistics Service Corporation, High Net Corporation, Delica Chef Corporation, House Ai-Factory Corporation, House Food Analytical Laboratory Inc., House Business Partners Corporation  
 \*Water usage (gross weight) is the sum of production divisions at the above business companies.





## **Start of House Foods Group Sixth Medium-Term Business Plan Striving to Become a High Quality Company that Provides “Healthy Life Through Foods” in Terms of our “Three Responsibilities”**

The Group commenced its Sixth Medium-Term Three-year Business Plan in April 2018. The Sixth Medium-Term Business Plan carries on the theme of “Striving to become a high quality company that provides ‘Healthy Life Through Foods’” set out under the previous medium-term business plan. Assuming there is no guarantee that our current core businesses will remain as our core businesses in the future amid “the growing tendency for people to eat out or buy food to eat at home” and advancing “changes in household structure,” we have changed the basic concept of the medium-term business plan from the previous plan’s “selection and concentration” to “reform,” which we have expressed as “becoming a high quality company.”

In addition, the diversity of Group companies expanded considerably with the addition of business companies with various individual characteristics and business models to the Group over the three years of the previous medium-term business plan. Under the Sixth Medium-Term Business Plan, we will shift from our current stage, in which we are still doing “addition,” to the stage of doing “multiplication” by deepening collaboration among Group companies. At the same time, we will learn how to skillfully manage this diversity in order to ensure that we transform to a high quality company at a steady pace.



## Looking Back on the Fifth Medium-Term Business Plan

### Three Years of Laying the Foundation for Becoming a High Quality Company

In FY2017, the final year of the Fifth Medium-Term Business Plan, net sales increased 2.8% year on year, to 291.9 billion yen (up 8.1 billion yen) and operating profit increased 32.3% year on year, to 16.3 billion yen (up 4.0 billion yen), marking the highest profit in 23 years since FY1994.

As a result, we were able to achieve our medium-term business plan targets for both net sales and operating profit. However, the effect of consolidating Ichibanya Co., Ltd., Gaban Co., Ltd., and Malony Co., Ltd. to the Group during these three years contributed significantly to sales, and issues remain with regard to organic growth. Meanwhile, in terms of operating profit, the burden of amortization of goodwill and intangible assets recognized upon the addition of Ichibanya to the Group offset the effect of consolidation, so the achievement of profit targets is attributable to the increase in earnings strength of existing businesses.

ROE was 3.8%, below the target of 5%, partly due to the impact of the burden of amortization of goodwill as a result of Ichibanya joining the Group. The reference value of ROE excluding this burden was 5.3%, above the planned level.

I believe that “value chain” and “R&D” will be key elements in achieving the medium-term business plan theme of “Striving to become a high quality company that provides ‘Healthy Life Through Foods.’” In that sense, it is very significant that we were able to substantially expand our areas of development in the value chain by adding the trading company Vox Trading Co., Ltd., the curry restaurant chain Ichibanya Co., Ltd., and specialized manufacturer of spices for commercial use Gaban Co., Ltd., to the Group over the past few years. Regarding “R&D,” although we have engaged in repeated trial and error in various areas over the past three years, I feel that we are only halfway through the target. Under the Sixth Medium-Term Business Plan, we will further increase our investment of resources and strive to make our R&D function even stronger while incorporating open innovation.



## Sixth Medium-Term Business Plan

### Striving to Become a High Quality Company in Terms of the “Three Responsibilities” We Should Fulfill as a Corporate Citizen

When formulating the Group philosophy, “Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives,” we kept in mind the “three responsibilities” we must fulfill as a good corporate citizen (for customers, employees and their families and society).

The employment environment has undergone major changes and demands from society have intensified during the three years of the Fifth Medium-Term Business Plan. In these circumstances, we recognize that we must pay greater attention than ever to our various stakeholders.

Under the Sixth Medium-Term Business Plan, therefore, we have set themes for initiatives aimed at each of “three responsibilities,” and will strive to become a high quality company through the fulfillment of all three.

In Japan, where both the overall population and working-age population are declining faster than anywhere else in the world, it is clear that neither companies nor the nation will survive unless we can achieve an environment that enables maximum participation by limited human resources. Therefore, with respect to “for employees and their families,” we are making efforts to realize diversity in terms of both people and organization in order to increase productivity and to achieve both growth for individuals and creation of innovation.

From the perspective of our responsibility “for society,” we will pursue the two themes of (i) construction of a recycling-oriented model, which is essential for us as a corporation, and (ii) achievement of a society of healthy longevity, which we can do particularly well because we are a food company.

From the aspect of “for customers,” we will work on realizing synergies with a group of companies that have joined the Group in the past few years to further build up the core of our value chain, reinforcing our R&D function, and expanding growth and strengthening our business foundation in growth markets overseas.

These themes will not be completely achieved during the three years of the Sixth Medium-Term Business Plan, and we are therefore committed to sustained efforts over the span of two business plans, including the Seventh Medium-Term Business Plan.

The Sixth Medium-Term Business Plan Frame



## Management Targets

For FY2020, the final year of the Sixth Medium-Term Business Plan, we have set targets of consolidated net sales of 310.0 billion yen, an increase of 6.2% from FY2017, consolidated operating profit of 22.0 billion yen, an increase of 35.1% from FY2017, and ROS of 7.1%, an increase of 1.5 points from FY2017.

With regard to proportion, we will continue our policy of seeking to achieve the highest ROA among Japanese food companies, while striking a balance among the five indicators of ATO, ROS, ROA, equity ratio and ROE.

For 2023, which is six years from now, equivalent to two medium-term business plans, we will aim to secure ATO of 0.9 times or more, ROS of 10% or more, ROA of 9% or more, and ROE of 8%, considering the impact of posting intangible assets and the burden of amortization upon Ichibanya's joining the Group.

### Targets on a consolidated basis

|                                                   | Net sales                         | Operating profit                 |
|---------------------------------------------------|-----------------------------------|----------------------------------|
| Targets under the Sixth Medium-Term Business Plan | <b>310.0 billion yen</b>          | <b>22.0 billion yen</b>          |
| (Change from the Fifth Medium-Term Business Plan) | <b>+18.1 billion yen (106.2%)</b> | <b>+5.7 billion yen (135.1%)</b> |

### Proportion

|     | Fifth Medium-Term Business Plan (FY2017) Performance | Sixth Medium-Term Business Plan (FY2020) Target | Seventh Medium-Term Business Plan (FY2023) Target | Ideal proportion                      |
|-----|------------------------------------------------------|-------------------------------------------------|---------------------------------------------------|---------------------------------------|
| ATO | <b>0.80 times</b>                                    | <b>0.87 times</b>                               | <b>0.9 times or more</b>                          | <b>1.0 times or more</b>              |
| ROS | <b>5.6%</b>                                          | <b>7.1%</b>                                     | <b>10% or more</b>                                | <b>10% or more</b>                    |
| ROA | <b>4.7%</b>                                          | <b>6.2%</b>                                     | <b>9% or more</b>                                 | <b>10% or more</b>                    |
| ROE | <b>3.8%</b>                                          | <b>5.4%</b>                                     | <b>at least 8%</b>                                | <b>at least 10%</b>                   |
|     |                                                      |                                                 |                                                   | Ratio of the International Business   |
|     |                                                      |                                                 |                                                   | Net sales                             |
|     |                                                      |                                                 |                                                   | Profit                                |
|     |                                                      |                                                 |                                                   | 20%                                   |
|     |                                                      |                                                 |                                                   | 30%                                   |
|     |                                                      |                                                 |                                                   | New business Ratio to total net sales |
|     |                                                      |                                                 |                                                   | 10%                                   |

## Capital policy and return to shareholders

We have set a business investment framework of 60.0 billion yen for the Sixth Medium-Term Business Plan. In addition to further strengthening the profit base by building the Group's optimum systems, we will actively carry out business investments, including CVC, and investments in overseas growth, to promote qualitative improvement of the balance sheet.

While moving ahead with active investment of resources, we will return profits to shareholders by implementing stable dividends, with a dividend payout ratio of at least 30% on a consolidated basis excluding the effects arising from business combination, while also considering flexible purchase of treasury shares.

### Business investment plan

| Fifth Medium-Term Business Plan Business investment results | <b>¥45.0 billion</b> |
|-------------------------------------------------------------|----------------------|
| Major investment results                                    |                      |
| Consolidation of Ichibanya Co., Ltd.                        |                      |
| Consolidation of Gaban Co., Ltd.                            |                      |
| Consolidation of Malony Co., Ltd.                           |                      |
| Investment in the third plant in China                      |                      |

| Sixth Medium-Term Business Plan Business investment plan | <b>¥60.0 billion</b> |
|----------------------------------------------------------|----------------------|
| Focus areas                                              |                      |
| Production optimization (GOT-related investment)         | <b>¥30.0 billion</b> |
| Business investment (including CVC)                      | <b>¥20.0 billion</b> |
| Overseas growth investment                               | <b>¥10.0 billion</b> |

## Areas of three responsibilities

I will explain the themes of our efforts with respect to each of the “three responsibilities” set out in the Sixth Medium-Term Business Plan with the help of the officer in charge of each area.

# For customers

President

Hiroshi Urakami

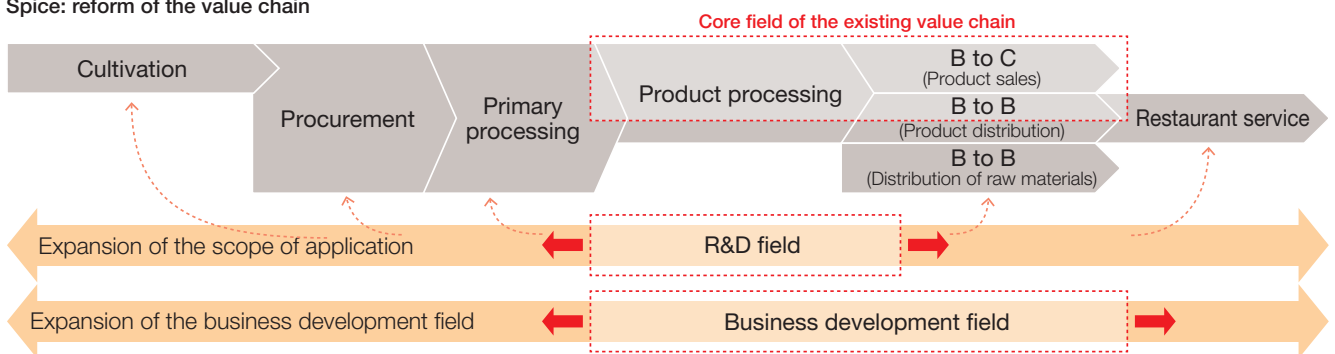


## Build-up of the core of the value chain

As the top manufacturer of curry, House Foods has dealt extensively in spices as raw materials. Under the Fifth Medium-Term Business Plan, we expanded our areas of development focused on spices from downstream to upstream in the value chain. Following that, under the Sixth

Medium-Term Business Plan, we launched the three initiatives to be conducted beyond the boundaries within the Group (GOT) as more specific driving force to further build up the value chain for spices.

### Spice: reform of the value chain



|                                                   |                                                              |                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Reforms of procurement of spices GOT              | Establishment of the value chain with competitive advantages | <ul style="list-style-type: none"> <li>● Integration of the functions of cultivation, procurement and primary processing</li> <li>● Development of technologies to make the most of spices in a wide range of grades</li> <li>● Initiatives for “sustainable procurement”</li> </ul> |
| Production optimization GOT                       | Establishment of the Group’s optimum production system       | <ul style="list-style-type: none"> <li>● Optimization of the Group’s production bases both in Japan and abroad and increase of competitiveness</li> <li>● Securing of business continuity and eco-friendly activities</li> <li>● Initiatives to reduce CO<sub>2</sub></li> </ul>     |
| Establishment of the B to B system for spices GOT | Reorganization of the Group’s B to B business                | <ul style="list-style-type: none"> <li>● Establishment of the systems for ensuring the optimization of the Group</li> <li>● Establishment of the model for solution spices (processing technologies x stable procurement of high quality raw materials)</li> </ul>                   |



## Build-up of R&D functions

Regarding “R&D,” the driving force for creating innovation, we will increase the amount of resources invested and actively promote open innovation under the Sixth Medium-Term Business Plan.

### Build-up of R&D functions and creation of new business

|                                                                              |                                                                                                                                                                 |
|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Plan for input of R&D resources                                              | Research and development costs: Increase in costs to build up functions<br>Human resources: Work for future $\geq$ 50%                                          |
| Demonstration of leadership in R&D<br>(Promotion of joint creation strategy) | Open innovation<br>Promotion of linking activities in the value chain<br>Deep cultivation of core technologies and expansion of the areas matching the business |
| Development of an environment in which to create innovations                 | Build-up of capabilities of an organization to create innovations<br>Integration of research bases                                                              |



**Creation of new business**

- Setting of the growing-up business**
  - Commercialization of two themes considered under Fifth Medium-Term Business Plan (onions, lactobacillus)
- Acceleration of open innovation**
  - House Foods Group Innovation Fund (establishment of CVC)

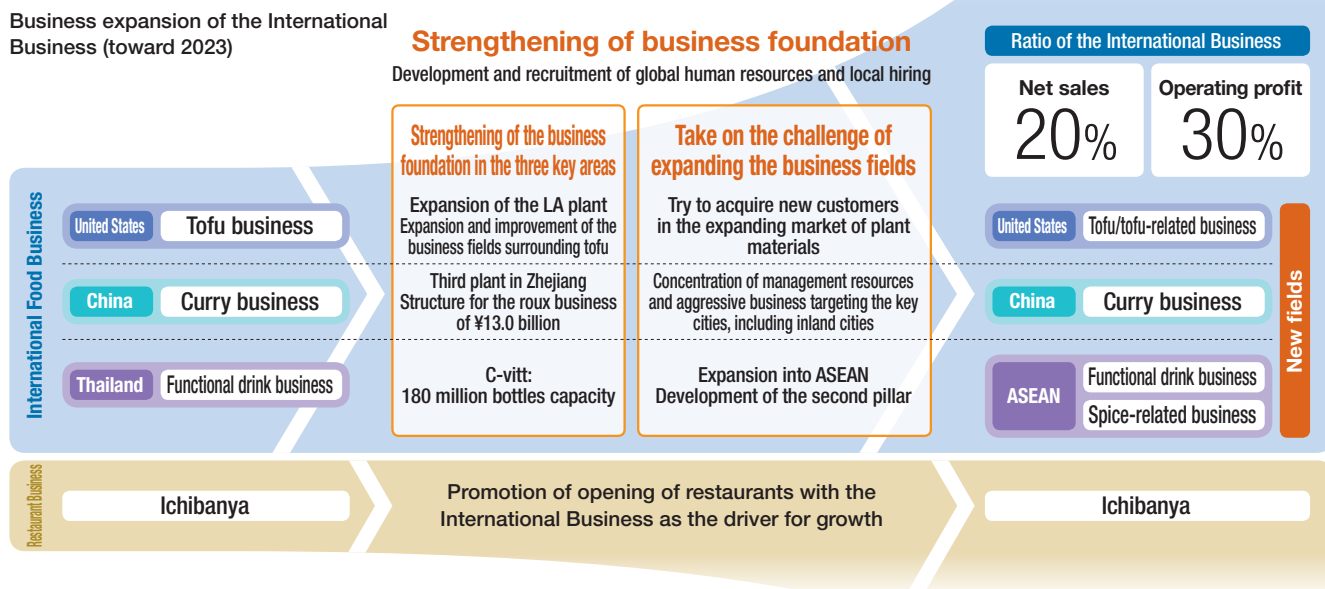
## Expanding growth and strengthening the business foundation of the International Business

The positioning of the International Business within the Group has changed considerably during the past three years. Under the Sixth Medium-Term Business Plan, we will pursue the two missions of achieving growth and strengthening the revenue base of the International Business, towards our future targets of raising the ratio of the International Business to 20% for net sales and 30% for operating profit on a consolidated basis.

We have been able to expand the business steadily in the

three key areas of the United States, China and Thailand, and are planning to increase production capacity in all three areas under the Sixth Medium-Term Business Plan. The burden of amortization is expected to increase for a while after the start of operations, but we aim to enhance both the top and bottom line through growth exceeding that burden and reinforcement of the revenue base, in addition to allocating resources to human resources development to support these goals.

### Business expansion of the International Business (toward 2023)



Restaurant Business

Ichibanya

Promotion of opening of restaurants with the International Business as the driver for growth

Ichibanya

# For employees and their families



Director  
(General Affairs Division, Legal Division, Secretariat Division, Human Resources Development Division and Diversity Promotion Division)  
**Yoshiyuki Osawa**

## Achievement of diversity

We have set out “achieving diversity” as one of the themes for our initiatives in pursuing efforts in the area of “for employees and their families” as part of the Sixth Medium-Term Business Plan.

Japan’s working-age population has already been declining for more than 20 years since its peak in 1995. Effects that had remained under the surface during the prolonged deflationary spiral are now cropping up everywhere as problems related to employment amid the recent efforts to break out of deflation.

What can we do in these circumstances? We can use our limited human resources to the fullest, regardless of gender, age, nationality or disabilities. We believe that neither companies nor Japan itself can subsist unless diversity is achieved.

