

# INTEGRATED REPORT 2019

House Foods Group Inc.



## Group Philosophy

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



# INTEGRATED REPORT 2019

## About House Foods Group

- 1 Group Philosophy
- 3 Strengths Honed Throughout Our History
- 5 House Foods Group Value Creation Process
- 7 Business Highlights
- 9 Financial / Non-financial Highlights

## Growth Strategies for Creating Value

- 11 Top Message
- 14 Summary and Progress of the Sixth Medium-Term Business Plan
- 15 Special Feature: House's R&D Innovation
- 17 Spice/Seasoning/Processed Food Business
- 19 Health Food Business
- 21 International Food Business
- 23 Restaurant Business
- 25 Other Food Related Business

## Status of inclusion on ESG indices

(as of June 30, 2019)



### MSCI Japan ESG Select Leaders Index

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 eight consecutive years since the Index began operating in August 2012.

## Evaluation of activities



Recognized as a 2019 Certified Health and Productivity Management Organization (White 500)

The Certified Health and Productivity Management Organization Recognition Program is for commending particularly outstanding large enterprises and SMEs that are engaged in health and productivity management in recognition of their initiatives to address local health issues and health promotion activities led by the Nippon Kenko Kaigi. In the current third year of the program, 821 enterprises were recognized for the large enterprise category, and 2,503 enterprises were recognized for the SME category. In the large enterprise category, House Foods Group Inc. and House Foods Corporation were selected for the first time, and in the SME category, House Ai-Factory Corporation was selected for the third year running.

## Editorial policy

The House Foods Group Integrated Report 2019 comprehensively describes the overall picture of the Group, its strategies for creating corporate value, and its governance systems such that shareholders, investors and all other stakeholders deepen their understanding of the Group’s medium- to long-term value creation.

Other information that are not contained in this report can be found online at <https://housefoods-group.com/en/>.

## Target period

While the target period is mainly FY2018 (April 1, 2018 to March 31, 2019), this report provides the latest information at the time of publication where possible.

## Notes to Forward-looking statements

Result forecasts and forward-looking statements in this Integrated Report are derived from the judgment of the Company based on currently available information, and include latent risks, uncertainties and other factors. Therefore, actual results or developments may differ from such forecasts or forward-looking statements due to changes in various factors.

## Strengthening the Foundations of Value Creation

- 26 Value Creation through Pursuing the “Three Responsibilities”
- 27 With Our Customers
- 29 With Employees and Their Families
- 31 With Our Society
- 34 Corporate Governance
- 40 Basic Policy on Internal Control System
- 41 Risk Management
- 42 Compliance

## Data Section

- 43 FY2018 Review
- 45 11 Years’ Selected Financial Data
- 47 Consolidated Balance Sheets
- 49 Consolidated Statements of Income and Comprehensive Income
- 50 Consolidated Statements of Cash Flows
- 51 House Foods Group Companies
- 54 Corporate Information

## Strengths Honed Throughout Our History

# Strengths Honed Over 100 Years and

The year 2018 marked the 105th anniversary of House Foods Group.

In the course of its history, we have always taken on challenges of the times and created new food cultures, staying true to our founding spirit: “In every happy home throughout Japan you will find the warm flavor of home cooking, House.”

In order to remain a value-creating corporate group in an era of major transformation, House Foods Group will continue to take on challenges.

### Founding philosophy

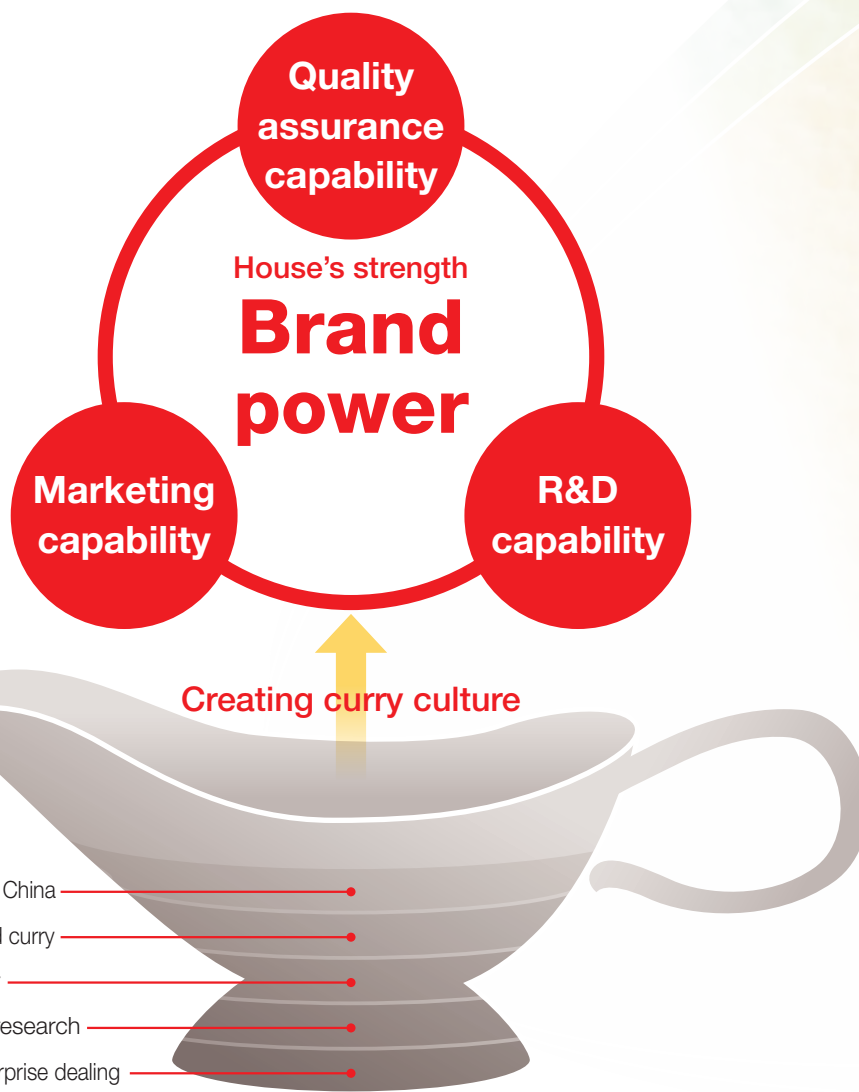
In every happy home throughout Japan  
you will find the warm flavor of home cooking, House.