At the same time, we note the rapidly increasing diversity of Group companies due to the addition of companies with various business models and individual characteristics over the past few years as an issue unique to House Foods Group. We consider cultivating a corporate culture that respects diversity and promoting active participation by all employees with their various individualities to be an urgent task.

Through the achievement of this diversity, we will promote “increase of productivity,” while simultaneously aiming for “growth of individuals” and “rich life” from the employee perspective, and “creation of innovation” and “growth of the Group” on the organizational side.

We will work on the creation of a stage for each person to play an active role by making the best of their individualities, by accepting, making good use of and developing diversity of both working people and work styles.

### Specific themes for initiatives

|                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employee side       | <p>Implementation of work style reforms</p> <ul style="list-style-type: none"> <li>● 5 reforms of work style                             <ul style="list-style-type: none"> <li>-(1) Expansion of monthly planned work</li> <li>-(2) Introduction of teleworking</li> <li>-(3) Introduction of objective management of working hours</li> <li>-(4) Abolition of the deemed working hours system for sales activities</li> <li>-(5) Reduction of the prescribed working hours</li> </ul> </li> <li>● Reform of management</li> <li>● Establishment of the organ for the promotion of work style reforms</li> </ul> |
| Organizational side | <p>Securing of various human resources and creation of a place/occasion to fulfil active roles</p> <ul style="list-style-type: none"> <li>● Recruitment/employment and active roles of various human resources (Mid-career employees, foreign-registered employees and handicapped personnel)</li> <li>● Implementation of the activities for the promotion of active roles assigned to women within the Group</li> <li>● Personnel exchange within and outside the Group</li> <li>● Support for career design of employees</li> </ul>                                                                            |



# For society

Director  
General Manager, Corporate  
Communication Headquarters  
**Toyoaki Fujii**



## Aiming to realize a sustainable society

CSR generally stands for Corporate Social Responsibility. However, we don't merely interpret CSR as activities just to fulfill our responsibility but as activities for "Creating Smiles & Relationships" for the future. We consider these to be proactive, forward-looking activities in which all employees participate in order to realize the Group philosophy.

Recently, companies are being called upon to make efforts to resolve global social issues as well as those in Japan, as a condition of corporate sustainability. How to fulfill our role as a corporate citizen is an issue of great importance to House Foods Group as well, and we will enhance the value of our existence in society by pursuing efforts that can only be

achieved by the Group through our business activities, with reference to themes being addressed collectively by international society, such as the 17 SDGs and the Paris Agreement.

Under the Sixth Medium-Term Business Plan, reviewed in light of our CSR policy, we have set out the following two themes in order to contribute to the good health of people and the earth: (i) "construction of the recycling-oriented model," including effective use of limited resources; and (ii) "achievement of a society of healthy longevity" through "food," which a company in the food business is uniquely positioned to accomplish.

### Specific themes for initiatives

|                                               |                                        |                                                                                                                                                                                                                                                                            |                                                          |
|-----------------------------------------------|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| Construction of the recycling-oriented model  | Effective use of limited resources     | <ul style="list-style-type: none"> <li>● Reduction of CO<sub>2</sub> by efficient use of energy - Target for 2030: 25% reduction in Japan (as compared to 2013)</li> <li>● Reduction of waste - Target for 2030: 16.5% reduction in Japan (as compared to 2013)</li> </ul> | - Achievement of zero emissions                          |
|                                               | Sustainable procurement                | ● Procurement considering the environment, human rights, the economy, etc.                                                                                                                                                                                                 | - Initiatives starting with palm oil and paper resources |
| Achievement of a society of healthy longevity | Achievement of healthy eating habits   | ● "Curry & Spice Smile Project"                                                                                                                                                                                                                                            | - Increase in the activities for food education          |
|                                               | Provision of solutions for good health | ● Improvement of overnutrition and malnutrition due to poverty, etc.                                                                                                                                                                                                       |                                                          |

At House Foods Group, we intend to dedicate our energies to contributing to the good health of people and the earth through the food business and achieving a sustainable society.

With the addition to the Group in the past few years of companies such as Gaban and Vox Trading, which have strengths in upstream areas of the value chain, we have become able to significantly broaden the range of our

activities, which had been focused on downstream areas of the value chain. With respect to the areas of "for society," we will make efforts involving all employees to fulfill our responsibility to society by promoting close coordination with the business front in areas such as procurement of raw materials and optimization of production on a global basis.

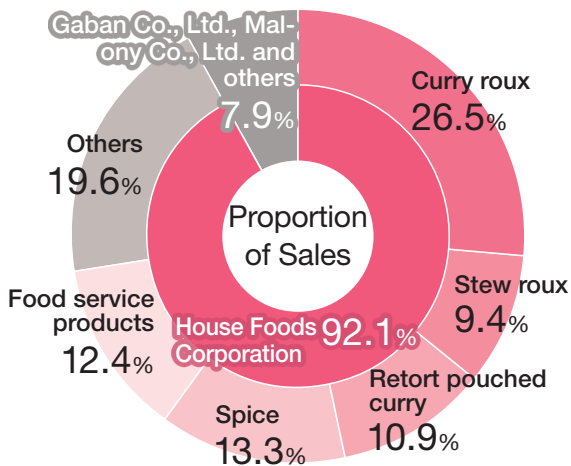
We still have a way to go on the path to "becoming a high quality company."

In the future, at House Foods Group we will continually strive to provide a smile of happiness for our customers, our employees and their families, and society, through food products and services.

We look forward to your continued support.

# Spice/Seasoning/Processed Food Business

## Proportion of Sales for FY2017



## Status for FY2017

**Net Sales** ¥139,937 million (Year-on-year change: 106.0%)

**ROS** 8.6% (Year-on-year change: +1.1pt)

Retort pouched curry products and food service products increased as a result of response to the changes in eating at home.

Snack products grew due to special factors (the so-called potato chip shock due to the shortfall of potatoes).

Malony Co., Ltd. becomes a new Group company (consolidated starting in the third quarter of FY2017)

## Main Products

### House Foods Corporation



Vermont Curry

Launched in 1963



Stew Mix

Launched in 1966



Pro Quality

Launched in 2016



Wasabi

Launched in 1974



Snacks Dessert



### Gaban

### Malony



#### Curry roux

Market share 62.6%

#### Stew roux

Market share 70.8%

#### Retort pouched curry

Market share 29.5%

#### Spice

Market share 23.1%

#### Others

Source: Monthly SRI Data by INTAGE Inc. (April 2017 – March 2018)

## Strategies by segment

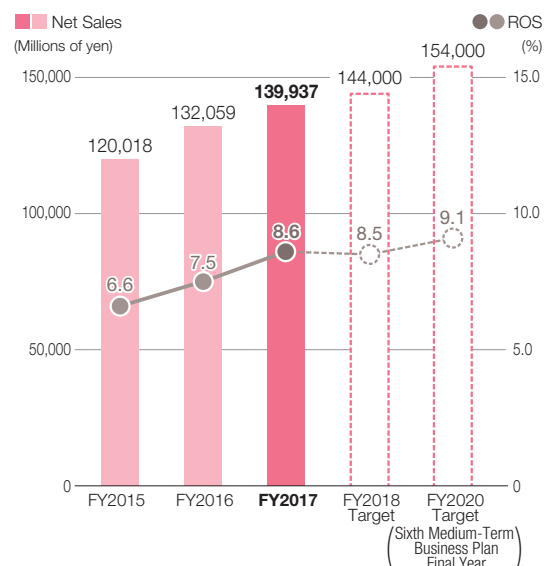
### Sixth Medium-Term Business Plan

#### Reforms of the revenue structure model

- Response to the growing tendency for people to eat out or buy food to eat at home: increase of the profitability of retort pouched curry products, increase of the capability to propose the temperature range
- Increase of cost competitiveness by implementing the three initiatives beyond the boundaries within the Group, creation of new value and establishment of the foundation of the spice B to B business

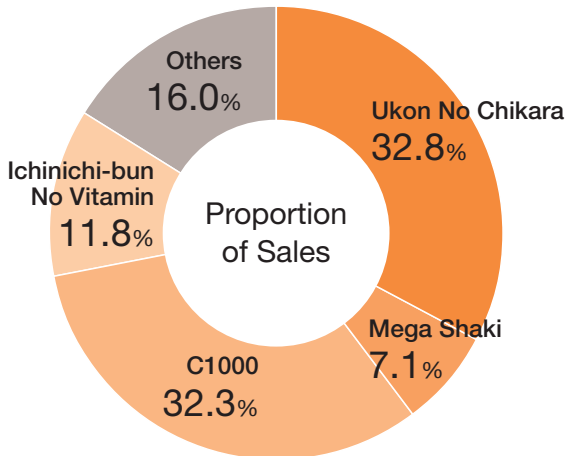
### FY2018 Targets

- Response to the trend of shrinking of the roux market
- Increased response to the growing market of single-serving food: increase and improvement of an assortment of products and implementation of the measures to increase production
- Construction of the B to B business by taking advantage of the strengths of House Foods and Gaban (solution spices)



# Health Food Business

## Proportion of Sales for FY2017



## Status for the FY2017

**Net Sales** ¥31,599 million (Year-on-year change: 94.9%)

**ROS** 2.9% (Year-on-year change: -1.1 pt)

In the functional spice business, *Ukon No Chikara* faced an uphill battle.

In the vitamin business, jelly-type products remained firm on the back of the increased demand for breakfast and light meals.

## Main Products

### Ukon No Chikara



Launched in 2004

### Mega Shaki



Launched in 2009

### C1000



Launched in 1990

### Ichinichi-bun No Vitamin



Launched in 2008

## Strategies by segment

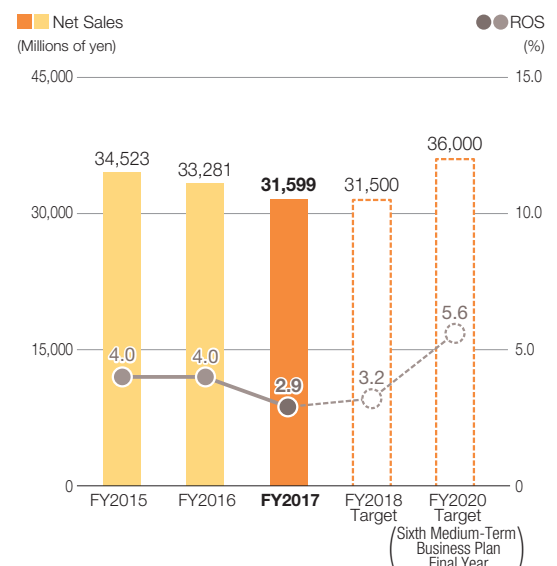
### Sixth Medium-Term Business Plan

Structural reform through the selection and concentration of management resources and the commercialization of strategic healthy ingredients by taking advantage of the Group's strengths

- Increase of earnings strength of the existing business: advancement of improvement of profit and loss structure and reconstruction of business strategies
- Steady commercialization of the R&D themes handled under the Fifth Medium-Term Business Plan (strategic healthy ingredients)

### FY2018 Targets

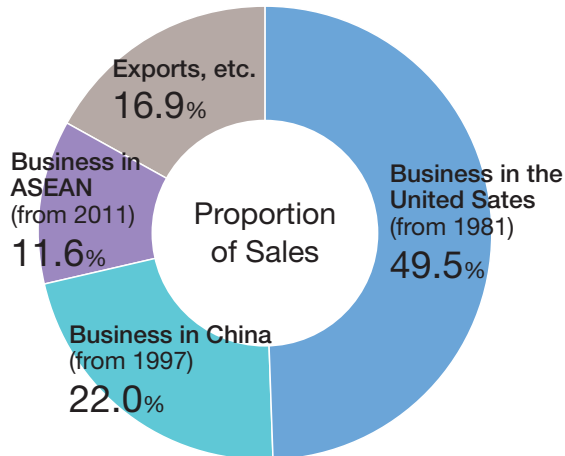
- Launch of a new category by utilizing strategic healthy ingredients
- *Ukon No Chikara*: to keep the degree of shrinkage of the market due to changes in the drinking circumstances to a minimum





# International Food Business

## Proportion of Sales for FY2017



## Status for FY2017

**Net Sales** ¥22,855 million (Year-on-year change: 113.6%)

**ROS** 12.5% (Year-on-year change: +4.1 pt)

**United States** (Tofu/tofu-related business) An increase in new transactions and the growth of food service products in the American market contributed to the results.

**China** (Curry business) The effects of the agency policy and the rebuilding of the sales system, which were conducted in the previous fiscal year, became visible. The price revision from July 2017 onward also spread.

**Business in ASEAN** In Thailand, *C-vitt* continued to expand toward the level of 90 million bottles.

## Main Products

### Business in the United States

Provide people throughout the United States with "Tofu."



### Business in China

Make curry and rice a more popular dish in China.



### Business in ASEAN

Offer the riches and pleasure of food in emerging markets.



## Strategies by segment

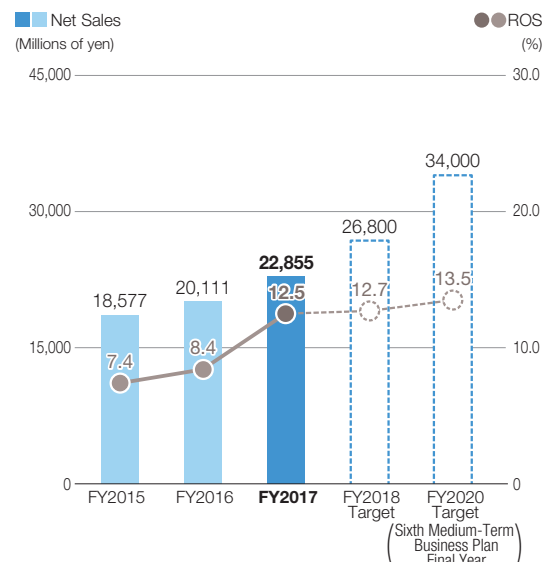
### Sixth Medium-Term Business Plan

Promotion of both "acceleration of growth" and "securing of revenues" to lead the Group

- The United States: establishment and improvement of the system for the production and supply of tofu and the creation of the new business of soybeans
- China: expansion of the curry business by increasing the production capacity and construction of business infrastructure
- ASEAN: expansion of functional drink and creation of demand for Japanese-style curry

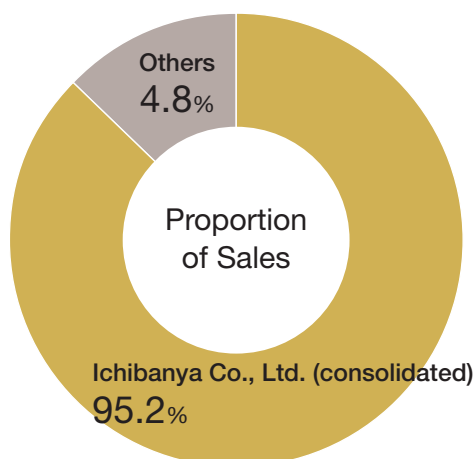
### FY2018 Targets

- The United States: focus on the development of high value-added products and food service products and aim for growth exceeding the expanded Asian population. A Price revision is planned in the second half.
- China: operation of the plant in Zhejiang to start from September. Formulation and implementation of business strategies by area, including major cities in the coastal area and the cities for development in the inland areas.
- Thailand: focus on the expansion of traditional trades by increasing the production capacity, take on the challenge of achieving 130 million bottles per year.



# Restaurant Business

## Proportion of Sales for FY2017



## Status for FY2017

**Net Sales** ¥51,974 million (Year-on-year change: 101.2%)

**ROS** -0.8% (Year-on-year change: +0.0pt)

ROS (excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.) 8.9% (Year-on-year change: -0.1pt)

**Japan** The effect of higher sales due to the price revision was offset by the rise in costs of rice, etc. and the increased labor cost.

### China/Taiwan

**Overseas** The leadership was transferred to Ichibanya and the closure of unprofitable restaurants was implemented, resulting in improved profitability.

## New initiatives



Spice curry with THE Pork



Halal Akihabara Store

## Amount of amortization of goodwill, etc. for Ichibanya Co., Ltd. and Amortization Schedule (Millions of yen)

|                                                           | Amortization period | Amount of amortization | FY2017       | FY2018       | FY2019       | FY2020       |
|-----------------------------------------------------------|---------------------|------------------------|--------------|--------------|--------------|--------------|
| Goodwill                                                  | 5 years             | 17,083                 | 3,417        | 3,417        | 3,417        | 2,562        |
| Trademark right                                           | 42 years            | 26,666                 | 635          | 635          | 635          | 635          |
| Contract-related intangible assets (franchise agreements) | 30 years            | 28,995                 | 967          | 967          | 967          | 967          |
| <b>Total</b>                                              |                     | <b>72,744</b>          | <b>5,018</b> | <b>5,018</b> | <b>5,018</b> | <b>4,164</b> |

\*Amortization began in the fourth quarter of FY2015.

## Strategies by segment

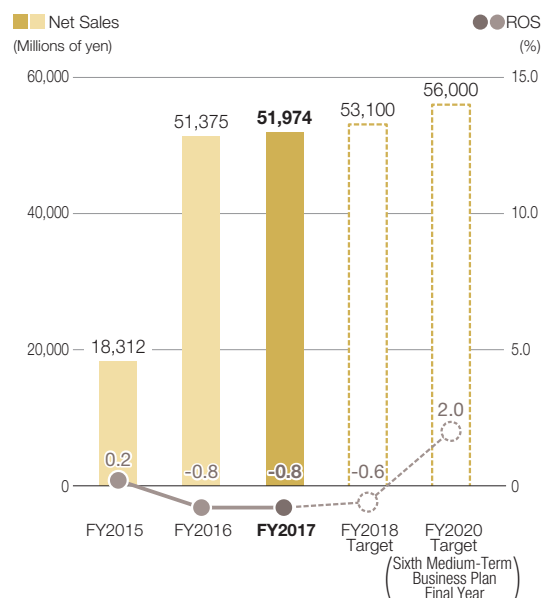
### Sixth Medium-Term Business Plan

#### Building up the management foundation toward a growth path

- Maintenance of revenues from the domestic business: increase of attractiveness of restaurants and reconstruction of the revenue base
- Expansion of International Business: leap as the driver for growth (toward the business with 300 restaurants)

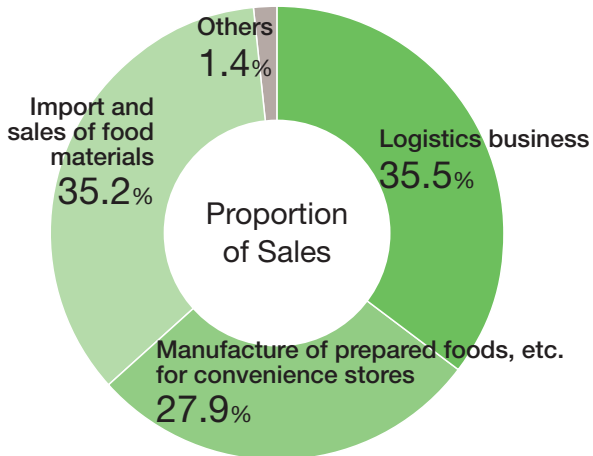
### FY2018 Targets

- Japan: net sales of the existing restaurants estimated at 103% through further improvement of QSC and the utilization of effective promotion techniques, etc.
- Overseas: resumption of opening of new restaurants in China and Taiwan, opening of new restaurants planned in Vietnam and the U.K.



# Other Food Related Business

## Proportion of Sales for FY2017



## Status for FY2017

**Net Sales** ¥61,024 million (Year-on-year change: 98.2%)

**ROS** 3.1% (Year-on-year change: +1.9pt)

The initiatives for improvement of the revenue structure of each company worked well.



A wasabi field operated by the Group (Dieng Plateau in Indonesia)



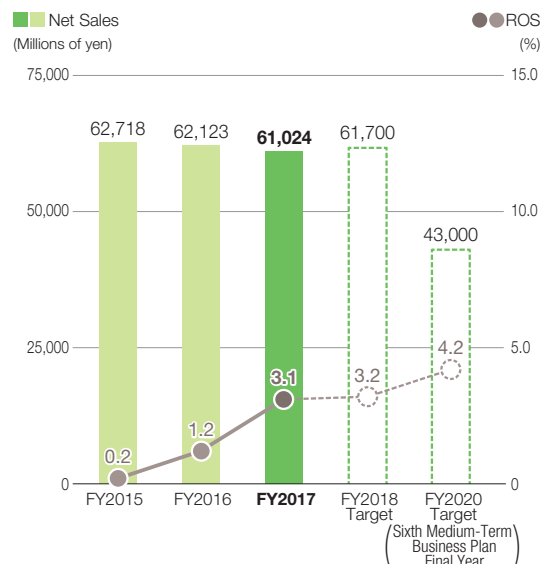
## Strategies by segment

### Sixth Medium-Term Business Plan

- Logistics business: advancement of F-LINE, a joint effort of food companies, and establishment of a sustainable logistics system by constructing the infrastructure common to the industry
- Prepared food business: increase of earnings strength mainly in the salad and prepared food business
- Trading company functions: strengthening of the revenue base by improving its own capabilities

### FY2018 Targets

- Each company is to work on improving revenues further
- Logistics business: advancement of F-LINE efforts

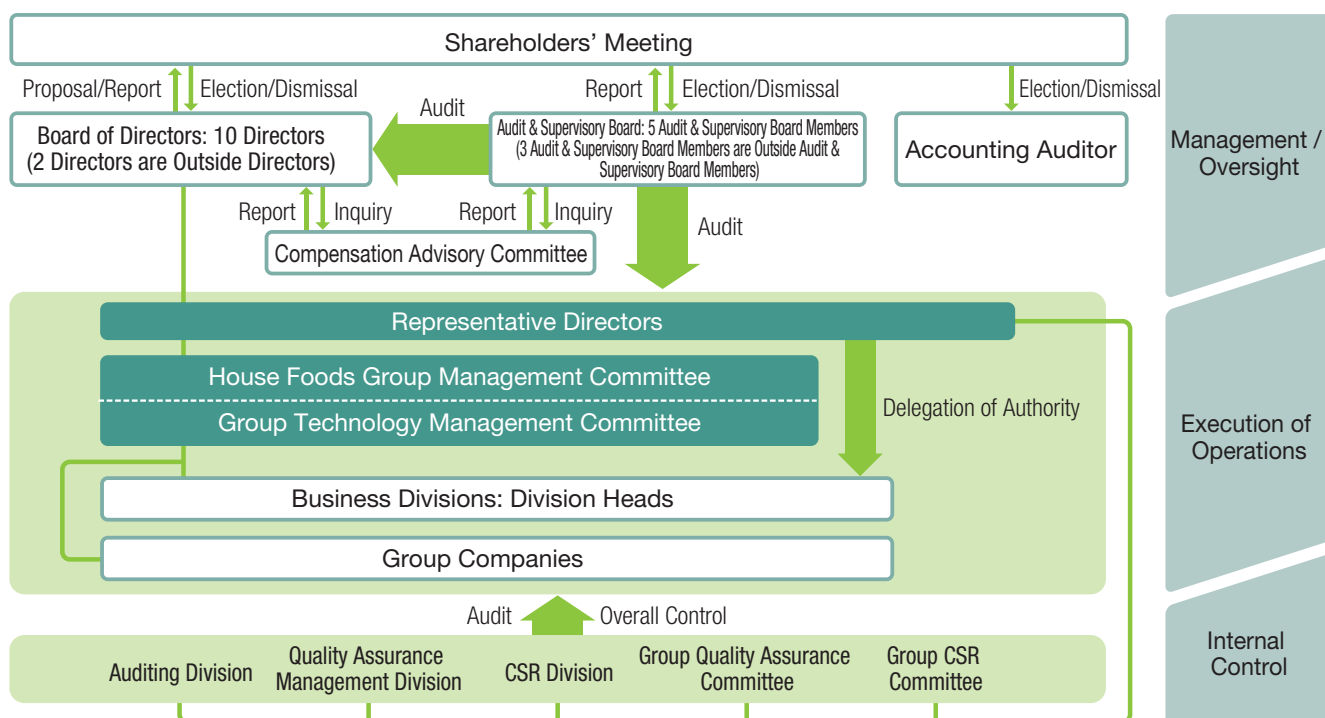


## Basic Policy on Corporate Governance

The Group aims to enhance the adequacy and effectiveness of management and optimize its corporate value by engaging in “speedy management,” which purports to revitalize the management of organization and enable prompt decision-making. Moreover, in order to properly respond to the dramatic changes taking place in the management environment, House Foods has been striving to improve its transparency and its role in society, as well as achieving accountability, while developing a corporate governance system as follows to ensure thorough compliance.

The Company made Ichibanya Co., Ltd. a consolidated subsidiary in December 2015. Ichibanya Co., Ltd. is a listed company, and House Foods undertakes the operation of that company’s internal control system with due respect.

Diagram of House Foods Group Corporate Governance System



## Initiatives to strengthen corporate governance

- 2004 Introduced the Corporate Officer System
- 2008 Elected an Outside Director (1 out of 9 Directors)
- 2013 Adopted a holding company structure  
Abolished the Corporate Officer System
- 2016 Increased the number of Outside Directors  
(2 out of 10 Directors)
- 2017 Established the Compensation Advisory Committee

### Overview of the Compensation Advisory Committee

|                                   |                                                                                                                                                                                                                                                 |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Purpose                           | Ensure objectivity and transparency in decisions concerning compensation for Directors and reinforce accountability.                                                                                                                            |
| Composition                       | Consists of five members elected by the resolution of the Board of Directors. Chaired by an independent Outside Director and more than half of the members of the committee are Outside Directors or Outside Audit & Supervisory Board Members. |
| Number of meetings held in FY2017 | Three times                                                                                                                                                                                                                                     |
| Roles                             | Deliberate on matters such as basic policy and procedures concerning compensation, etc. for Directors and compensation system for Directors, and report the results thereof to the Board of Directors.                                          |

## Status of Executive Management Organizations Relating to Decision-Making, Execution and Supervision in Management

### Organizational structure

| Directors                                                       |           | Audit & Supervisory Board Members                                                                             |         |
|-----------------------------------------------------------------|-----------|---------------------------------------------------------------------------------------------------------------|---------|
| Chair of the Board of Directors                                 | President | Establishment of Audit & Supervisory Board                                                                    | Yes     |
| Number of Directors stipulated in the Articles of Incorporation | 10        | Number of Audit & Supervisory Board Members stipulated in the Articles of Incorporation                       | 5       |
| Number of Directors                                             | 10        | Number of Audit & Supervisory Board Members                                                                   | 5       |
| Number of Outside Directors (Number of Independent Directors)   | 2 (2)     | Number of Outside Audit & Supervisory Board Members (Number of Independent Audit & Supervisory Board Members) | 3 (3)   |
| Term of Office of Director                                      | 1 year    | Term of Office of Audit & Supervisory Board Members                                                           | 4 years |

### System for Execution of Operations

As a company with an Audit & Supervisory Board, the Company monitors, supervises, and audits the execution of duties by the Directors via the Board of Directors, Audit & Supervisory Board Members, and Audit & Supervisory Board.

The Board of Directors, consisting of ten Directors (of whom two are Outside Directors) makes decisions on the execution of important operations of the Group, and monitors and supervises the execution of operations by other Directors and Group companies.

The Board of Directors meets in principle once a month, and meetings of the Management Committee are held in principle twice a month to undertake the prompt and effective execution of operations. Under the holding company structure, the Company strives to speed up decision-making at Group companies through delegation of authority and to invigorate the organization's operations. The Company's Directors serve concurrently as President of major Group companies. Furthermore, a Director's term of office is set at one year in order to clarify authority and responsibility as well as to enable the Company to respond swiftly to changes in the management environment.

### Audit System

The Audit & Supervisory Board consists of five Audit & Supervisory Board Members (of whom three are Outside Audit & Supervisory Board Members). Audit & Supervisory Board Members attend the Board of Directors meetings and offer opinions. They also audit the execution of operations by the Directors, collaborating with the Accounting Auditor and corporate attorneys as necessary.

As for internal audit system, Auditing Division reporting directly to the President conduct audits of operations, including those of Group companies, according to the audit plan.

As for internal control system, Auditing Division evaluates the status of development of internal controls and operation of internal control systems, including those of Group companies.

External audits are performed by Deloitte Touche Tohmatsu LLC. We have an audit agreement with this firm to perform audits under the Companies Act, and those under the Financial Instruments and Exchange Act, and to audit our internal controls.

### Nomination Policy Decision Process

With regard to the policy and procedures for the election of management executives and the nomination of Directors and Audit & Supervisory Board Members, the President shall make proposals to the Board of Directors upon consultation among the relevant persons, consisting mainly of the President and directors in charge of Personnel Development Division, with regard to suitable personnel as noted below, and reach a resolution as to the candidates.

#### <Directors>

- Persons who have courage to stay committed to the Group's philosophy and mission statement
- Persons who have the knowledge, experience and ability to engage in management
- Persons who aim to enhance the corporate value, and who have the driving force to achieve performance targets
- Persons with an excellent human nature appropriate for a Director of the Company

#### <Audit & Supervisory Board Members>

- Persons who possess the ability to carry out an audit based on extensive experience and insight
- Persons with an excellent human nature appropriate for an Audit & Supervisory Board Member of the Company

The Company strives to nurture successors for the Chief Executive Officer and other management positions through everyday corporate activities and training, etc., for executive employees.



## Independence Criteria for Outside Executives

The Company has not established its own independence criteria but applies the independence criteria stipulated by the Tokyo Stock Exchange and appoints persons who have no possible conflict of interest with general shareholders as independent executives.

## Reasons for Election as Outside Executive

### Reasons for Election as Outside Director

| Name                                                                                   | Reasons for Election                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Kunikatsu Yamamoto</b><br>(term of office: 10 years)<br><b>Independent Director</b> | Mr. Yamamoto has extensive knowledge in finance and a deep understanding of corporate management gained during his long involvement in financial services as a corporate manager, and he is regarded essential to the enhancement of the Company's corporate value.<br><b>Status of responsibilities and significant concurrent positions:</b> Special Advisor, GINSEN CO., LTD.; Director (Outside), BML, INC.<br><b>Rate of attendance of the Board of Directors meetings in FY2017:</b> 100% (Attended all 14 meetings)<br><b>Main comments:</b> Regarding overall management of House Foods Group |
| <b>Kyuzo Saito</b><br>(term of office: 2 years)<br><b>Independent Director</b>         | Mr. Saito has a deep understanding of the food business and the food industry gained during his long involvement in the food administration, and he is regarded essential to the enhancement of the Company's corporate value.<br><b>Status of responsibilities and significant concurrent positions:</b> Advisor, Japan Food Industry Association<br><b>Rate of attendance of the Board of Directors meetings in FY2017:</b> 100% (Attended all 14 meetings)<br><b>Main comments:</b> Regarding overall management of House Foods Group                                                              |

### Reasons for Election as Outside Audit & Supervisory Board Member

| Name                                                                                                           | Reasons for Election                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Hiroyuki Kamano</b><br>(term of office: 3 years)<br><b>Independent Audit &amp; Supervisory Board Member</b> | Mr. Kamano has extensive experience and a broad understanding of corporate legal affairs gained during his long involvement in legal services as a lawyer, and is regarded to be able to carry out his duties as an Outside Audit & Supervisory Board Member in an appropriate manner.<br><b>Status of responsibilities and significant concurrent positions:</b> Managing Partner, Kamano Sogo Law Offices; Director (outside), NGK INSULATORS, LTD.<br><b>Rate of attendance of the Board of Directors meetings in FY2017:</b> 100% (Attended all 14 meetings)<br><b>Rate of attendance of the Audit &amp; Supervisory Board meetings in FY2017:</b> 100% (Attended all 12 meetings)<br><b>Main comments:</b> Regarding response to legal risks and compliance system                                                                                                                                                          |
| <b>Junsuke Fujii</b><br>(term of office: 2 years)<br><b>Independent Audit &amp; Supervisory Board Member</b>   | Mr. Fujii has a deep understanding of management and extensive experience as a corporate manager gained during his many years in the financial business and in corporate management, and is regarded to be able to carry out his duties as an Outside Audit & Supervisory Board Member in an appropriate manner.<br><b>Status of responsibilities and significant concurrent positions:</b> Special Advisor, The Japan Research Institute, Limited; Audit & Supervisory Board Member (outside), The Royal Hotel, Limited; Audit & Supervisory Board Member (outside), Sumitomo Dainippon Pharma Co., Ltd.<br><b>Rate of attendance of the Board of Directors meetings in FY2017:</b> 100% (Attended all 14 meetings)<br><b>Rate of attendance of the Audit &amp; Supervisory Board meetings in FY2017:</b> 100% (Attended all 12 meetings)<br><b>Main comments:</b> Regarding company operations and response to corporate risks |
| <b>Tamotsu Iwamoto</b><br>(term of office: 1 year)<br><b>Independent Audit &amp; Supervisory Board Member</b>  | Mr. Iwamoto has a deep understanding and knowledge of the food industry and international food business gained during his many years of engagement in corporate management, and is regarded to be able to carry out his duties as an Outside Audit & Supervisory Board Member in an appropriate manner.<br><b>Status of responsibilities and significant concurrent positions:</b> Senior Advisor, Ajinomoto Co., Inc.<br><b>Rate of attendance of the Board of Directors meetings in FY2017</b> *after his appointment on June 28, 2017: 100% (Attended 10 out of 10 meetings)<br><b>Rate of attendance of the Audit &amp; Supervisory Board meetings in FY2017</b> *after his appointment on June 28, 2017: 100% (Attended 9 out of 9 meetings)<br><b>Main comments:</b> Regarding company operations and response to corporate risks                                                                                          |

## Decision Process for Executives' Compensation

As our basic policy, the amount of compensation, etc. for Directors is determined based on the following points: "it gives motivation for the enhancement of corporate value and sustainable growth," "it is commensurate with the role and responsibilities of the position held," and "objectivity and transparency are ensured in the decision process of compensation." The compensation consists of monthly compensation as fixed compensation, bonuses linked to the performance of the Company (consolidated operating profit) and each individual, and stock compensation, and their levels are set according to each position.