### 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



# New Challenges for the Next 100 Years

## Expanding value chain

Expansion of business fields where we can demonstrate our strengths

**2013**  
Shift to a holding company system

## Expanding markets

Expansion to overseas markets utilizing strengths gained in Japan

Key areas

**USA** **China** **ASEAN**

**2012**  
**VOX**  
Strengthening of procurement field

## Expanding products

Product lineup that leverages our strengths

Retort pouched products



Home desserts



Snacks



**1983~**  
Tofu business  
**USA**



**2015**  
**CURRY HOUSE CoCo 老番屋**  
Strengthening of restaurant field

**2016**  
**GABAN®**  
Strengthening of procurement field

Stew roux



Packaged noodles



**1997~**  
Curry business  
**China**



**2017**  
**MALONY**  
Strengthening of B to C

Hashed beef sauce roux



Lactic acid bacteria



**2012~**  
Functional drink business  
**Thailand**



**2019**  
**YAMAMI**  
Capital and business alliance

Functional spices



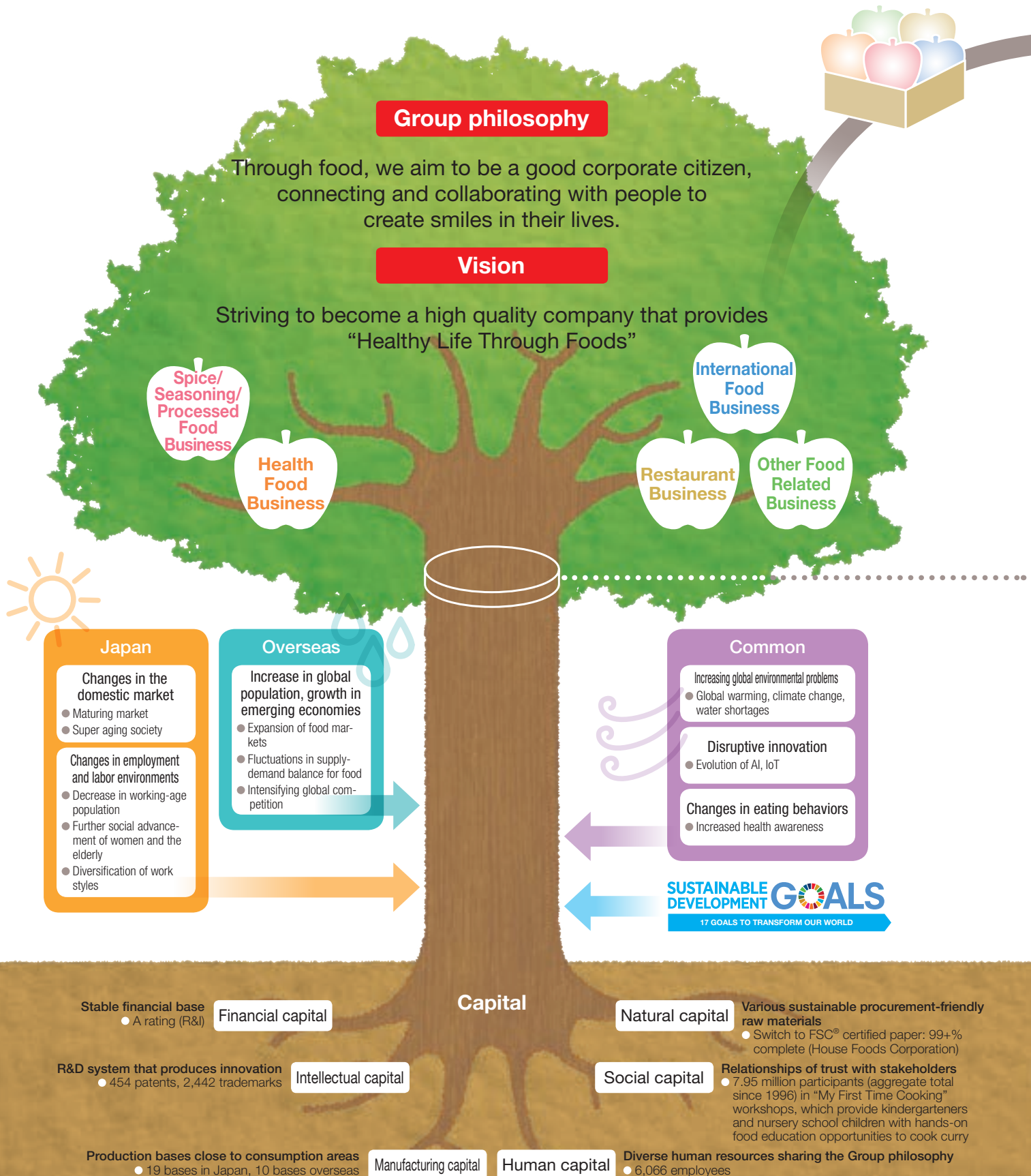
Vitamins



# House Foods Group Value Creation Process

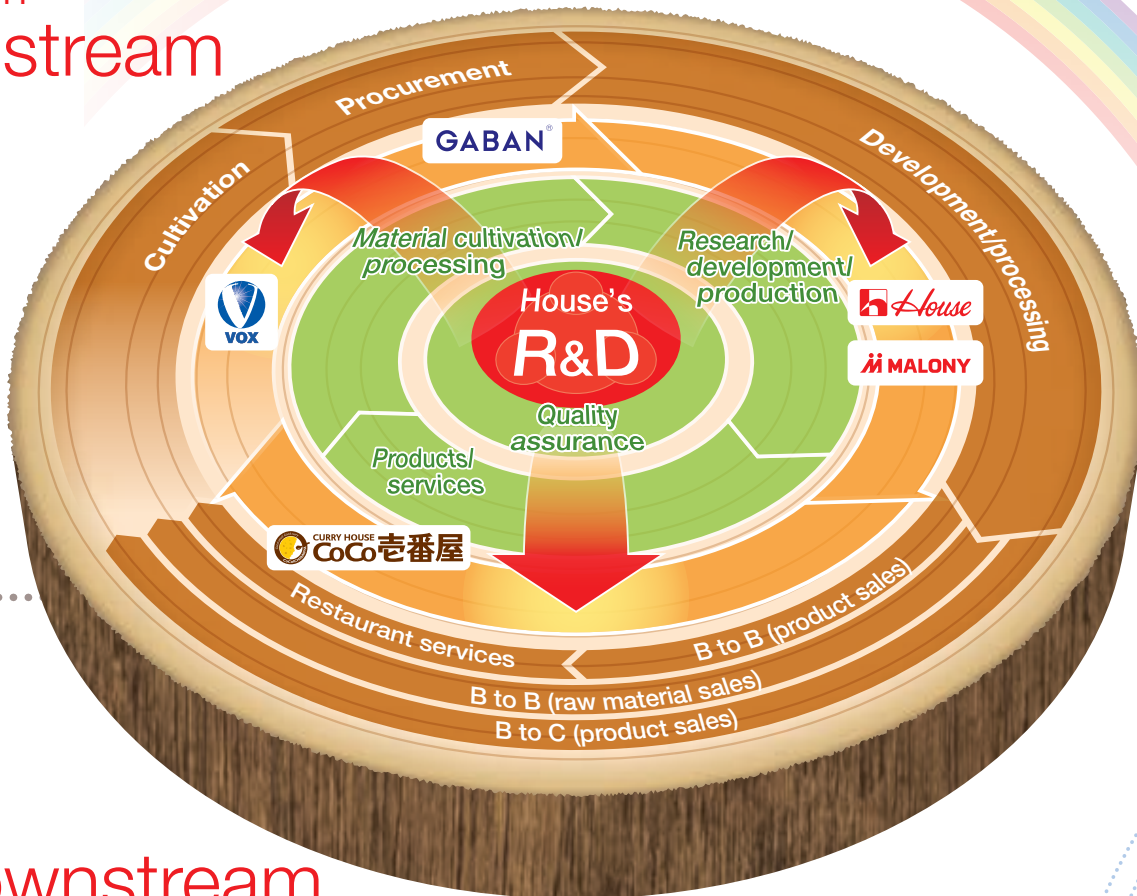
House Foods Group aims to always be a good corporate citizen for our various stakeholders.

To this end, we create value so that we, as a corporate citizen, can fulfill all the “three responsibilities” for our customers, for our employees and their families, and for society.





From  
upstream



To  
downstream

**Build-up of the core of the R&D focused value chain**

We apply our unique R&D capability to the entire value chain, from upstream to downstream, and create new value so that it will circulate through the spectrum of capital.



## Business Highlights

Under the holding company system, House Foods Group is developing its five business segments, each of which displays its unique strengths, both in Japan and overseas and fulfilling its “three responsibilities” to become a high quality company.

FY2018

Consolidated Net Sales

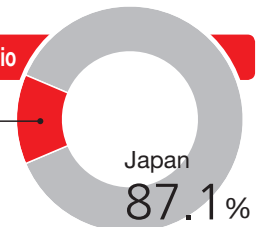
¥296,695 million

Consolidated Operating Profit

¥17,559 million

Net Sales Ratio

Overseas  
12.9%



## Spice/Seasoning/Processed Food Business

Net sales

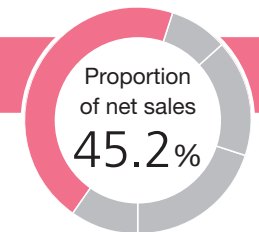
¥141,225 million

Operating profit

¥12,669 million

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.



House Foods Corporation

Gaban

Malony



Vermont Curry



Stew Mix



Pro Quality



Fruiche



Oroshi Nama Wasabi



Tongari Corn

Market share

Source: Monthly SRI Data by INTAGE Inc. (April 2018 – March 2019)

Curry roux

62.2%

Retort pouched curry

29.2%

Stew roux

69.4%

Spice

22.6%

## Health Food Business

Net sales

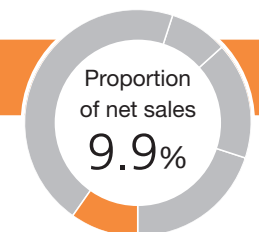
¥30,899 million

Operating profit

¥1,421 million

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.



Functional spice business

Vitamin business

Lactic acid bacteria business



Ukon No Chikara



Mega Shaki



C1000



Ichinichi-bun No Vitamin



lactic acid bacterium L-137



\*Proportion of net sales represents a proportion before the elimination of inter-segment transactions

## International Food Business

Net sales **¥26,317** million  
Operating profit **¥3,584** million

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.

Proportion  
of net sales  
**8.4%**

### Business in the United States



Premium Tofu



Tofu Shirataki



Organic Tofu



Wok me up

### Business in China



Vermont Curry



Gaou Curry

### Businesses in ASEAN



C-vitt



Purin Mix



Halal certified curry

## Restaurant Business

Net sales **¥52,083** million  
Operating profit **¥-561** million

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.

Proportion  
of net sales  
**16.7%**



Ritto Interchange store in Japan



Landmark 81 store in Vietnam

## Other Food Related Business

Net sales **¥61,882** million  
Operating profit **¥2,045** million

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.

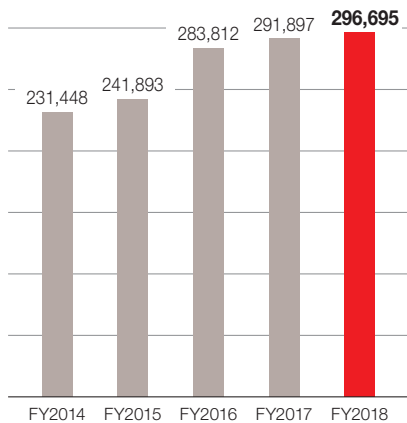
Proportion  
of net sales  
**19.8%**

# Financial / Non-financial Highlights

## Financial Highlights

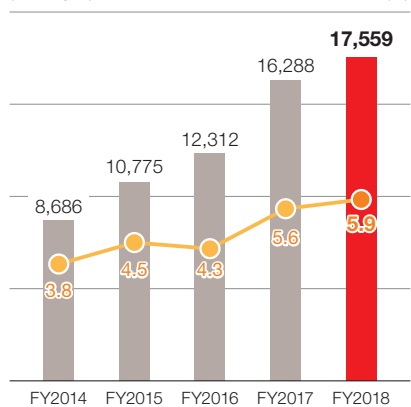
### Net sales

(Million yen)



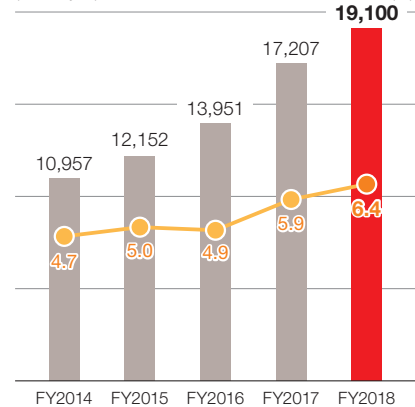
### Operating profit / Ratio of operating profit to net sales