With regard to stock compensation, a system is in place whereby a certain amount of funds for purchase are granted by position to purchase treasury shares monthly via the officers' shareholding association, so that the amount of compensation is linked to medium- to long-term stock price fluctuations.

The amount of compensation, etc. for Directors described above is determined at the Board of Directors upon deliberation at the Compensation Advisory Committee chaired by an Outside Director with more than half of the members of the committee being Outside Directors.

### Compensation amounts for FY2017

| Executive category                                                                         | Total compensation, etc.<br>(Millions of yen) | Total compensation, etc., by type (Millions of yen) |         | Number of eligible executives |
|--------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------|---------|-------------------------------|
|                                                                                            |                                               | Basic compensation                                  | Bonuses |                               |
| Directors (excluding Outside Directors)                                                    | 281                                           | 211                                                 | 70      | 8                             |
| Audit & Supervisory Board Members<br>(excluding Outside Audit & Supervisory Board Members) | 40                                            | 40                                                  | 0       | 2                             |
| Outside Executives                                                                         | 72                                            | 65                                                  | 7       | 6                             |

\*1. Compensation for Directors does not include the employee portion of bonuses for Directors who serve concurrently as employees.

\*2. A resolution at the 61st Ordinary Shareholders' Meeting held on June 27, 2007, set the upper limit on compensation for Directors at 380 million yen per year, and for Audit & Supervisory Board Members at 100 million yen per year.

\*3. There were nine Directors (including two Outside Directors) and five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) as of March 31, 2018.

## Constructive dialogue with shareholders and investors

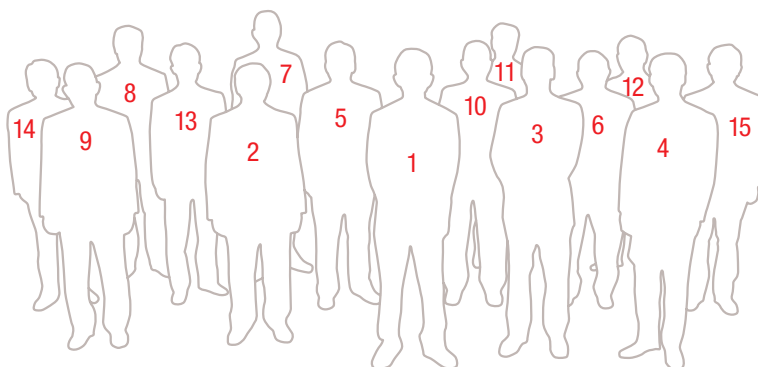
House Foods Group strives for swift and proactive disclosure of information and responsible dialogue with shareholders and investors. The Group provides accurate information to shareholders and investors in a timely and appropriate manner in order to help them properly understand, assess and trust the Group.

### Main IR activities in FY2017

|                                                    |                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Briefings for analysts and institutional investors | Financial results briefings are held every six months. In addition, a top meeting was held for sell-side analysts in May.                                                                                                                                                                                                                              |
| Dialogue with institutional investors              | We engage in direct dialogue with institutional investors in Japan and overseas through meetings and telephone conferences.<br>We also participate in conferences held by securities companies.<br><b>Total number of companies with whom we had dialogues in FY2017:</b> 244                                                                          |
| Briefings for individual investors                 | We participate actively in briefings for individual investors organized by securities companies.<br><b>FY2017 results:</b> Six times, 630 people                                                                                                                                                                                                       |
| Events for individual shareholders                 | We hold events for shareholders in order to deepen their understanding of the Group.<br><b>FY2017 results:</b> ● 100 people invited to tour in the research center in Chiba<br>● 700 people (350 pairs) invited to family concerts at five venues across Japan                                                                                         |
| IR materials posted on website                     | We ensure that fair disclosure rules are rigorously observed when disclosing information.<br>( <b>Japanese:</b> <a href="https://housefoods-group.com/ir/index.html">https://housefoods-group.com/ir/index.html</a> )<br>( <b>English:</b> <a href="https://housefoods-group.com/en/ir/index.html">https://housefoods-group.com/en/ir/index.html</a> ) |

# Executives

(As of June 27, 2018)



**1**  
President  
Hiroshi Urakami

**2**  
Representative Senior  
Managing Director  
Keiji Matsumoto

**3**  
Senior Managing Director  
Yasukatsu Hiroura

**4**  
Senior Managing Director  
Masahiko Kudo

**5**  
Director  
Toyoaki Fujii

**6**  
Director  
Akira Koike

**7**  
Director  
Yoshiyuki Osawa

**8**  
Director  
Yoshiyuki Miyaoku

**9**  
Director (Outside)  
Kunikatsu Yamamoto

**10**  
Director (Outside)  
Kyuzo Saito

**11**  
Standing Audit & Supervisory  
Board Member  
Hiroshi Kato

**12**  
Standing Audit & Supervisory  
Board Member  
Masao Taguchi

**13**  
Audit & Supervisory Board  
Member (Outside)  
Hiroyuki Kamano

**14**  
Audit & Supervisory Board  
Member (Outside)  
Junsuke Fujii

**15**  
Audit & Supervisory Board  
Member (Outside)  
Tamotsu Iwamoto

## Message from Outside Director



Director (Outside)  
**Kyuzo Saito**

**Past experience**

- April 1970    Joined the Ministry of Agriculture and Forestry (currently the Ministry of Agriculture, Forestry and Fisheries)
- June 2000    General Manager, Food Logistics Bureau, Ministry of Agriculture, Forestry and Fisheries
- January 2001    General Manager, Comprehensive Food Bureau, Ministry of Agriculture, Forestry and Fisheries
- July 2003    Retired from Ministry of Agriculture, Forestry and Fisheries
- August 2003    Chairman, special public institution Farmers Pension Fund (currently independent administrative institution Farmers Pension Fund)
- December 2006    Chairman, Japan Food Industry Association
- June 2015    Advisor, Japan Food Industry Association (current position)
- June 2016    Director, House Foods Group Inc. (current position)

### Operation of the Board of Directors

While the Japanese economy continues a gradual expansion, a declining birthrate and aging population, population decline and labor shortages are becoming a reality, and consumer preferences in food are diversifying as a growing number of women enter the workforce and one- and two-person households increase. In particular, the trend toward simpler, more convenient and healthy food is growing stronger.

Meanwhile overseas, despite a sense of uncertainty, the population is still rising and growth is continuing, mainly in China, India, and the ASEAN countries. In this context, interest in Japan and Japanese food is high, and the number of foreign visitors to Japan has more than tripled in the past four years to 28.69 million people, while the number of Japanese restaurants overseas has also more than doubled, reaching 118,000 stores, and more growth is expected in future.

Amid changes in the environment both domestically and internationally, the Board of Directors is considering the direction of medium- to long-term initiatives and strengthening efforts aimed at the future, while sharing information and engaging in serious discussion with regard to the most recent demand trends, cost and other profit factors. For my part, I have asked questions and offered opinions from the perspective of my experience in food administration, and I feel that the Company's management has responded sincerely.

I believe that these results are linked to the achievement of stable profit and that the Board of Directors is fulfilling its role in enhancing corporate sustainability and corporate value.



## Impressive discussions

In fiercely competitive conditions, there is a tendency for food companies to act self-sufficiently and to try to do everything in-house, and I think that the Company still has some challenges in terms of moving away from self-sufficiency. On that point, recent developments at House Foods Group have been extremely interesting, and the discussion at the Board of Directors also left a lasting impression. Looking at a few examples, the Group established the “House Foods Group Innovation Fund (CVC)” to create a new value base leveraging the Group’s internal and external strengths, and knowhow. The CVC invests in external venture companies, and several projects are already underway. The CVC is expected to expand its efforts and help reinforce the management base in the future in cooperation with fund partners. Furthermore, regarding the logistics area where companies face many challenges including labor shortages and environmental problems, we are taking steps in pursuit of enhanced distribution efficiency



through joint shipping based on a collaborative structure involving six domestic food manufacturers, with the aim of building a sustainable food distribution system. This collaborative trend also extends to the R&D area, and we have established a joint research course with the Hirosaki University on “Food and Health Science.” Shifting from a model of self-sufficiency to a model of collaboration with external organizations is a brilliant choice in the midst of these various environmental changes. I am convinced that continuing to sow seeds for the future, including new businesses, amid changing domestic and international environments will lead to sustainable development.

## Future Aspirations as Outside Director

Under the Sixth Medium-Term Business Plan, House Foods Group seeks to provide health in the field of food through measures such as expanding R&D investment, investing in growth areas, and reforming work styles, in order to become a company that can independently create and continue to offer new value. In the maturing domestic market, we will deepen our efforts in line with consumer’s preferences for convenience and emphasis on health, and step up our response to diversifying food service demand. As for the expanding overseas market, we expect further growth in the United States, China, and ASEAN nations, based on the foundation of our past efforts.

In Japan, we are entering an unprecedented world of full-fledged population decline, with many impacts that remain unseen. There are concerns about increasing protectionism overseas, and how this will affect supply-and-demand and prices of agricultural products and energy is still unclear. Political action is expected, including from consumer administration.

I have been watching these trends closely and will continue to do so, in the hope that I may make a useful contribution to risk management and improvement of corporate value.

## Basic Policy on Internal Control System

House Foods Group believes that an internal control system over the execution of operations is a mechanism for strengthening its corporate governance system, embodying its corporate philosophy and achieving its management goals. We are committed to improving our corporate value and achieving sustainable development through the building of the internal control system and its accurate and effective operation.

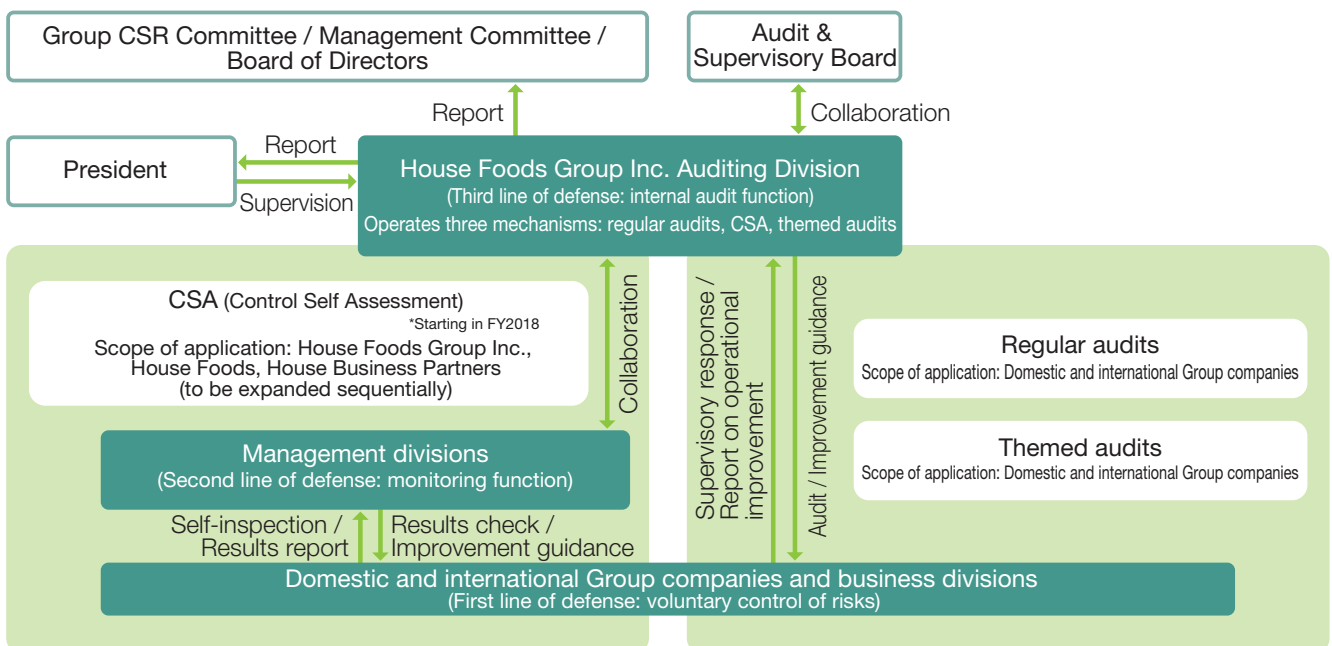
### Internal Audit System

The Auditing Division reporting directly to the President conducts audits of operations, including those of the Group companies, in accordance with the audit plan.

The Auditing Division systematically conducts internal audits at approximately 20 branches, divisions, and Group companies annually, and also separately conducts audits as a full check across all Group companies in line with specific themes selected on the basis of the Group's important risks and previous audit results. Results of audits are reported to the President and concerned Directors, and audited divisions, if found to have room for improvement, shall be requested to come up with remedial action plans whose progress shall be checked against their stipulated timeline for implementation, as part of the Group's effort to enhance its internal control. Starting in FY2018, the Company is introducing a survey-based CSA (Control Self Assessment), with the aim of having those in charge of operations (division heads) carry out their own evaluation and improvement of the effectiveness of control at the organization.

Development of the internal control system in respect of financial reporting is the responsibility of the Auditing Division which develops a framework for internal control of branches as well as divisions and evaluates the operation of the internal control system, ensuring a framework capable of providing financial reports with superior credibility.

Diagram of House Foods Group Internal Audit System





# Risk Management

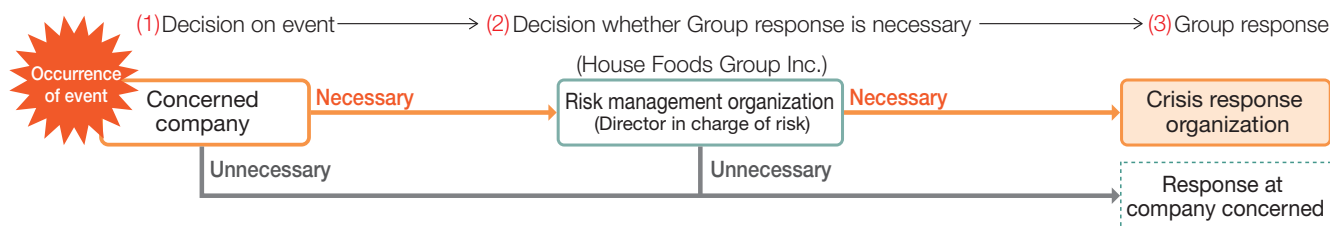
House Foods Group fulfills its social responsibility by appropriately identifying and managing various risks surrounding the Group's business activities, while striving to minimize human, economic and social damage, recover quickly, and prevent recurrence, in the event that any risk should emerge.

The above is set out in the House Foods Group Risk Management Policy, and basic matters regarding risk management operations are stipulated in the House Foods Group Risk Management Regulations in accordance with the Policy to ensure the enhancement of corporate value and sustainable development of House Foods Group.

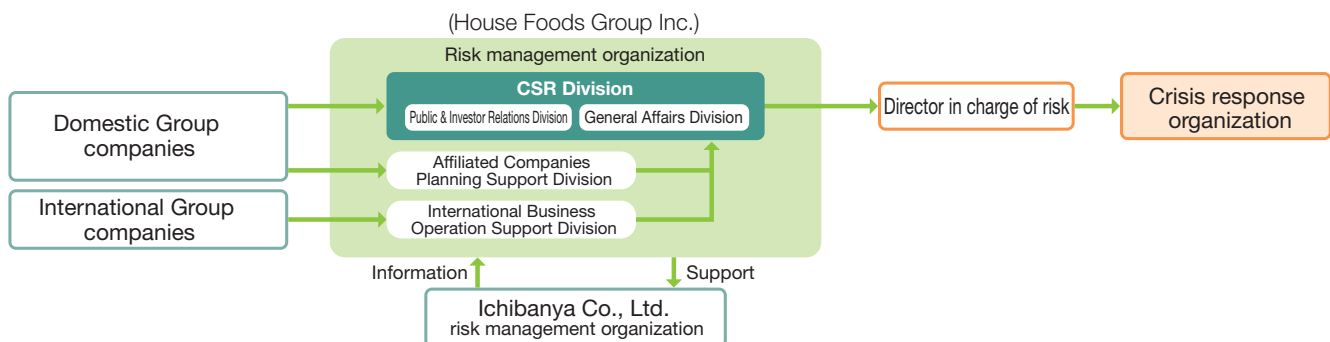
## Risk Management System

In accordance with the Group Risk Management Regulations, the Group clarifies and shares potential risks, and has prepared guidelines for response to each type of risk. If any risk should emerge, it is addressed promptly and adequately by the close coordination among concerned divisions within the Group.