■ Operating profit (Million yen) ● Ratio of operating profit to net sales (%)



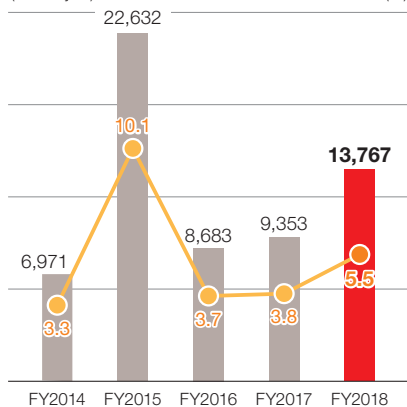
### Ordinary profit / Ratio of ordinary profit to net sales

■ Ordinary profit (Million yen) ● Ratio of ordinary profit to net sales (%)



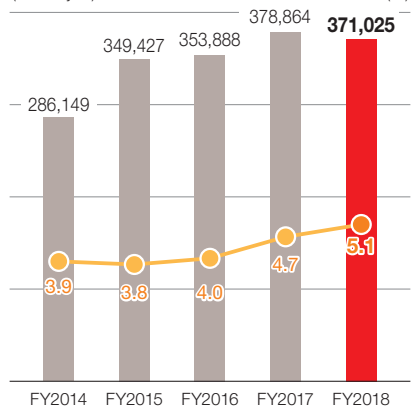
### Profit attributable to owners of parent / ROE

■ Profit attributable to owners of parent (Million yen) ● ROE (%)



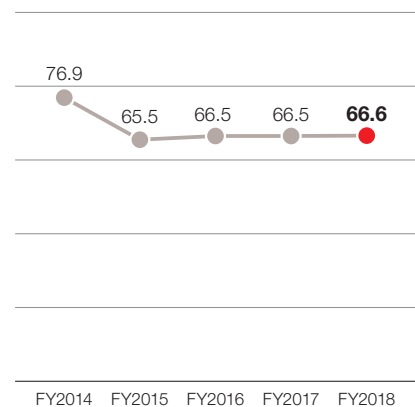
### Total assets / ROA

■ Total assets (Million yen) ● ROA (%)



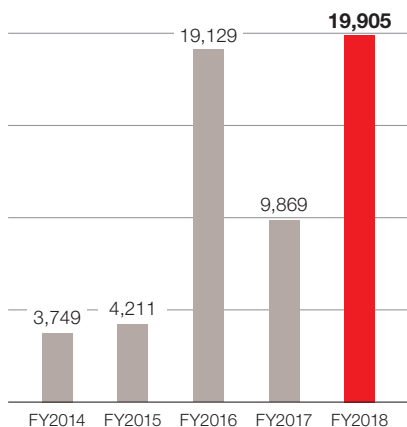
### Equity ratio

(%)



### Free cash flow\*

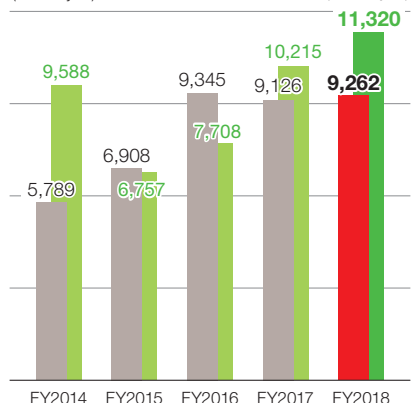
(Million yen)



\*Operating cash flow + Investing cash flow

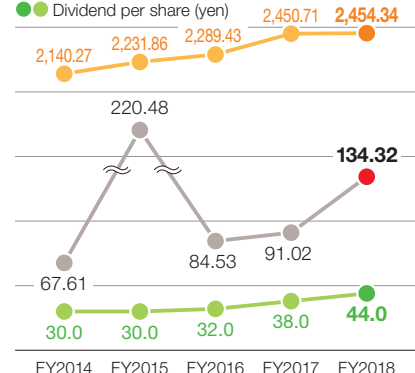
### Depreciation / Capital investment

■ Depreciation (Million yen) ■ Capital investment (Million yen)



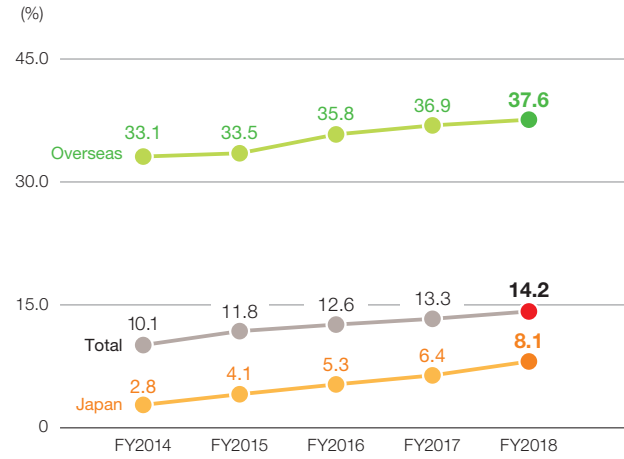
### Profit per share / Net assets per share / Dividend per share

● Profit per share (yen) ● Net assets per share (yen) ● Dividend per share (yen)

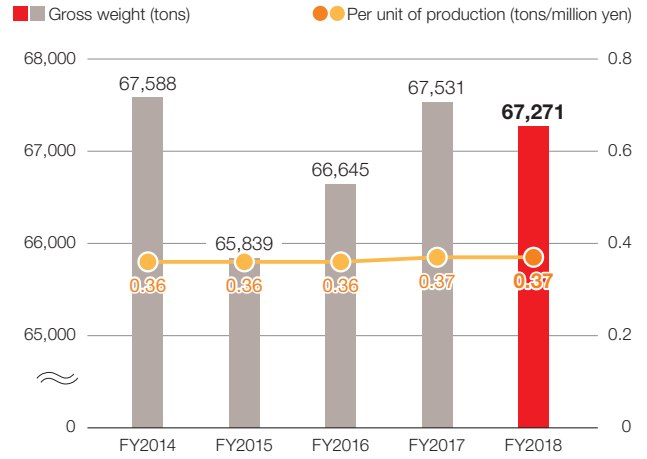


# Non-financial Highlights

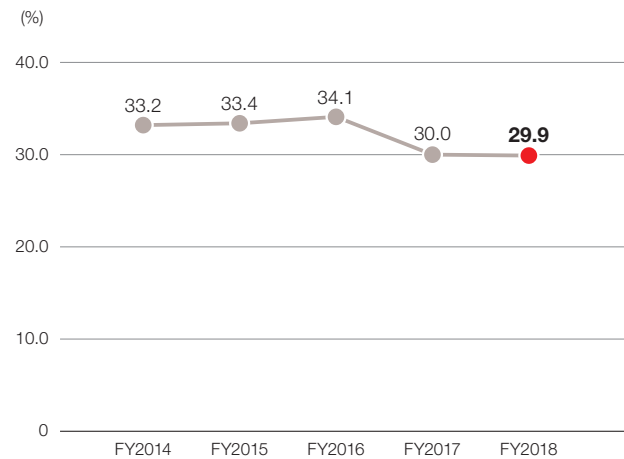
## Percentage of female managers (consolidated)



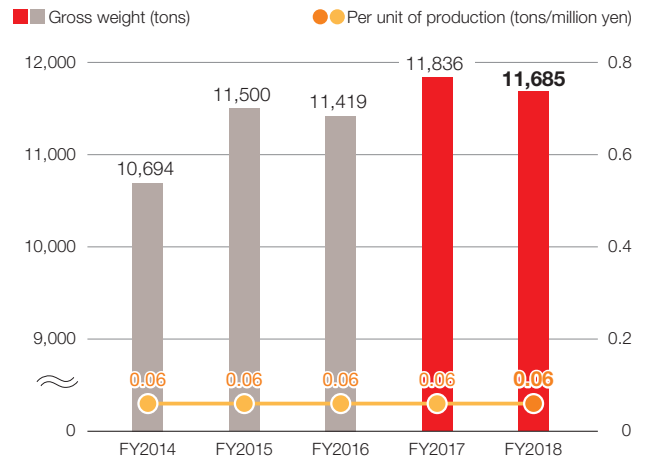
## CO<sub>2</sub> emissions



## Percentage of foreign employees (consolidated)



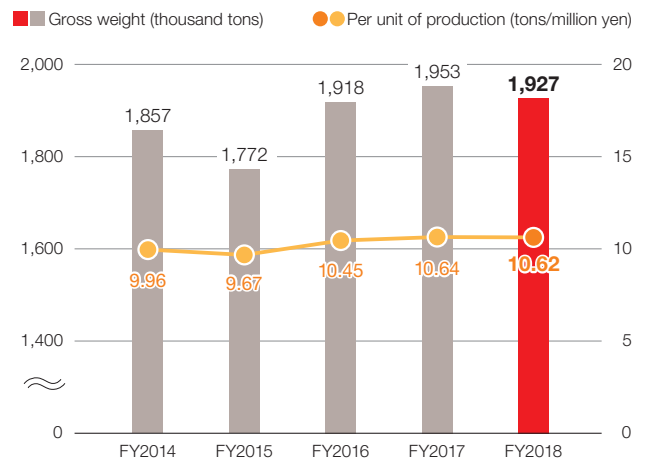
## Amount of waste



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



## Water usage



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

[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 (until FY2016), 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.

## Top Message

**Aiming to be a good corporate citizen for our stakeholders, we will strive to become a high quality company that provides “Healthy Life Through Foods”**



President  
Hiroshi Urakami

## Aiming to be a good corporate citizen

In 2013, which marked the 100th anniversary of its foundation, House Foods Group switched to a group holding company structure and established a new Group philosophy, “Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives.”

This Group philosophy, which is grounded on the “three responsibilities” we seek to fulfill as a corporate citizen (for our customers, for our employees and their families, and for society), encapsulates our desire to become a good corporate citizen for our various stakeholders.

I believe that my mission as a corporate manager is to ensure that House Foods Group fulfills the “three responsibilities” as a corporate citizen and keep creating new value.

## Strategies that change with the times

### — The history of House Foods

Since its foundation in 1913 as an enterprise dealing in herbal medicines, House Foods Group has anticipated the needs of the times and provided our customers with new food cultures, growing in lockstep with the Japanese economic growth.

The curry business, our origin as a manufacturer, dates back to 1926, when we took over the business of a curry factory that used to purchase ingredients from us and began manufacturing curry powder. Since then, we have gone through various trials and errors to be able to turn the curry and rice into a menu item that is so close and familiar to Japanese consumers that it is now called a national dish.

We also identified the broader needs of Japanese consumers as they became more affluent with the development of the Japanese economy, and started the packaged noodle, snack, mineral water\* and health food businesses in addition to the curry business. In this way, we, as a brand manufacturer, have continually developed and provided new products that have offered closer contact with our customers.

On the overseas front, we started the tofu business in 1983 in the United States, which does not possess a field adjustment law (a law concerning the adjustment of business activities of big enterprises to secure SMEs’ business activities), in our desire to deliver the health benefits of soybeans. In 2005, we began to sell curry roux in China with the mission of “making Japanese-style curry a more popular dish in China.” In South East Asia, we have developed the functional drink business in Thailand since 2012 in partnership with the local company Osotspa. These overseas developments are based on the “local production for local consumption” concept and we are doing our utmost in each area to become a company helpful to the society of each country.

\*Transferred to Asahi Soft Drinks Co., Ltd. in 2010



## Top Message

### Strategies change with the times

#### — Striving to become a high quality company

Along with the changing times, the management environment surrounding the Group has transformed at an accelerating pace, intensifying the demands from society. In order to achieve sustainable growth against that background, we set “striving to become a high quality company that provides ‘Healthy Life Through Foods’” as our vision and are implementing the Sixth Medium-Term Business Plan. The Sixth Medium-Term Business Plan has key themes for each of the “three responsibilities” (for our customers, for our employees and their families, and for society) and guides us in becoming a “high quality company.”

We have changed our strategic direction significantly beginning with the previous Fifth Medium-Term Business Plan, as symbolized by the ongoing theme of “becoming a high quality company” since the previous plan. The strategic direction in the first four medium-term business plans was “selection and concentration.” However, the three-year period of the Fourth Medium-Term Business Plan saw the “growing tendency for people to eat out or buy food to eat at home,” which was triggered by the Great East Japan Earthquake, and products for cooking, which support the Group’s profit base, faced difficulties. This struggling period gave us a lesson that there is no guarantee that our current core businesses will remain as our core businesses in the future. The strategy of “selection and concentration” is only viable when the core businesses remain infallible. Accordingly, from the Fifth Medium-Term Business Plan onwards, we have changed our strategic direction significantly from “selection and concentration” to “becoming a high quality company.”