### 1. Flow of Group decisions and response when risks emerge



### 2. Risk Management System



## Recognition of Risk

Risks that could influence the Group's performance and financial standing include the following. However, the statements below do not cover all the risks, and the Group may be subject to the impact of any risk in the future that cannot be foreseen or is not perceived as a problem at the present time. 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.

|                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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, including constructing a traceability mechanism headed by the Quality Assurance Management Division, which is dedicated exclusively to product quality assurance, as well as holding Group quality assurance meetings, with the participation of people from outside the Group who can deliver useful insights. Nevertheless, should an incident that exceeds the scope of the Group's initiatives as described above take place – for instance, a quality issue that encompasses the entire community –, or should other events in which the image of the products of the Group is harmed by rumors, etc. take place (including the cases where the Group's products are not directly related to the relevant events), the Group's performance and financial standing could be affected. |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Climate Change and Natural Disasters and Widespread Outbreak of Serious Infectious Diseases | Weather-related factors, such as relatively cold summers, heat waves and relatively mild winters, the occurrence of a large-scale natural disaster, or the widespread outbreak of serious infectious disease have the potential to become risks for the Group's businesses and could affect the Group's performance and financial standing. The Group creates a task force immediately after a large-scale disaster or widespread outbreak of serious infectious disease and establishes a Group-wide system to respond to the disaster or disease. Considering relief supplies and product supply as the first priority, the Group creates a production and supply system to deal with the disaster or disease. The Group also revises its business continuity plan every year in order to resume business without delay should damage occur as a result of a disaster.                                                             |
| 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, 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. |
| Risks in Overseas Businesses                                                                | The Group is engaged in various food-related businesses overseas, including manufacturing and selling tofu products and curry products and operating restaurant chains in countries such as the United States, China and those in Southeast Asia. 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Risks in the Restaurant Business                                                            | In the Restaurant Business, competition among restaurants and competition with players from other industries such as convenience stores and supermarkets is becoming increasingly fierce whilst the market stays the same size. If the Group fails to provide menus that meet the needs of customers or high added value services, its net sales may fall and this may influence the Group's performance and financial standing.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Changes in the Value of Held Assets                                                         | The Group holds a range of tangible and intangible fixed assets, including commercial facilities, real estate, and goodwill acquired through corporate acquisitions, etc. Should the market value of these assets fall or should these assets no longer generate the cash flows initially expected and there is no longer any prospect of recovering the amount invested in the assets due to decline in their profitability, impairment accounting could be necessary. Impairment accounting could influence the Group's performance and financial standing.                                                                                                                                                                                                                                                                                                                                                                        |
| 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 responsible 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.                                                                                                                                                                                                                                                                        |
| Risks in Information 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.                                        |

## Risk Management Activities at Overseas Group Companies

The Group is working to improve the effectiveness of risk management by building an autonomous governance management system at each Group company according to the size and circumstances of each overseas base and by repeatedly carrying out the PDCA cycle for risk management.

### 〈Main themes of initiatives〉

- Operation and monitoring of self-check sheet with regard to governance
- Operation and monitoring of check sheet to prevent bribery of government employees, etc.
- Holding study sessions for executives responsible for international business companies, expatriate employees, and locally hired employees
  - (1) Risk management process at overseas bases
  - (2) Promotion of compliance, including bribery prevention
  - (3) BCP for terrorism, etc., and decisions on withdrawal from business
  - (4) Sharing risk information regarding overseas bases



Risk management study session in China (Shanghai)



Study session for executives responsible for overseas businesses

## Basic Approach toward Compliance

Recognizing that the practice of compliance is one of the most important issues for the realization of CSR management, House Foods Group responds to the expectations and demands of society by acting in accordance with compliance policies in every aspect of our business activities.

### Enhancement of compliance system based on group management

House Food Group addresses and implements compliance not merely in a narrow sense of adherence to laws and regulations but in a wider sense of comprehensive response to social demands including the compliance with internal rules, social ethics, and social morals. In order to be trusted by the society and ensure future development, we have established the House Foods Group CSR Basic Policy, which outlines the code of conduct for the Group. In addition, we have established a compliance system that ensures the appropriateness of operations at each Group company and have been engaged in specific initiatives accordingly.

### Consulting and Reporting System (Helpline System)

In order to detect risks and issues regarding compliance and deal with them at an earlier stage, we established “The House Foods Group General Compliance Helpline” inside the Group and outside at a lawyer’s office, both of which accept anonymous reports.

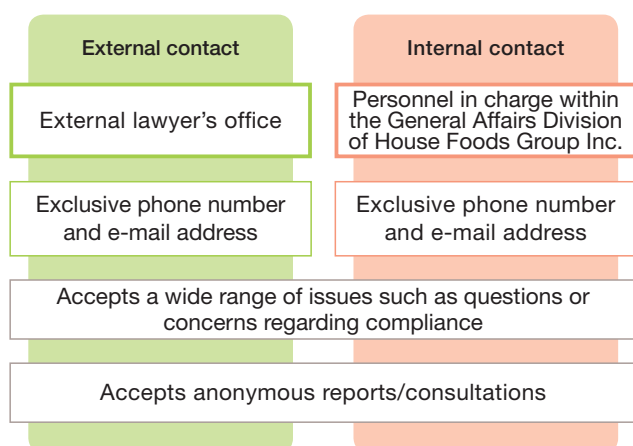
To the extent that reporters or consulters cannot be identified, the details of issues reported and consultations as well as the results of the Group’s responsive actions are disclosed on the Group’s intranet in order to enhance the reliance and credibility of the system as well as prevent the recurrence of the same problems.

(the number of reports/consultations by fiscal year)

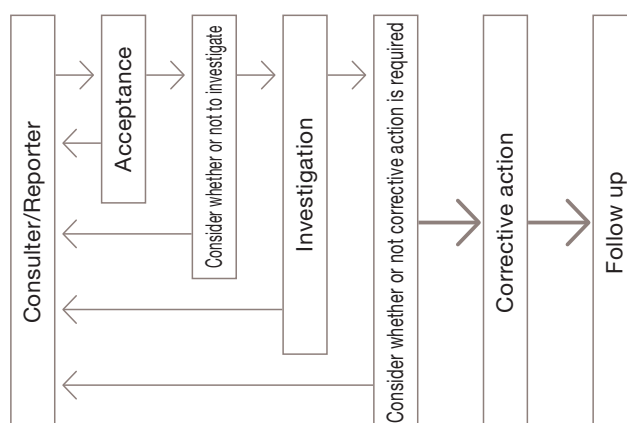
| Category                                                                                                                                                                 | 2013      | 2014      | 2015      | 2016      | 2017      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| (1) Issues related to human relationships (sexual harassment, power harassment, bullying, etc.)                                                                          | 8         | 4         | 8         | 8         | 20        |
| (2) Personnel and labor issues (overtime work, working on holidays, personal evaluation, office procedures, etc.)                                                        | 1         | 4         | 9         | 4         | 5         |
| (3) Issues related to working environment (working environment, safety management, hazardous areas, etc.)                                                                | 0         | 1         | 3         | 0         | 0         |
| (4) Issues related to business transactions (unfair trading, subcontractor bullying, bribery, etc.)                                                                      | 0         | 0         | 0         | 0         | 0         |
| (5) Fraud/violation (violation of laws and regulations, employment regulations, or operation manual, fraudulent expenditures, concealment, leakage, falsification, etc.) | 1         | 2         | 1         | 2         | 2         |
| (6) Other issues reported/consulted                                                                                                                                      | 2         | 1         | 0         | 0         | 0         |
| <b>Total</b>                                                                                                                                                             | <b>12</b> | <b>12</b> | <b>21</b> | <b>14</b> | <b>27</b> |

\* Excluding the figures of Ichibanya Co., Ltd. and overseas Group companies.

#### The House Foods Group General Compliance Helpline



#### Responsive action flow by Compliance Helpline



# CSR as our core business

House Foods Group will fulfill the “three responsibilities” through the “House-style” CSR Policy, which is consistent with the Group philosophy.

## Group philosophy

### Founding philosophy

In every happy home throughout Japan you will find the warm flavor of home cooking, House.

### Group philosophy

Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives.

### House Ideals (Spirit)

Our Motto  
Sincerity, Originality and Enthusiasm

## Group CSR Policy

Through our core business, we will fulfill three responsibilities to make an ongoing contribution to creating a wholesome society and to people’s health and well-being.

### With Our Customers

- We will continue to provide safe, secure and high-value products and services to contribute to making people’s lives healthy and rich both mentally and physically.

### With Employees and their Families

- We will create jobs and respect the fundamental human rights and diversity of our employees. We will help our employees to grow as a person and enrich the daily lives of our employees and their families.

### With Our Society

- We will enhance our own corporate value, engaging in sound management and business activities, to contribute to development of society.
- As a responsible company, we go above and beyond the requirements of compliance, and act morally and ethically.
- We will contribute to the conservation of a resource-rich earth through environmentally friendly corporate activities.

## House-style CSR Creating Smiles & Relationships

Our CSR embodies the pursuit of the Group Philosophy to create “smiles” and “relationships” for the future.

## CSR Promotion Structure

We promote our CSR activities based on two main pillars; monitoring by the Group CSR Committee of CSR activities for the entire Group, and the independent promotion of CSR activities by each Group company.

CSR activities are promoted at each Group company by divisions in charge of CSR and personnel in charge of CSR at their respective workplaces under the supervision and guidance of the CSR Committee.

On the other hand, the Group CSR Committee, comprised of Directors, etc. of House Foods Group Inc., monitors and reviews the status of initiatives on key CSR-related themes across the entire Group, including CSR activities at each company, to verify that CSR activities of the entire Group are being implemented properly. Important matters for management are reported to the CSR Committee, which makes reports and recommendations to the Group Management Committee and Board of Directors.

Diagram of House Foods Group CSR Promotion Structure



**Initiatives for the Three Responsibilities**

**With Our Customers**

**Accelerating open innovation for the creation of new value**

In October 2017, we jointly established the House Foods Group Innovation Fund (CVC) with SBI Investment Co., Ltd.

The CVC targets at outstanding venture companies in Japan and overseas for investment, combining the technologies and business models, etc., of House Foods Group and the venture companies to create new value base in the “Healthy Life through Foods” domain, and will contribute to the realization of a sustainable society that connects people with smiles.



|                           |                                                                                                                                                                                                             |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Name of fund</b>       | House Foods Group Innovation Fund<br>(Title: House Foods Group SBI Innovation Investment Limited Liability Partnership)                                                                                     |
| <b>Established</b>        | October 1, 2017                                                                                                                                                                                             |
| <b>Term of operation</b>  | 5 years                                                                                                                                                                                                     |
| <b>Size</b>               | ¥5.0 billion                                                                                                                                                                                                |
| <b>Investment targets</b> | Primarily venture companies in Japan and overseas where business synergies can be expected through use of the Group's management resources in the Group's strategic domain of “Healthy Life through Foods.” |

**With Employees and their Families**

**Towards Achievement of Diversity**

The diversity of House Foods Group has broadened considerably with the acceleration of our global business development and the increase in Group companies. Respecting and skillfully managing diversity, while clearly recognizing the difference between “what must be changed” and “what must not be changed” so that House Foods Group will maintain its essential nature for the next 100, or even 200 years, is linked to enhancement of the Group's comprehensive capabilities.

We are promoting various efforts domestically and internationally, such as the Diversity Forum and The House Way activities, aimed at realizing the Group philosophy and the growth of each and every employee working for House Foods Group.

**Diversity Forum**



President Urakami talks about his unwavering resolve to achieve diversity



Sharing challenges and workplace initiatives through repeated dialogue across companies and business categories

**The House Way activities**

Expanding The House Way activities in Japan and overseas with the aim of realizing the Group philosophy and achieving individual growth



**With Our Society**

**Initiatives for sustainable procurement of resources**

With the establishment of the Group Environmental Policy and Group Procurement Policy, House Foods Group is promoting procurement of raw materials with due consideration given to the human rights and environment. Furthermore, with the recent addition of Vox Trading Co., Ltd. and Gaban Co., Ltd. to the Group, we have expanded our fields of business development in upstream areas, and have been working on procurement activities that take into account raw materials costs and sustainability.

In such circumstances, we became a member of the Roundtable on Sustainable Palm Oil (RSPO) in January 2018. Going forward, we will gradually move ahead with efforts for sustainable palm oil that take into consideration preventing the destruction of forests and protecting biodiversity.



**Food Education Activities to Nurture Better Eating**



Many Group employees were among the enthusiastic participants in “My First Time Cooking” workshops for kindergarteners and nursery school children



Learning the importance of food and the global environment by getting in touch with nature and observing living creatures in the House Foods “Food, Agriculture and the Environment” Workshops



## 11 Years' Selected Financial Data

| Years Ended March 31                                                          |                   | 2008     | 2009     | 2010     | 2011     |
|-------------------------------------------------------------------------------|-------------------|----------|----------|----------|----------|
| Net sales                                                                     | (Millions of yen) | 233,826  | 222,549  | 220,622  | 216,713  |
| Operating profit                                                              | (Millions of yen) | 8,844    | 10,201   | 10,964   | 12,069   |
| Ordinary profit                                                               | (Millions of yen) | 8,969    | 10,993   | 12,187   | 13,031   |
| Profit attributable to owners of parent                                       | (Millions of yen) | 3,575    | 4,726    | 4,820    | 5,252    |
| Depreciation                                                                  | (Millions of yen) | 5,822    | 6,118    | 6,102    | 5,704    |
| Capital investment                                                            | (Millions of yen) | 6,599    | 5,329    | 4,734    | 2,825    |
| EBITDA<br>(Operating profit (before amortization of goodwill) + Depreciation) | (Millions of yen) | 18,102   | 20,432   | 21,187   | 21,894   |
| Cash flows from operating activities                                          | (Millions of yen) | 10,963   | 16,525   | 15,813   | 18,568   |
| Cash flows from investing activities                                          | (Millions of yen) | (11,504) | (3,343)  | (10,129) | (10,228) |
| Cash flows from financing activities                                          | (Millions of yen) | (4,032)  | (2,432)  | (2,771)  | (6,466)  |
| Cash and cash equivalents at end of period                                    | (Millions of yen) | 31,389   | 41,680   | 44,570   | 46,091   |
| Total assets                                                                  | (Millions of yen) | 228,261  | 228,226  | 231,927  | 228,810  |
| Net assets                                                                    | (Millions of yen) | 180,940  | 178,522  | 182,628  | 181,298  |
| Shareholders' equity                                                          | (Millions of yen) | 179,949  | 178,195  | 182,275  | 180,922  |
| Profit per share                                                              | (yen)             | 32.57    | 43.05    | 43.91    | 48.40    |
| Net assets per share                                                          | (yen)             | 1,639.23 | 1,623.36 | 1,660.57 | 1,694.59 |
| Dividend per share                                                            | (yen)             | 22.0     | 22.0     | 22.0     | 22.0     |
| Return on equity                                                              | (%)               | 2.0      | 2.6      | 2.7      | 2.9      |
| Return on assets                                                              | (%)               | 3.8      | 4.8      | 5.3      | 5.7      |
| Return on sales (Ratio of operating profit to net sales)                      | (%)               | 3.8      | 4.6      | 5.0      | 5.6      |
| Total asset turnover                                                          | (Times)           | 0.99     | 0.98     | 0.96     | 0.94     |
| Equity ratio                                                                  | (%)               | 78.83    | 78.08    | 78.59    | 79.10    |
| Price-earning ratio                                                           | (Times)           | 45.54    | 31.78    | 30.95    | 28.10    |

\* Includes commemorative dividend of 5 yen per share for its centenary



|  | 2012     | 2013     | 2014     | 2015     | 2016     | 2017     | 2018            |
|--|----------|----------|----------|----------|----------|----------|-----------------|
|  | 214,317  | 209,784  | 232,610  | 231,448  | 241,893  | 283,812  | <b>291,897</b>  |
|  | 14,053   | 11,441   | 9,589    | 8,686    | 10,775   | 12,312   | <b>16,288</b>   |
|  | 15,502   | 13,445   | 10,962   | 10,957   | 12,152   | 13,951   | <b>17,207</b>   |
|  | 7,928    | 8,254    | 8,792    | 6,971    | 22,632   | 8,683    | <b>9,353</b>    |
|  | 5,356    | 5,020    | 5,056    | 5,789    | 6,908    | 9,345    | <b>9,126</b>    |
|  | 4,889    | 5,684    | 11,115   | 9,588    | 6,757    | 7,708    | <b>10,215</b>   |
|  | 20,770   | 17,167   | 14,815   | 14,642   | 18,699   | 25,235   | <b>28,978</b>   |
|  | 17,098   | 12,884   | 8,818    | 8,428    | 12,518   | 21,298   | <b>23,608</b>   |
|  | (19,069) | (1,841)  | (7,471)  | (4,679)  | (8,308)  | (2,169)  | <b>(13,739)</b> |
|  | (2,836)  | (4,943)  | (68)     | (10,588) | (3,743)  | (7,388)  | <b>(5,317)</b>  |
|  | 41,190   | 47,715   | 49,586   | 43,832   | 44,156   | 55,594   | <b>60,202</b>   |
|  | 240,092  | 250,780  | 273,368  | 286,149  | 349,427  | 353,888  | <b>380,003</b>  |
|  | 189,242  | 199,328  | 210,097  | 221,456  | 260,329  | 266,615  | <b>283,719</b>  |
|  | 188,785  | 198,731  | 208,801  | 219,927  | 228,812  | 235,246  | <b>251,814</b>  |
|  | 74.26    | 77.78    | 83.13    | 67.61    | 220.48   | 84.53    | <b>91.02</b>    |
|  | 1,768.27 | 1,879.06 | 1,974.31 | 2,140.27 | 2,231.86 | 2,289.43 | <b>2,450.71</b> |
|  | 28.0     | 30.0     | 35.0*    | 30.0     | 30.0     | 32.0     | <b>38.0</b>     |
|  | 4.3      | 4.3      | 4.3      | 3.3      | 10.1     | 3.7      | <b>3.8</b>      |
|  | 6.6      | 5.5      | 4.2      | 3.9      | 3.8      | 4.0      | <b>4.7</b>      |
|  | 6.6      | 5.5      | 4.1      | 3.8      | 4.5      | 4.3      | <b>5.6</b>      |
|  | 0.91     | 0.85     | 0.89     | 0.83     | 0.76     | 0.81     | <b>0.80</b>     |
|  | 78.60    | 79.20    | 76.40    | 76.90    | 65.50    | 66.47    | <b>66.27</b>    |
|  | 19.05    | 21.06    | 20.62    | 37.27    | 9.54     | 28.72    | <b>38.84</b>    |