I believe that becoming a “high quality company” hinges on two key factors: “value chain” and “R&D.” Value chain is a chain of value-creating activities at every stage from farmers’ fields to customers’ mouths. It serves as another perspective to view our fields of business development along with the perspective of customer contact. In order to become a “high quality company,” we need to expand the fields of business development from the value chain perspective. This was difficult to achieve on our own. Fortunately, we were able to welcome multiple companies developing business in different stages of the value chain into the Group by the end of the Fifth Medium-Term Business Plan. These companies include curry restaurant chain

Ichibanya Co., Ltd. on the downstream side, and specialist spice manufacturer Gaban Co., Ltd. and specialist foodstuff trading company Vox Trading Co., Ltd on the upstream side.

### What must be changed, what must not be changed

In the above way, the several companies that possess their own unique business cultures and models joined the Group, greatly increasing the diversity of the Group companies. However, at the end of the Fifth Medium-Term Business Plan, each company was separately performing its business in each of their respective fields. During the Sixth Medium-Term Business Plan period, we are working to create synergies from the perspective of the optimal Group. In doing so, it is important to create total synergies without ruining the advantages of the diversity of the Group companies. We believe this is a new challenge for us, as well as a theme with great potential.

At the same time, we are also working to further enhance R&D. We will create new value through trials and errors and construct an R&D structure that can take a bird’s-eye view of the value chain by actively interacting with outside of the Group so that R&D does not become marginalized in-house. We will proactively invest our resources towards these ends. In addition, we will gain broader knowledge and wider experience by actively utilizing the corporate venture capital (CVC) launched in October 2017, and also focus on the full-scale commercialization of new business themes examined during the Fifth Medium-Term Business Plan.

While striving towards “becoming a high quality company” in this way, we must make clear distinctions between what must be changed and what must not be changed. In 2016, we created The HOUSE WAY BOOK of around 30 pages containing our philosophy, motto and mission statement in Japanese, English and Chinese and distributed it to Group employees in Japan and overseas. In order for House Foods Group to make further strides towards the next hundred years and to develop as a group that balances its “unifying force” with its outlying “centrifugal forces” as the Group companies become more diversified, we will firmly communicate our message by utilizing The HOUSE WAY BOOK.

# Summary and Progress of the Sixth Medium-Term Business Plan

## Summary of the Sixth Medium-Term Business Plan

**Vision of House Foods Group**

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

Establishment not only from a business perspective but also from a wider perspective

**For our employees and their families**

Achievement of diversity

**For our customers**

Build-up of the core of the value chain  
Build-up of R&D functions / Creation of new business  
Expansion of growth and strengthening of foundation overseas

**For society**

Construction of the recycling-oriented model  
Contribution to a society of healthy longevity

page 26 →

Through the fulfilment of the three responsibilities described above, the Group will strive to become a “high quality company.”

**Targets for the Sixth Medium-Term Business Plan (FY2020)**

<b>Net sales</b>	<b>¥310.0 billion</b> <small>(+ ¥18.1 billion from the Fifth Medium-Term Business Plan)</small>	<b>ATO</b>	<b>0.87 times</b>	<b>ROS</b>	<b>7.1%</b>
<b>Operating profit</b>	<b>¥22.0 billion</b> <small>(+¥5.7 billion from the Fifth Medium-Term Business Plan)</small>	<b>ROA</b>	<b>6.2%</b>	<b>ROE</b>	<b>5.4%</b>

## Efforts in the first year of the Sixth Medium-Term Business Plan

Three Responsibilities	Key Themes	Efforts in the First Year		
For our customers	Build-up of the core of the value chain	<ul style="list-style-type: none"> <li>Production optimization GOT                             <ul style="list-style-type: none"> <li>● Investment in retort pouched products at the House Foods Kanto Plant</li> </ul> </li> <li>Spice B to B system establishment GOT                             <ul style="list-style-type: none"> <li>● Start-up of a project beyond boundaries within the Group (Development function of House Foods × Proposal capability of Gaban) <span style="color: red;">page 18</span> →</li> </ul> </li> </ul>		
	Build-up of R&D functions Creation of new business	<ul style="list-style-type: none"> <li>● Full launch of the lactic acid bacteria business <span style="color: red;">page 19</span> →</li> <li>● New effort (One Day a Week) to create innovations <span style="color: red;">page 15</span> →</li> </ul>		
	Expansion of growth and strengthening of foundation overseas	<ul style="list-style-type: none"> <li>United States                             <ul style="list-style-type: none"> <li>● Promoted the expansion of the LA Plant (scheduled for operation in 1Q of FY2020)</li> </ul> </li> <li>China                             <ul style="list-style-type: none"> <li>● Operated the Zhejiang Plant <span style="color: red;">page 22</span> →</li> </ul> </li> <li>ASEAN                             <ul style="list-style-type: none"> <li>● Increase in production of C-vitt by the joint venture partner</li> </ul> </li> </ul>		
For our employees and their families	Achievement of diversity	<ul style="list-style-type: none"> <li>● Development of a pleasant working environment through workstyle reform</li> <li>Expansion of monthly planned work, the introduction of teleworking, the reduction of the prescribed working hours, etc. <span style="color: red;">page 29</span> →</li> <li>● Promotion of the creation of a diverse environment</li> <li>Increase in the number of women in managerial positions and the expansion of the workplace where people with diverse abilities work together <span style="color: red;">page 30</span> →</li> </ul>		
For society	Construction of the recycling-oriented model	<ul style="list-style-type: none"> <li>● Embarked on the examination of environmental investment standards to achieve the environmental targets for 2030                             <table border="1" style="display: inline-table; margin-left: 10px;"> <tr> <td style="padding: 2px;">Environmental targets for 2030</td> <td style="padding: 2px;">                                 - CO<sub>2</sub>: 25% reduction (in Japan as compared to 2013)                                  - Waste: 16.5% reduction (in Japan as compared to 2013)                                  - Achievement of zero emissions                             </td> </tr> </table> </li> </ul>	Environmental targets for 2030	- CO <sub>2</sub> : 25% reduction (in Japan as compared to 2013) - Waste: 16.5% reduction (in Japan as compared to 2013) - Achievement of zero emissions
Environmental targets for 2030	- CO <sub>2</sub> : 25% reduction (in Japan as compared to 2013) - Waste: 16.5% reduction (in Japan as compared to 2013) - Achievement of zero emissions			
For society	Achievement of a society of healthy longevity	<ul style="list-style-type: none"> <li>● Began proposing health benefits unique to a food company, utilizing the Group's own healthy ingredients (lactic acid bacteria and foods with functional claims)</li> </ul>		
Business investment	Total amount in the Sixth Medium-Term Business Plan: ¥60 billion	<ul style="list-style-type: none"> <li>● Made investments for production optimization</li> <li>● Focused on the utilization of CVC and the enhancement of foundation for the International Business <span style="color: red;">page 28</span> →</li> </ul>		
Capital policy	Continuation of stable dividends Flexible share buybacks	<ul style="list-style-type: none"> <li>● Increased dividends for the third consecutive year</li> <li>● Acquired own shares (2 million shares) and cancelled all of them</li> </ul>		
Governance		<ul style="list-style-type: none"> <li>● Discontinuation of takeover defense measures</li> </ul>		

\*GOT refers to a Group-wide initiative.

# House's R&D Innovation



Director,  
House Foods Group Inc.  
General Manager, Research  
& Development Headquarters  
Yoshiyuki Miyaoku

### R&D required for “becoming a high quality company”

In the Fifth Medium-Term Business Plan, we set “striving to become a high quality company that provides ‘Healthy Life Through Foods’” as our vision. Since then, we have welcomed Ichibanya and Gaban into the Group, widening the Group’s value chain both upstream and downstream. Taking this big environmental change as an opportunity, we will need to expand our conventionally “B to C” focused R&D to the whole range of the value chain and transform R&D so that it creates new value based on technology.

### Understanding the history of our R&D

Looking back on the Group’s R&D history, a culture that developed ingenuity was naturally fostered during the period of Japan’s high economic growth because we tackled various businesses with the idea of “new technologies for existing products and existing technologies for new products/businesses.” However, from 2000 onward, as the market matured and demand for quality concurrently increased, our R&D pursued standardization and efficiency in our operations under the belief of “selection and concentration.” This resulted in increasing the efficiency of our R&D management and curry-focused development processes but also limited the areas of our businesses and operations, creating a silo mentality within parts of the organization as a side-effect.



### The ideal shape of R&D

While I am currently in charge of overseeing Group R&D, I have been involved in the Sixth Medium-Term Business Plan from a position of corporate planning and have been aware of the challenges in terms of what kind of R&D is required in the Group that strives to become a high quality company and how our R&D must change significantly.

We define a “high quality company” as a “company that can independently create and continue to offer new value.” Accordingly, we are working to foster a relevant corporate culture with four policies of R&D for becoming a “high quality company”: (1) different, rather than better, (2) business creation, rather than product development, (3) co-creation, rather than competition and (4) from passive to active attitude.

### Efforts in the Sixth Medium-Term Business Plan

In FY2018, the first year of the Sixth Medium-Term Business Plan, we began new initiatives from both tangible and intangible aspects. One of these is One Day a Week. One Day a Week is an initiative that allows employees to dedicate 20% of their work to businesses or product development in which they are interested outside of their current duties, and aims to change ways of thinking and foster a culture for technology-oriented business creation. The initiative has only one rule: team members must be sourced from outside as well as inside of one’s department. So far approximately 70% of R&D personnel have been involved in some sort of project, leading to the creation of many interesting ideas that are based on their specialties and passions. In the second year of the Plan, we will move to early hypothesis testing (lean validation) of these ideas with the aim of commercializing them in the future.

In addition, in order to share the technology, knowledge and know-how possessed by each Group company and connect them to new business development and value creation, we initiated the “Ba EXPO” as an opportunity for exchanges and hold it regularly.





**Approach to human resources responsible for R&D  
— The pursuit of individual expertise**

We want to develop strong individuals, instead of a strong organization. It is my mission to create an environment in which R&D-related employees are not forced but motivated to develop themselves.

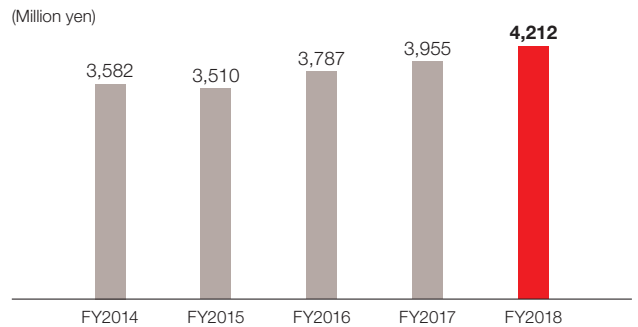
Fortunately, the Group's greater diversity has been helping to create an environment in which we can apply our technologies to a wider range of the value chain. In addition, as the number of companies in the Group can increase going forward, we will certainly have more opportunities for points of contact within and outside the Group, including CVC.

It is precisely because of this environment that we tell our researchers that "the pursuit of expertise" is necessary. Expertise is the source of independence and creativity. At the same time, individualities and differences cannot be recognized until the researchers pursue expertise. By respecting each other's individualities and improving them at the same time as complementing each other, "collaboration and co-creation" relationships can be constructed.

It is not easy to change one's way of thinking. But my impression is that a base for the change is beginning to take form as we see an expansion in the areas of R&D including a patent application for an invention made by combining upstream materials with technologies cultivated in B to C.

Through R&D based on individual specialties and technologies, we will create value that is useful to society, as a "high quality company."

**Research and development expenses**



**TOPICS**

**Renovation of the Research Center in Chiba**

As a venue for daily co-creation and initiatives, the new Research Center will focus on the flexibility to encourage diverse exchanges and create new ideas.

- Creating an environment for communication
- Creating a space for outside-the-box thinking
- Developing a place for with people from outside

To be completed in January 2020



Image of the new Research Center

# Spice/Seasoning/Processed Food Business



Responding to the growing tendency for people to eat out or buy food to eat at home in the maturing market – the main mission of the Group’s core Spice/Seasoning/Processed Food Business

Senior Managing Director, House Foods Group Inc.  
President, House Foods Corporation

Masahiko Kudo

## Sixth Medium-Term Business Plan Strategies by Segment

The main mission of the Group’s core Spice/Seasoning/Processed Food Business is to reform the business structure in response to the mature market. House Foods Corporation, which is at the heart of this business segment, has grown mainly around products for people cooking and eating at home. The mature market is seeing a growing tendency for people to eat out or buy food to eat at home, and its impacts are inevitable in light of the contrasting trends in the shrinking cooking roux market and the growing ready-made retort pouched products market.