# Consolidated Financial Statements

## Consolidated Balance Sheets

(Millions of yen)

| As of March 31                                                             | 2014           | 2015           | 2016           | 2017           | 2018           |
|----------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Assets</b>                                                              |                |                |                |                |                |
| <b>Current assets</b>                                                      | 117,551        | 123,134        | 118,947        | 135,612        | <b>143,917</b> |
| Cash and deposits                                                          | 26,649         | 26,906         | 44,128         | 57,583         | <b>60,630</b>  |
| Notes and accounts receivable - trade                                      | 40,846         | 40,695         | 43,140         | 45,370         | <b>48,575</b>  |
| Securities                                                                 | 29,631         | 34,577         | 10,009         | 7,436          | <b>8,654</b>   |
| Merchandise and finished goods                                             | 9,382          | 9,708          | 9,628          | 10,020         | <b>10,828</b>  |
| Work in process                                                            | 1,200          | 1,535          | 1,563          | 2,008          | <b>1,963</b>   |
| Raw materials and supplies                                                 | 3,162          | 3,590          | 3,723          | 4,563          | <b>4,740</b>   |
| Deferred tax assets                                                        | 2,757          | 2,070          | 2,397          | 2,682          | <b>2,672</b>   |
| Other                                                                      | 3,929          | 4,132          | 4,499          | 6,185          | <b>6,049</b>   |
| Allowance for doubtful accounts                                            | (4)            | (79)           | (141)          | (234)          | <b>(194)</b>   |
| <b>Non-current assets</b>                                                  | 155,817        | 163,016        | 230,480        | 218,275        | <b>236,085</b> |
| <b>Property, plant and equipment</b>                                       | 62,534         | 66,616         | 77,223         | 79,162         | <b>83,182</b>  |
| Buildings and structures, net                                              | 19,571         | 24,176         | 28,848         | 29,491         | <b>30,211</b>  |
| Machinery, equipment and vehicles, net                                     | 9,195          | 10,801         | 11,722         | 12,723         | <b>12,794</b>  |
| Land                                                                       | 26,001         | 25,842         | 28,851         | 30,394         | <b>32,322</b>  |
| Lease assets, net                                                          | 4,128          | 3,775          | 4,400          | 3,942          | <b>3,554</b>   |
| Construction in progress                                                   | 2,449          | 556            | 1,140          | 585            | <b>2,428</b>   |
| Other, net                                                                 | 1,190          | 1,465          | 2,261          | 2,028          | <b>1,872</b>   |
| <b>Intangible assets</b>                                                   | 3,482          | 3,478          | 74,799         | 69,949         | <b>64,441</b>  |
| Goodwill                                                                   | 619            | 476            | 16,542         | 12,964         | <b>9,400</b>   |
| Trademark right                                                            | —              | 220            | 26,570         | 25,933         | <b>25,296</b>  |
| Software                                                                   | 971            | 1,960          | 2,109          | 2,142          | <b>1,701</b>   |
| Contract-related intangible assets                                         | —              | —              | 28,753         | 27,787         | <b>26,820</b>  |
| Software in progress                                                       | 1,044          | 75             | 89             | 29             | <b>164</b>     |
| Other                                                                      | 848            | 747            | 736            | 1,094          | <b>1,059</b>   |
| <b>Investments and other assets</b>                                        | 89,802         | 92,922         | 78,458         | 69,164         | <b>88,462</b>  |
| Investment securities                                                      | 81,451         | 80,240         | 68,800         | 61,870         | <b>76,841</b>  |
| Long-term loans receivable                                                 | 334            | 369            | 360            | 356            | <b>349</b>     |
| Deferred tax assets                                                        | 428            | 636            | 2,247          | 1,223          | <b>474</b>     |
| Long-term time deposits                                                    | 2,500          | 2,000          | 2,500          | 500            | <b>1,000</b>   |
| Net defined benefit asset                                                  | 2,657          | 7,103          | 285            | 358            | <b>3,981</b>   |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 448            | 512            | 719            | 683            | <b>712</b>     |
| Other                                                                      | 2,670          | 2,764          | 4,441          | 5,049          | <b>6,009</b>   |
| Allowance for doubtful accounts                                            | (687)          | (702)          | (893)          | (874)          | <b>(903)</b>   |
| <b>Total assets</b>                                                        | <b>273,368</b> | <b>286,149</b> | <b>349,427</b> | <b>353,888</b> | <b>380,003</b> |

(Millions of yen)

| As of March 31                                        | 2014    | 2015    | 2016    | 2017    | 2018           |
|-------------------------------------------------------|---------|---------|---------|---------|----------------|
| <b>Liabilities</b>                                    |         |         |         |         |                |
| <b>Current liabilities</b>                            | 49,230  | 46,303  | 50,814  | 51,492  | <b>56,692</b>  |
| Notes and accounts payable - trade                    | 18,005  | 17,592  | 18,749  | 19,584  | <b>20,877</b>  |
| Electronically recorded obligations - operating       | 1,258   | 1,447   | 1,540   | 1,294   | <b>1,465</b>   |
| Short-term loans payable                              | 7,284   | 6,770   | 6,849   | 5,711   | <b>5,858</b>   |
| Current portion of bonds                              | —       | —       | —       | —       | <b>26</b>      |
| Lease obligations                                     | 545     | 483     | 733     | 655     | <b>620</b>     |
| Accounts payable - other                              | 12,878  | 12,432  | 13,887  | 14,872  | <b>16,601</b>  |
| Income taxes payable                                  | 2,640   | 1,557   | 2,810   | 2,680   | <b>4,331</b>   |
| Provision for bonuses                                 | —       | —       | 129     | 317     | <b>409</b>     |
| Provision for directors' bonuses                      | 93      | 65      | 68      | 75      | <b>95</b>      |
| Provision for shareholder benefit program             | —       | —       | 75      | 87      | <b>90</b>      |
| Other provision                                       | —       | —       | —       | 124     | <b>15</b>      |
| Asset retirement obligations                          | —       | —       | 3       | 3       | <b>4</b>       |
| Other                                                 | 6,528   | 5,957   | 5,971   | 6,090   | <b>6,300</b>   |
| <b>Non-current liabilities</b>                        | 14,041  | 18,390  | 38,284  | 35,781  | <b>39,592</b>  |
| Bonds payable                                         | —       | —       | —       | —       | <b>52</b>      |
| Long-term loans payable                               | 978     | 810     | 824     | 550     | <b>573</b>     |
| Lease obligations                                     | 3,795   | 3,393   | 3,745   | 3,390   | <b>3,018</b>   |
| Long-term accounts payable - other                    | 682     | 661     | 319     | 298     | <b>254</b>     |
| Deferred tax liabilities                              | 6,680   | 11,383  | 25,330  | 24,296  | <b>27,666</b>  |
| Provision for directors' retirement benefits          | —       | —       | —       | —       | <b>296</b>     |
| Provision for loss on guarantees                      | —       | —       | 6       | 3       | <b>2</b>       |
| Net defined benefit liability                         | 871     | 960     | 4,668   | 2,720   | <b>1,728</b>   |
| Asset retirement obligations                          | 282     | 285     | 711     | 719     | <b>843</b>     |
| Long-term guarantee deposited                         | —       | —       | —       | 3,508   | <b>4,643</b>   |
| Other                                                 | 753     | 898     | 2,681   | 295     | <b>517</b>     |
| <b>Total liabilities</b>                              | 63,272  | 64,693  | 89,098  | 87,273  | <b>96,284</b>  |
| <b>Net assets</b>                                     |         |         |         |         |                |
| <b>Shareholders' equity</b>                           | 194,579 | 191,150 | 210,257 | 215,545 | <b>221,296</b> |
| Capital stock                                         | 9,948   | 9,948   | 9,948   | 9,948   | <b>9,948</b>   |
| Capital surplus                                       | 23,868  | 23,868  | 23,927  | 23,107  | <b>23,107</b>  |
| Retained earnings                                     | 160,767 | 157,338 | 176,898 | 182,501 | <b>188,258</b> |
| Treasury shares                                       | (4)     | (5)     | (516)   | (12)    | <b>(17)</b>    |
| <b>Other accumulated comprehensive income</b>         | 14,222  | 28,777  | 18,555  | 19,702  | <b>30,518</b>  |
| Valuation difference on available-for-sale securities | 11,665  | 20,402  | 18,294  | 18,297  | <b>25,614</b>  |
| Deferred gains or losses on hedges                    | (5)     | 47      | (19)    | 188     | <b>(5)</b>     |
| Foreign currency translation adjustment               | 1,053   | 2,878   | 2,410   | 1,566   | <b>1,763</b>   |
| Remeasurements of defined benefit plans               | 1,509   | 5,450   | (2,128) | (350)   | <b>3,147</b>   |
| <b>Non-controlling interests</b>                      | 1,296   | 1,530   | 31,517  | 31,369  | <b>31,905</b>  |
| <b>Total net assets</b>                               | 210,097 | 221,456 | 260,329 | 266,615 | <b>283,719</b> |
| <b>Total liabilities and net assets</b>               | 273,368 | 286,149 | 349,427 | 353,888 | <b>380,003</b> |

## Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

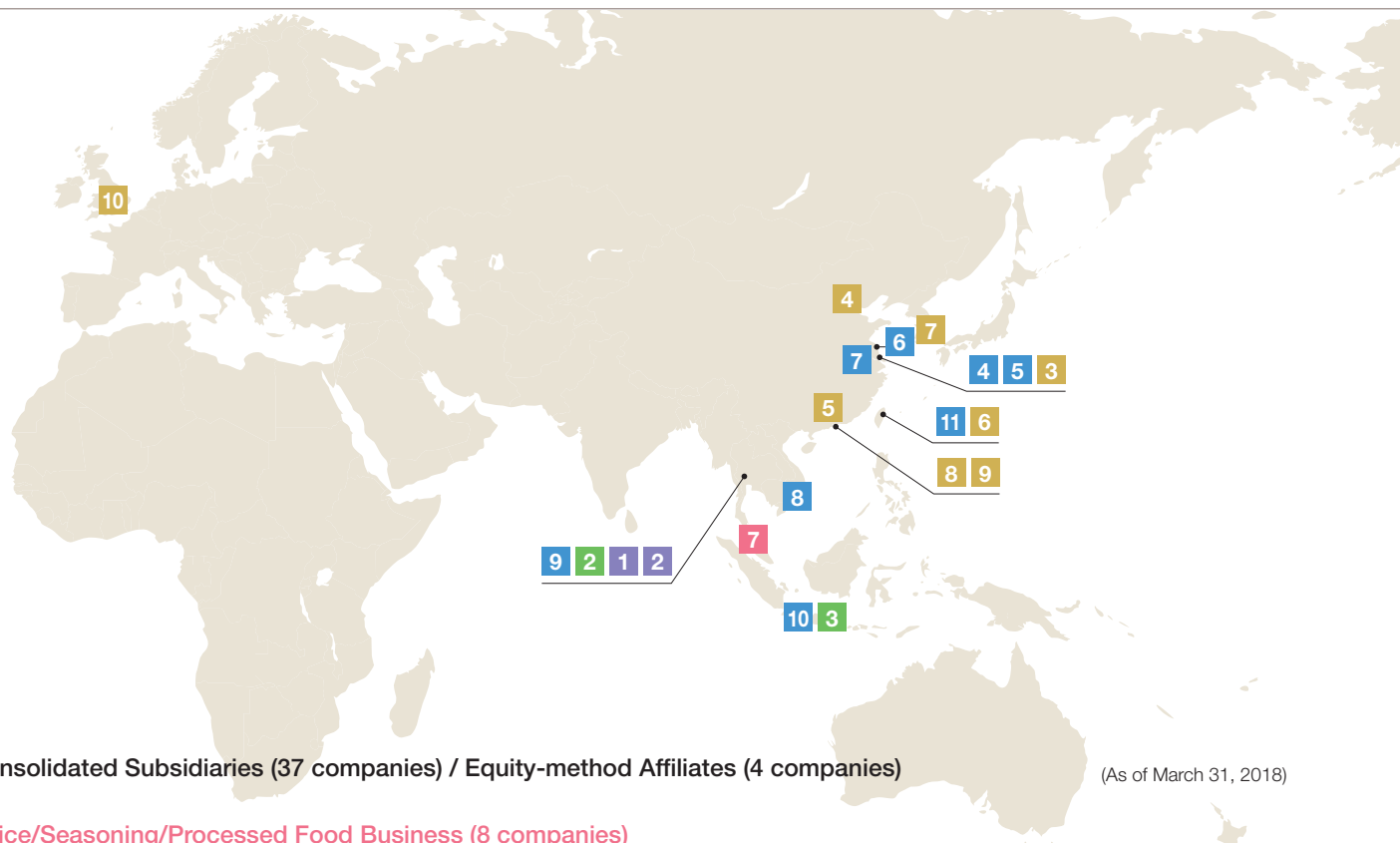
| Years Ended March 31                                                              | 2014    | 2015    | 2016     | 2017    | 2018           |
|-----------------------------------------------------------------------------------|---------|---------|----------|---------|----------------|
| <b>Net sales</b>                                                                  | 232,610 | 231,448 | 241,893  | 283,812 | <b>291,897</b> |
| <b>Cost of sales</b>                                                              | 135,080 | 133,293 | 138,371  | 159,624 | <b>162,497</b> |
| <b>Gross profit</b>                                                               | 97,530  | 98,155  | 103,522  | 124,187 | <b>129,400</b> |
| <b>Selling, general and administrative expenses</b>                               | 87,942  | 89,468  | 92,746   | 111,875 | <b>113,112</b> |
| Advertising expenses                                                              | 11,411  | 10,326  | 9,822    | 9,869   | <b>9,879</b>   |
| Transportation and warehousing expenses                                           | 6,744   | 6,836   | 7,248    | 9,519   | <b>9,919</b>   |
| Sales commission                                                                  | 3,314   | 2,441   | 2,342    | 2,455   | <b>2,480</b>   |
| Promotion expenses                                                                | 31,868  | 30,871  | 29,741   | 30,607  | <b>31,234</b>  |
| Salaries, allowances and bonuses                                                  | 13,424  | 15,203  | 16,961   | 22,359  | <b>22,666</b>  |
| Depreciation                                                                      | 846     | 1,458   | 1,996    | 3,838   | <b>3,627</b>   |
| Amortization of goodwill                                                          | 170     | 167     | 1,016    | 3,578   | <b>3,564</b>   |
| Rent expenses                                                                     | 1,611   | 2,605   | 3,006    | 4,231   | <b>4,213</b>   |
| Research and development expenses                                                 | 3,482   | 3,582   | 3,510    | 3,787   | <b>3,955</b>   |
| Other                                                                             | 15,073  | 15,979  | 17,105   | 21,634  | <b>21,576</b>  |
| <b>Operating profit</b>                                                           | 9,589   | 8,686   | 10,775   | 12,312  | <b>16,288</b>  |
| <b>Non-operating income</b>                                                       | 2,287   | 2,937   | 2,177    | 2,607   | <b>2,296</b>   |
| Interest income                                                                   | 549     | 530     | 478      | 395     | <b>328</b>     |
| Dividend income                                                                   | 599     | 603     | 609      | 762     | <b>656</b>     |
| Share of profit of entities accounted for using equity method                     | 458     | 628     | 584      | 70      | <b>99</b>      |
| House rent income                                                                 | —       | 0       | 176      | 758     | <b>762</b>     |
| Foreign exchange gains                                                            | 305     | 820     | —        | 238     | <b>—</b>       |
| Other                                                                             | 376     | 356     | 330      | 384     | <b>451</b>     |
| <b>Non-operating expenses</b>                                                     | 913     | 667     | 801      | 969     | <b>1,376</b>   |
| Interest expenses                                                                 | 221     | 129     | 93       | 87      | <b>90</b>      |
| Commission fee                                                                    | 141     | —       | —        | —       | <b>—</b>       |
| Compensation expenses                                                             | 287     | —       | —        | —       | <b>—</b>       |
| Rent expenses                                                                     | —       | —       | 148      | 631     | <b>616</b>     |
| Foreign exchange losses                                                           | —       | —       | 174      | —       | <b>380</b>     |
| Other                                                                             | 265     | 538     | 385      | 251     | <b>291</b>     |
| <b>Ordinary profit</b>                                                            | 10,962  | 10,957  | 12,152   | 13,951  | <b>17,207</b>  |
| <b>Extraordinary income</b>                                                       | 3,240   | 1,543   | 17,013   | 2,008   | <b>993</b>     |
| Gain on sales of non-current assets                                               | 3,110   | 195     | 7        | 178     | <b>13</b>      |
| Gain on sales of investment securities                                            | 108     | 1,311   | 3,135    | 147     | <b>765</b>     |
| Gain on sales of invested money                                                   | —       | 18      | —        | —       | <b>—</b>       |
| Gain on sales of restaurants                                                      | —       | —       | 19       | 147     | <b>144</b>     |
| Gain on change in equity                                                          | —       | 3       | —        | —       | <b>—</b>       |
| Gain on bargain purchase                                                          | —       | —       | —        | 1,018   | <b>57</b>      |
| Gain on step acquisitions                                                         | —       | —       | 13,851   | 448     | <b>—</b>       |
| Compensation income                                                               | —       | 13      | —        | —       | <b>—</b>       |
| Other                                                                             | 22      | 2       | 1        | 70      | <b>13</b>      |
| <b>Extraordinary losses</b>                                                       | 778     | 607     | 1,062    | 1,488   | <b>1,186</b>   |
| Loss on sales of non-current assets                                               | 124     | 121     | 0        | 10      | <b>19</b>      |
| Loss on retirement of non-current assets                                          | 240     | 141     | 273      | 279     | <b>222</b>     |
| Loss on sales of investment securities                                            | —       | —       | —        | —       | <b>0</b>       |
| Loss on valuation of investment securities                                        | 1       | 4       | 16       | 0       | <b>5</b>       |
| Loss on sales of membership                                                       | —       | —       | 2        | —       | <b>—</b>       |
| Loss on valuation of membership                                                   | 24      | 1       | 3        | 11      | <b>0</b>       |
| Impairment loss                                                                   | 129     | 323     | 718      | 1,138   | <b>774</b>     |
| Provision for loss on guarantees                                                  | 152     | —       | —        | —       | <b>—</b>       |
| Loss on step acquisitions                                                         | 69      | —       | —        | —       | <b>—</b>       |
| Loss on disaster                                                                  | 33      | —       | —        | —       | <b>—</b>       |
| Other                                                                             | 7       | 18      | 51       | 50      | <b>166</b>     |
| <b>Profit before income taxes</b>                                                 | 13,424  | 11,893  | 28,102   | 14,470  | <b>17,014</b>  |
| Income taxes - current                                                            | 4,705   | 3,999   | 4,875    | 5,531   | <b>7,098</b>   |
| Income taxes - deferred                                                           | (147)   | 876     | 36       | (1,237) | <b>(676)</b>   |
| <b>Total income taxes</b>                                                         | 4,559   | 4,875   | 4,911    | 4,294   | <b>6,421</b>   |
| <b>Profit</b>                                                                     | 8,866   | 7,018   | 23,191   | 10,176  | <b>10,593</b>  |
| Profit attributable to                                                            |         |         |          |         |                |
| Profit attributable to owners of parent                                           | 8,792   | 6,971   | 22,632   | 8,683   | <b>9,353</b>   |
| Profit attributable to non-controlling interests                                  | 74      | 47      | 559      | 1,493   | <b>1,240</b>   |
| Other comprehensive income                                                        | 3,095   | 14,771  | (10,404) | 1,069   | <b>10,954</b>  |
| Valuation difference on available-for-sale securities                             | 844     | 8,725   | (2,071)  | 115     | <b>7,383</b>   |
| Deferred gains or losses on hedges                                                | (13)    | 132     | (157)    | 139     | <b>(188)</b>   |
| Foreign currency translation adjustment                                           | 2,180   | 1,898   | (493)    | (920)   | <b>226</b>     |
| Remeasurements of defined benefit plans, net of tax                               | —       | 3,947   | (7,584)  | 1,747   | <b>3,505</b>   |
| Share of other comprehensive income of entities accounted for using equity method | 84      | 69      | (98)     | (11)    | <b>28</b>      |
| <b>Comprehensive income</b>                                                       | 11,961  | 21,789  | 12,787   | 11,245  | <b>21,547</b>  |
| Comprehensive income attributable to                                              |         |         |          |         |                |
| Comprehensive income attributable to owners of parent                             | 11,736  | 21,526  | 12,411   | 9,829   | <b>20,169</b>  |
| Comprehensive income attributable to non-controlling interests                    | 224     | 263     | 376      | 1,416   | <b>1,377</b>   |

## Consolidated Statements of Cash Flows

(Millions of yen)

| Years Ended March 31                                                                                                | 2014     | 2015     | 2016     | 2017     | 2018     |
|---------------------------------------------------------------------------------------------------------------------|----------|----------|----------|----------|----------|
| <b>Cash flows from operating activities</b>                                                                         |          |          |          |          |          |
| Profit before income taxes                                                                                          | 13,424   | 11,893   | 28,102   | 14,470   | 17,014   |
| Depreciation                                                                                                        | 5,056    | 5,789    | 6,908    | 9,345    | 9,126    |
| Amortization of goodwill                                                                                            | 170      | 167      | 1,016    | 3,578    | 3,564    |
| Impairment loss                                                                                                     | 129      | 323      | 718      | 1,138    | 774      |
| Share of (profit) loss of entities accounted for using equity method                                                | (458)    | (628)    | (584)    | (70)     | (99)     |
| Loss (gain) on step acquisitions                                                                                    | 69       | —        | (13,851) | (448)    | —        |
| Loss (gain) on valuation of investment securities                                                                   | 1        | 4        | 16       | 0        | 5        |
| Loss on valuation of membership                                                                                     | 24       | 1        | 3        | 11       | 0        |
| Increase (decrease) in allowance for doubtful accounts                                                              | (1,206)  | 91       | 211      | 64       | (14)     |
| Gain on bargain purchase                                                                                            | —        | —        | —        | (1,018)  | (57)     |
| Increase (decrease) in net defined benefit liability                                                                | 871      | 86       | (1,072)  | 347      | 355      |
| Increase (decrease) in provision for retirement benefits                                                            | (1,468)  | —        | —        | —        | —        |
| Increase (decrease) in provision for directors' bonuses                                                             | 25       | (28)     | 3        | 7        | 18       |
| Increase (decrease) in provision for directors' retirement benefits                                                 | —        | —        | —        | —        | 10       |
| Increase (decrease) in provision for shareholder benefit program                                                    | —        | —        | (21)     | 12       | 3        |
| Increase (decrease) in provision for loss on guarantees                                                             | —        | —        | (1)      | (2)      | (1)      |
| Increase (decrease) in other provision                                                                              | —        | —        | —        | 124      | (109)    |
| Interest and dividend income                                                                                        | (1,147)  | (1,133)  | (1,088)  | (1,157)  | (984)    |
| Interest expenses                                                                                                   | 221      | 129      | 93       | 87       | 90       |
| Foreign exchange losses (gains)                                                                                     | (231)    | (408)    | 296      | 10       | 60       |
| Loss (gain) on sales of investment securities                                                                       | (108)    | (1,311)  | (3,133)  | (147)    | (765)    |
| Loss (gain) on sales of investments in capital                                                                      | —        | (18)     | —        | —        | —        |
| Loss (gain) on sales of non-current assets                                                                          | (2,986)  | (75)     | (6)      | (168)    | 6        |
| Loss on retirement of non-current assets                                                                            | 240      | 141      | 273      | 279      | 222      |
| Loss (gain) on sales of restaurants                                                                                 | —        | —        | (19)     | (147)    | (144)    |
| Decrease (increase) in notes and accounts receivable - trade                                                        | 1,374    | 405      | 76       | (439)    | (2,891)  |
| Decrease (increase) in inventories                                                                                  | (384)    | (920)    | 758      | 587      | (566)    |
| Increase (decrease) in notes and accounts payable - trade                                                           | (4,607)  | 76       | (1,409)  | 576      | 1,264    |
| Increase (decrease) in accounts payable - bonuses                                                                   | 27       | 9        | (120)    | 143      | 92       |
| Decrease (increase) in other assets                                                                                 | 871      | (939)    | (1,838)  | (1,504)  | (950)    |
| Increase (decrease) in other liabilities                                                                            | 1,749    | (1,464)  | 573      | 464      | 1,945    |
| Subtotal                                                                                                            | 11,655   | 12,187   | 15,903   | 26,143   | 27,966   |
| Interest and dividend income received                                                                               | 1,438    | 1,398    | 1,365    | 1,062    | 1,128    |
| Interest expenses paid                                                                                              | (219)    | (133)    | (102)    | (84)     | (90)     |
| Income taxes paid                                                                                                   | (4,057)  | (5,025)  | (4,648)  | (5,822)  | (5,395)  |
| Net cash provided by (used in) operating activities                                                                 | 8,818    | 8,428    | 12,518   | 21,298   | 23,608   |
| <b>Cash flows from investing activities</b>                                                                         |          |          |          |          |          |
| Proceeds from withdrawal of time deposits                                                                           | 15,141   | 6,523    | 803      | 5,639    | 3,314    |
| Payments into time deposits                                                                                         | (12,040) | (4,030)  | (929)    | (5,280)  | (2,208)  |
| Purchase of securities                                                                                              | (2,500)  | (4,577)  | (3,424)  | (1,000)  | (5,000)  |
| Proceeds from sales of securities                                                                                   | 6,500    | 7,630    | 18,498   | 10,500   | 8,336    |
| Purchase of property, plant and equipment                                                                           | (9,620)  | (8,710)  | (5,501)  | (6,972)  | (10,153) |
| Proceeds from sales of property, plant and equipment                                                                | 3,417    | 357      | 7        | 310      | 78       |
| Gain on sales of restaurants                                                                                        | —        | —        | 29       | 444      | 415      |
| Purchase of intangible assets                                                                                       | (1,434)  | (807)    | (522)    | (735)    | (408)    |
| Purchase of investment securities                                                                                   | (7,533)  | (4,920)  | (6,501)  | (2,114)  | (8,484)  |
| Proceeds from sales of investment securities                                                                        | 319      | 3,883    | 5,788    | 1,469    | 1,636    |
| Payments for investments in capital                                                                                 | (0)      | (5)      | (30)     | (3)      | —        |
| Collection of investments in capital                                                                                | 8        | 36       | 11       | —        | —        |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation                                    | —        | —        | (16,556) | (4,458)  | (1,266)  |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation                      | 380      | —        | 21       | —        | —        |
| Proceeds from sales of membership                                                                                   | —        | —        | —        | —        | 0        |
| Payments of loans receivable                                                                                        | (109)    | (58)     | (1)      | —        | —        |
| Proceeds from liquidation of subsidiaries                                                                           | —        | —        | —        | 30       | 1        |
| Net cash provided by (used in) investing activities                                                                 | (7,471)  | (4,679)  | (8,308)  | (2,169)  | (13,739) |
| <b>Cash flows from financing activities</b>                                                                         |          |          |          |          |          |
| Increase in short-term loans payable                                                                                | 42,532   | 58,890   | 75,360   | 65,877   | 60,793   |
| Decrease in short-term loans payable                                                                                | (38,744) | (59,555) | (75,269) | (67,258) | (60,717) |
| Repayments of lease obligations                                                                                     | (540)    | (550)    | (592)    | (836)    | (735)    |
| Proceeds from long-term loans payable                                                                               | 1,026    | —        | 284      | 300      | 170      |
| Repayments of long-term loans payable                                                                               | (1,125)  | (188)    | (235)    | (298)    | (340)    |
| Redemption of bonds                                                                                                 | —        | —        | —        | —        | (13)     |
| Purchase of treasury shares                                                                                         | (3)      | (5,494)  | (4)      | (3)      | (5)      |
| Purchase of treasury shares of subsidiaries                                                                         | —        | —        | —        | (902)    | (0)      |
| Proceeds from sales of shares of parent held by subsidiaries                                                        | —        | —        | 471      | 1,009    | —        |
| Cash dividends paid                                                                                                 | (3,171)  | (3,658)  | (3,076)  | (3,076)  | (3,596)  |
| Dividends paid to non-controlling interests                                                                         | (45)     | (33)     | (662)    | (1,175)  | (872)    |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | —        | —        | (20)     | (114)    | (2)      |
| Purchase of investments in capital of subsidiaries that do not result in change in scope of consolidation           | —        | —        | —        | (941)    | —        |
| Proceeds from capital increase through third-party allocation by consolidated subsidiaries                          | —        | —        | —        | 29       | —        |
| Net cash provided by (used in) financing activities                                                                 | (68)     | (10,588) | (3,743)  | (7,388)  | (5,317)  |
| Effect of exchange rate change on cash and cash equivalents                                                         | 593      | 1,085    | (144)    | (302)    | 56       |
| Net increase (decrease) in cash and cash equivalents                                                                | 1,871    | (5,754)  | 323      | 11,438   | 4,608    |
| Cash and cash equivalents at beginning of period                                                                    | 47,715   | 49,586   | 43,832   | 44,156   | 55,594   |
| Cash and cash equivalents at end of period                                                                          | 49,586   | 43,832   | 44,156   | 55,594   | 60,202   |

## House Foods Group Companies



Consolidated Subsidiaries (37 companies) / Equity-method Affiliates (4 companies)

(As of March 31, 2018)

### Spice/Seasoning/Processed Food Business (8 companies)

| Company name                              | Business lines                                                         | Location                  | Capital          | Percentage of Shareholding (%) |
|-------------------------------------------|------------------------------------------------------------------------|---------------------------|------------------|--------------------------------|
| 1 House Foods Corporation                 | Production and sales of curry, stew, spice and commercial use products | Higashi-osaka-city, Osaka | JP¥2,000 million | 100.00                         |
| 2 Sun House Foods Corporation             | Production of retort pouched foods, etc.                               | Konan-city, Aichi         | JP¥100 million   | 100.00                         |
| 3 Sun Supply Corporation                  | Production of processed meat products                                  | Konan-city, Aichi         | JP¥50 million    | 100.00                         |
| 4 House Ai-Factory Corporation            | Production of spice products                                           | Higashi-osaka-city, Osaka | JP¥60 million    | 99.81                          |
| 5 Asaoka Spice K. K.                      | Sales of spices                                                        | Chiyoda-ku, Tokyo         | JP¥16 million    | 100.00                         |
| 6 Gaban Co., Ltd.                         | Import, production and sales of spices and sales of imported foods     | Chuo-ku, Tokyo            | JP¥100 million   | 100.00                         |
| 7 Gaban Spice Manufacturing (M) SDN. BHD. | Production of spices                                                   | Penang, Malaysia          | MYR 44.1 million | 100.00                         |
| 8 Malony Co., Ltd.                        | Production and sales of starch products, etc.                          | Suita-city, Osaka         | JP¥60 million    | 100.00                         |

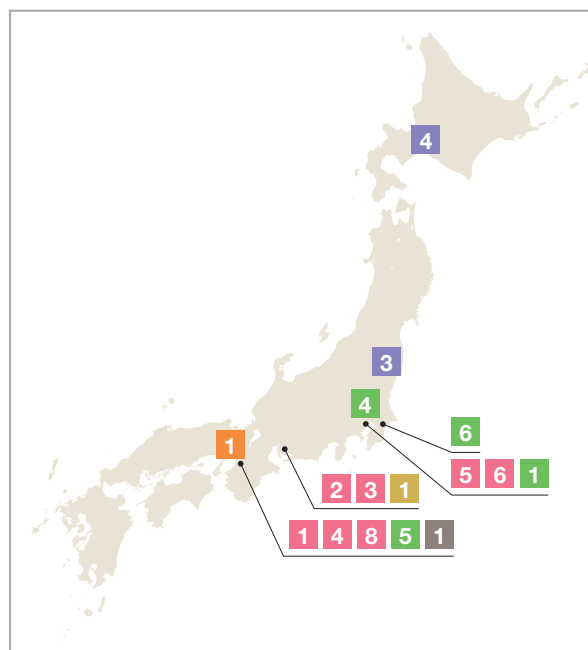
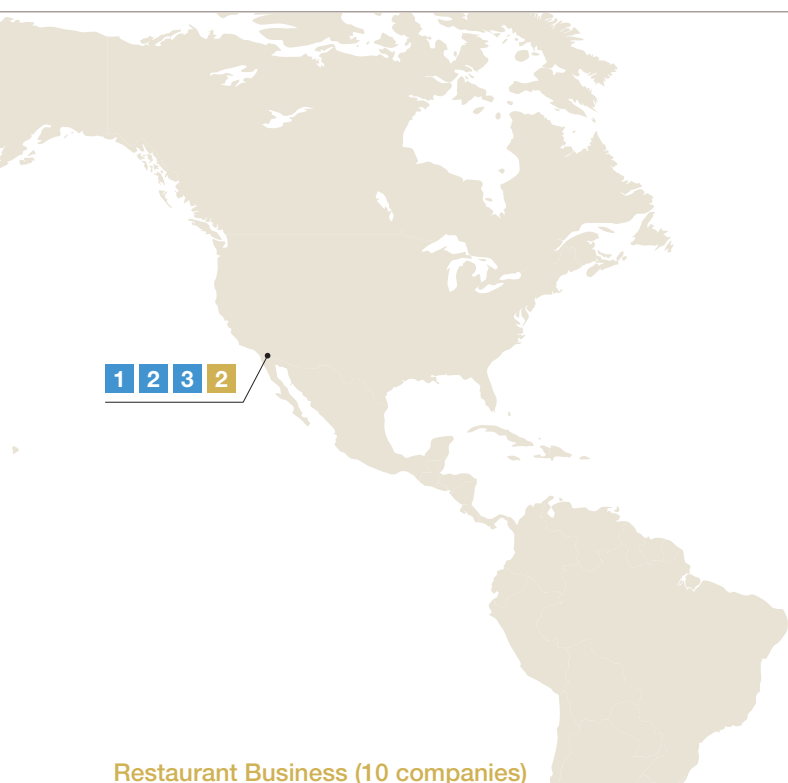
### Health Food Business (1 company)

| Company name                       | Business lines                                     | Location          | Capital        | Percentage of Shareholding (%) |
|------------------------------------|----------------------------------------------------|-------------------|----------------|--------------------------------|
| 1 House Wellness Foods Corporation | Production and sales of health foods and beverages | Itami-city, Hyogo | JP¥100 million | 100.00                         |

### International Food Business (11 companies)

| Company name                                   | Business lines                                                                                                               | Location                                     | Capital             | Percentage of Shareholding (%) |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------|--------------------------------|
| 1 House Foods Holding USA, Inc.                | Holding company for U.S. subsidiaries                                                                                        | Garden Grove, California, U.S.A.             | US\$52 million      | 100.00                         |
| 2 House Foods America Corporation              | Production and sales of soy-bean related products, operation of restaurants and import sales of Group products               | Garden Grove, California, U.S.A.             | US\$2.35 million    | 100.00                         |
| 3 El Burrito Mexican Food Products Corporation | Production and sales of soy-bean related products                                                                            | Industry, California, U.S.A.                 | US\$4.20 million    | 100.00                         |
| 4 House Foods China Inc.                       | Sales of spices and condiments such as curry roux products and import sales of Group products; supervision of China business | Shanghai-city, China                         | RMB 610.943 million | 100.00                         |
| 5 Shanghai House Foods Co., Ltd.               | Production of spices and condiments such as curry roux products                                                              | Shanghai-city, China                         | RMB 131.566 million | 100.00                         |
| 6 Dalian House Foods Co., Ltd.                 | Production and sales of foods                                                                                                | Dalian-city, Liaoning Province, China        | RMB 194.88 million  | 100.00                         |
| 7 Zhejiang House Foods Co., Ltd.               | Production of spices and condiments such as curry roux products                                                              | Pinghu-city, Zhejiang Province, China        | RMB 139.796 million | 100.00                         |
| 8 House Foods Vietnam Co., Ltd.                | Production and sales of processed foods                                                                                      | Dong Nai, Vietnam                            | VND 426.1 billion   | 100.00                         |
| 9 House Osotspa Foods Co., Ltd.                | Sales of processed foods and beverages                                                                                       | Bangkok, Thailand                            | Baht 167 million    | 60.00                          |
| 10 PT House And Vox Indonesia                  | Export sales of spices                                                                                                       | Special Capital Region of Jakarta, Indonesia | Rp. 22.5 billion    | 99.03                          |
| 11 House Foods Taiwan Corporation              | Import sales of Group products                                                                                               | Taipei-city, Taiwan                          | NT\$29 million      | 100.00                         |





### Restaurant Business (10 companies)

| Company name                                               | Business lines                                     | Location                                  | Capital            | Percentage of Shareholding (%) |
|------------------------------------------------------------|----------------------------------------------------|-------------------------------------------|--------------------|--------------------------------|
| <b>1</b> Ichibanya Co., Ltd.                               | Planning and operation of restaurants              | Ichinomiya-city, Aichi                    | JP¥1,503 million   | 51.00                          |
| <b>2</b> Ichibanya USA, Inc.                               | Planning and operation of restaurants              | Torrance, California, U.S.A.              | US\$7 million      | 60.80                          |
| <b>3</b> Ichibanya Restaurant Management (China) Co., Ltd. | Planning and operation of restaurants              | Shanghai-city, China                      | RMB 58.963 million | 51.00                          |
| <b>4</b> House Restaurant Management (Beijing) Co., Ltd.   | Planning and operation of restaurants              | Beijing-city, China                       | RMB 33.367 million | 100.00                         |
| <b>5</b> House Restaurant Management (Guangzhou) Co., Ltd. | Planning and operation of restaurants              | Guangzhou-city, Guangdong Province, China | RMB 20.679 million | 100.00                         |
| <b>6</b> Taiwan Ichibanya Inc.                             | Planning and operation of restaurants              | New Taipei City, Taiwan                   | NT\$107 million    | 40.80                          |
| <b>7</b> Curry House Korea Corporation                     | Planning and operation of restaurants              | Anyang-city, Korea                        | ₩2,500 million     | 70.20                          |
| <b>8</b> Ichibanya International Hong Kong Limited         | Restaurant operation guidance and trading services | Kowloon, Hong Kong, China                 | HK\$7.5 million    | 51.00                          |
| <b>9</b> Ichibanya Hong Kong Limited                       | Planning and operation of restaurants              | Kowloon, Hong Kong, China                 | HK\$26.375 million | 58.37                          |
| <b>10</b> Ichibanya UK Limited                             | Planning and operation of restaurants              | London, U.K.                              | GBP 0.45 million   | 51.00                          |

### Other Food Related Business (6 companies)

| Company name                                   | Business lines                                                                             | Location                         | Capital          | Percentage of Shareholding (%) |
|------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------|------------------|--------------------------------|
| <b>1</b> Vox Trading Co., Ltd.                 | Import, export and sales of agricultural products and foods                                | Chuo-ku, Tokyo                   | JP¥500 million   | 77.13                          |
| <b>2</b> Tim Food Co., Ltd.                    | Production and sales of frozen vegetables, mustard essential oil and processed foods, etc. | Bangkok, Thailand                | Baht 185 million | 72.70                          |
| <b>3</b> PT. Java Agritech                     | Agricultural management and processing and sales of agricultural products, etc.            | Semarang, Middle Java, Indonesia | Rp.21.2 billion  | 76.98                          |
| <b>4</b> Delica Chef Corporation               | Production and sales of prepared dishes, baked bread and dessert products                  | Kuki-city, Saitama               | JP¥60 million    | 100.00                         |
| <b>5</b> House Logistics Service Corporation   | Transport and warehouse operations                                                         | Higashi-osaka-city, Osaka        | JP¥80 million    | 100.00                         |
| <b>6</b> House Food Analytical Laboratory Inc. | Analysis service concerning safety and sanitation of foods                                 | Yotsukaido-city, Chiba           | JP¥60 million    | 100.00                         |

### Common (1 company)

| Company name                                 | Business lines                                    | Location                  | Capital       | Percentage of Shareholding (%) |
|----------------------------------------------|---------------------------------------------------|---------------------------|---------------|--------------------------------|
| <b>1</b> House Business Partners Corporation | Undertaking of outsourced operations of the Group | Higashi-osaka-city, Osaka | JP¥10 million | 100.00                         |

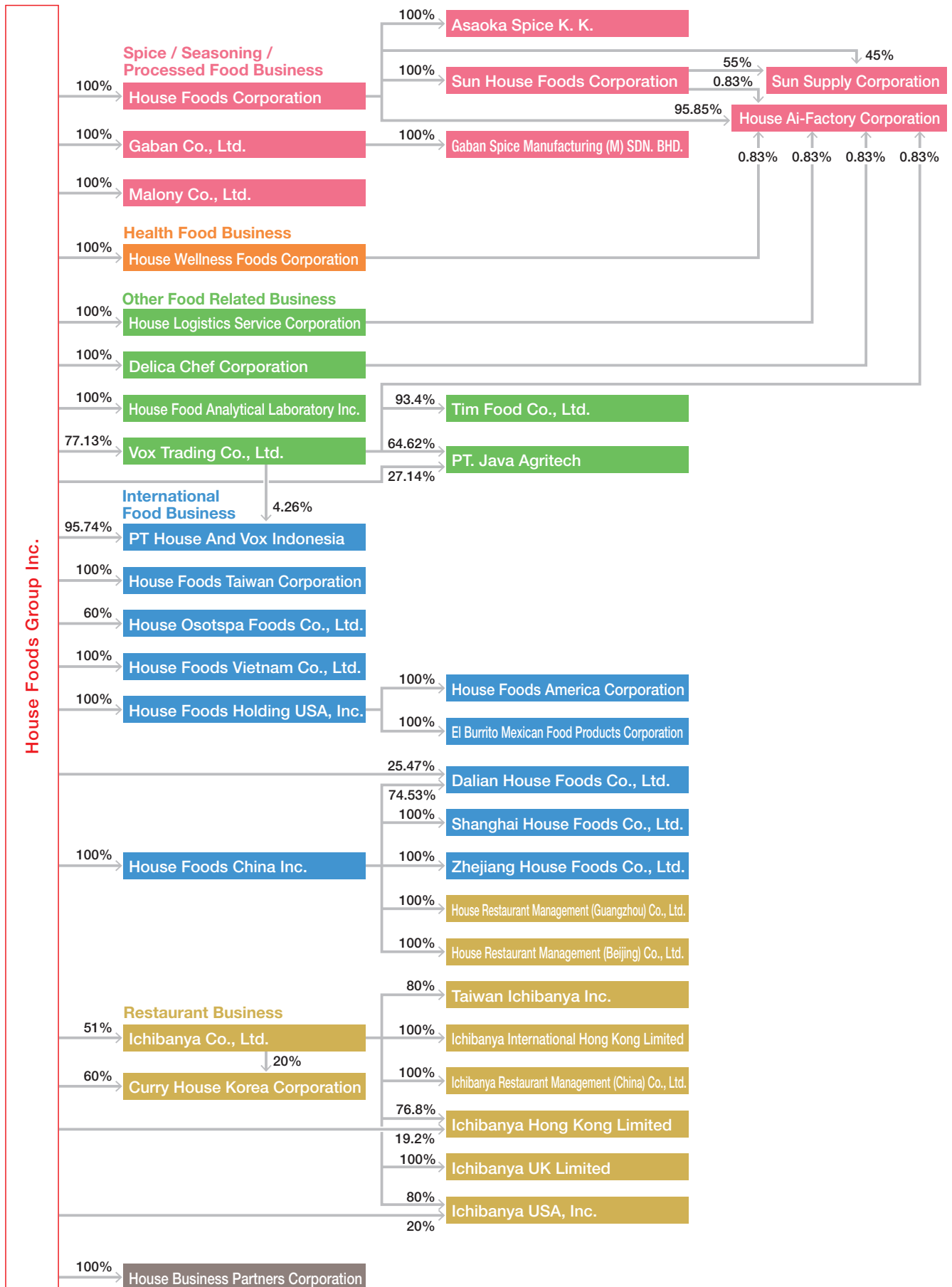
### Equity-method Affiliates (4 companies)

| Company name                              | Business lines                                                            | Location                      | Capital         | Percentage of Shareholding (%) |
|-------------------------------------------|---------------------------------------------------------------------------|-------------------------------|-----------------|--------------------------------|
| <b>1</b> Ichibanya Midwest Asia Co., Ltd. | Operation of restaurants in Thailand                                      | Bangkok, Thailand             | Baht 50 million | 23.87                          |
| <b>2</b> Vox Trading (Thailand) Co., Ltd. | Export sales of vegetables in Thailand                                    | Bangkok, Thailand             | Baht 23 million | 37.80                          |
| <b>3</b> Sanyo Can Corporation            | Production and sales of retort pouched products and canned products, etc. | Fukushima-city, Fukushima     | JP¥155 million  | 30.97                          |
| <b>4</b> F-LINE Corporation               | Transport and warehouse operations                                        | Kita-hiroshima-city, Hokkaido | JP¥98 million   | 25.00                          |

# House Foods Group Companies

Capital Relationship Diagram (ownership ratio of voting rights)

(As of March 31, 2018)



## Company Overview (As of March 31, 2018)

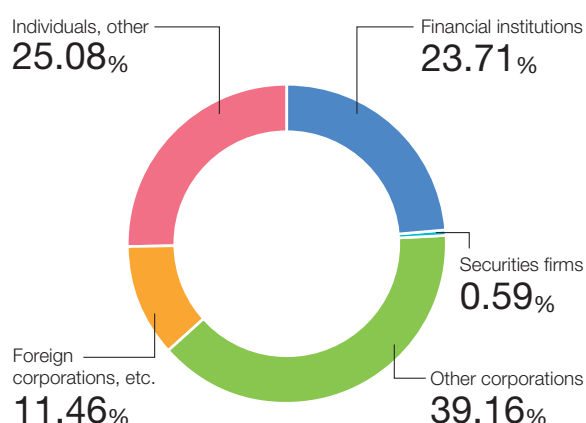
|                     |                                                                                                                                                     |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Name                | House Foods Group Inc.                                                                                                                              |
| Founded             | November 11, 1913                                                                                                                                   |
| Established         | June 7, 1947                                                                                                                                        |
| Capital             | ¥9,948,323,523                                                                                                                                      |
| Business lines      | To propose Group strategies, provide management support for business companies (domestic and overseas), and to supervise the International Business |
| Number of employees | 278 (6,273 on a consolidated basis)                                                                                                                 |

## Stock Information (As of March 31, 2018)

### Stock Summary

|                                        |                    |
|----------------------------------------|--------------------|
| Number of Shares Issued.....           | 102,758,690 shares |
| Number of Shares Authorized.....       | 391,500,000 shares |
| Number of Shareholders .....           | 63,234             |
| Number of Shares per Trading Unit..... | 100 shares         |

### Breakdown of Shares by Type of Shareholder



\* Treasury shares are included in "Individuals, other."

### Principal Shareholders

|                                                        | Number of Shares Held (shares) | Percentage of Total Shares Outstanding (%) |
|--------------------------------------------------------|--------------------------------|--------------------------------------------|
| House Kosan Co., Ltd.                                  | 12,585,616                     | 12.25                                      |
| HKL Co., Ltd.                                          | 6,700,000                      | 6.52                                       |
| Sumitomo Mitsui Banking Corporation                    | 3,668,027                      | 3.57                                       |
| Japan Trustee Services Bank, Ltd.                      | 2,931,500                      | 2.85                                       |
| The Master Trust Bank of Japan, Ltd.                   | 2,913,900                      | 2.84                                       |
| Urakami Foundation for Food and Food Culture Promotion | 2,900,218                      | 2.82                                       |
| Ajinomoto Co., Inc.                                    | 2,693,543                      | 2.62                                       |
| House Koushinkai                                       | 2,220,301                      | 2.16                                       |
| Setsuko Urakami                                        | 2,010,569                      | 1.96                                       |
| Nippon Life Insurance Company                          | 1,844,810                      | 1.80                                       |

Note: Percentage of total shares outstanding is calculated by excluding the number of treasury shares (6,963 shares).

### Information for Investors

|                                                                                     |                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Fiscal Year</b>                                                                  | From April 1 to March 31                                                                                                                                                                                                                                               |
| <b>Interim Dividend System</b>                                                      | Yes                                                                                                                                                                                                                                                                    |
| <b>Ordinary Shareholders' Meeting</b>                                               | Held annually in June                                                                                                                                                                                                                                                  |
| <b>Stock Transfer Agent and Account Management Institution for Special Accounts</b> | Sumitomo Mitsui Trust Bank, Limited<br>1-4-1, Marunouchi, Chiyoda-ku, Tokyo                                                                                                                                                                                            |
| <b>Stock Transfer Agency Handling Office</b>                                        | Sumitomo Mitsui Trust Bank, Limited<br>Stock Transfer Agency Business Planning Dept.<br>4-5-33 Kitahama, Chuo-ku, Osaka                                                                                                                                                |
| <b>Mailing Address and Contact</b>                                                  | Sumitomo Mitsui Trust Bank, Limited<br>Stock Transfer Agency Business Planning Dept.<br>2-8-4 Izumi, Suginami-ku, Tokyo 168-0063<br>0120-782-031                                                                                                                       |
| <b>Method of Public Notice</b>                                                      | By electronic public notice, published on the Company's website: <a href="https://housefoods-group.com">https://housefoods-group.com</a><br>However, should circumstances prevent electronic public notice, the notice shall be published on the Nihon Keizai Shimbun. |
| <b>Stock Exchange Listing</b>                                                       | Tokyo Stock Exchange                                                                                                                                                                                                                                                   |
| <b>Stock Code</b>                                                                   | 2810                                                                                                                                                                                                                                                                   |

### Notes to 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.

### Contact

**House Foods Group Inc.**  
Public & Investor Relations Division, Corporate  
Communication Headquarters  
  
Tel: 03-5211-6039  
6-3 Kioi-cho, Chiyoda-ku, Tokyo 102-8560



● Tokyo Head Office

6-3 Kioi-cho, Chiyoda-ku, Tokyo 102-8560, Japan

Tel: +81-3-3264-1231

● Osaka Head Office

1-5-7 Mikuriyasakae-machi, Higashi-osaka-city, Osaka 577-8520, Japan

Tel: +81-6-6788-1231

<https://housefoods-group.com>