In the Sixth Medium-Term Business Plan, we are working to further enhance the value of our menus and brands in order to maintain our revenue base on the assumption of a shrinkage in the market for our roux products. We are also reforming our revenue structure model by further growing the retort pouched product business and increasing its earnings strength, as well as reinforcing B to B businesses such as home meal replacements and restaurants.

In the retort pouched product business, we are establishing a new production line at the Kanto Plant. The start of the new line’s operation in summer 2019 means that we

will add one more base to the current two-base system. Thus we will construct an optimum production system.

At the same time, we will generate the Group’s total business synergies that include Gaban and Malony. Through moving beyond boundaries of individual companies under the GOT initiatives in the three fields of “procurement, production and B to B,” we will become more cost competitive and establish the B to B business foundation, leading to enhancing a greater total earnings strength of the Spice/Seasoning/Processed Food Business.

As a new initiative, in November 2018 we opened “CURRY PAN DAY,” our over-the-counter bakery that sells curry bread to individual customers. We will introduce new development processes and organizational structures that incorporate co-creation from within and outside the Group and proactively take on new initiatives so that we can meet customers’ food needs and make them feel happy more often.

### Segment Issues

- Response to progress in the maturation of the domestic market (growing tendency for people to eat out or buy food to eat at home and selective consumption)
- Response to concerns about the deceleration of consumption (increase in the attractiveness of menus not influenced by the environment and the development of promotions)

### Sixth Medium-Term Business Plan Strategies by Segment

#### 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 earnings strength of retort pouched curry products, increase of the proposal capability in areas other than our conventional products stored at room temperature
- Increase of cost competitiveness, creation of new value, and establishment of the foundation of the B to B business by implementing the three measures beyond the boundaries within the Group under the GOT initiatives

Status for FY2018

**Net Sales** **¥141,225 million** (Year-on-year change: 100.9%)

**ROS** **9.0%** (Year-on-year change: +0.3pt)

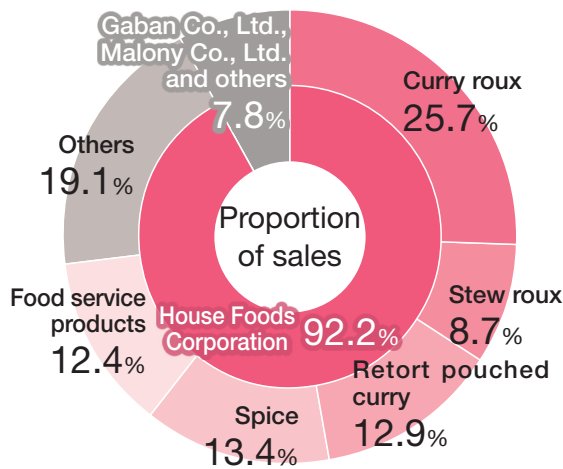
House Foods Corporation

- **The reform of the revenue structure model advanced**
  - Increased both sales and profit proportions of retort pouched products and spices by enhancing their proposal capabilities in response to the growing tendency for people to eat out or buy food to eat at home and demand for shorter cooking time.
  - Enhanced earnings strength through exhaustive effective management of marketing costs.

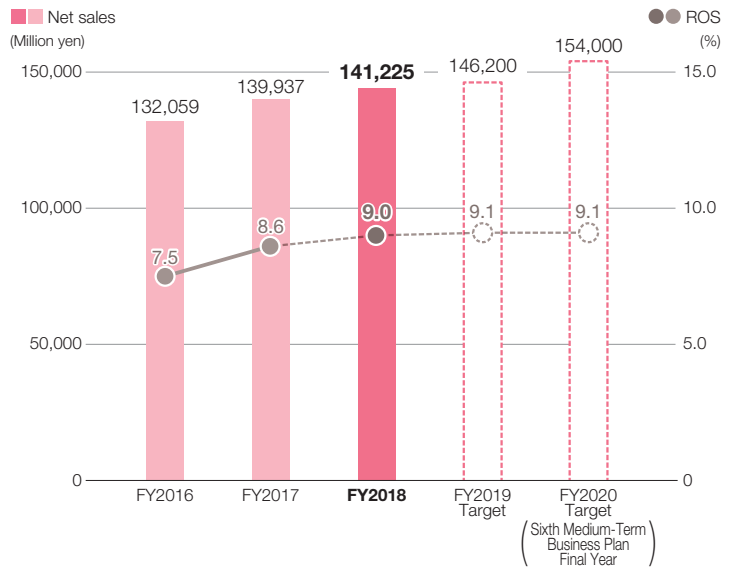
Gaban Co., Ltd.

- Started a project to establish the Group's optimum B to B system (Development function of House Foods × Proposal capability of Gaban)

Proportion of Sales for FY2018



Results



TOPICS

Initiatives towards establishment of the Group's optimum B to B system

In April 2018, a collaborative project ("Project I") between House Foods Corporation and Gaban Co., Ltd. began, aimed at building an optimum sales and development system, towards realizing one of the three GOT initiative themes – the establishment of a B to B system. We combine the strengths of the two companies in products for professional use and complement each other to enhance solution quality and speed, thereby establishing the Group's optimum B to B system.

In February 2019, we launched the jointly developed "GABAN Curry Flake." This product combines the ability of House Foods to create tasty products, the spice processing ability of Gaban, and their networks with chefs. We are responding to the demands of chefs who care for quality amid labor shortages and the growing trend in the reduction of manpower in restaurants.



GABAN Curry Flake

# Health Food Business



Working to improve the earnings strength of existing brands and transform the business structure based on strategic healthy ingredients

Senior Managing Director, House Foods Group Inc.  
President, House Wellness Foods Corporation

Yasukatsu Hiroura

## Sixth Medium-Term Business Plan Strategies by Segment

The Health Food Business is operated by House Wellness Foods Corporation. Based on the corporate philosophy of “To serve for a healthier life tomorrow,” it identifies “Health,” “Vitality” and “Maintenance” that support a healthy lifestyle as three fields of its business, revolving around its strategic healthy ingredients of “spices,” “vitamins” and “lactic acid bacteria” cultivated over the years.

In the Sixth Medium-Term Business Plan, we are working towards transforming our business structure, particularly focusing on commercializing “lactic acid bacteria” as a “strategic healthy ingredient” that helps consumers stay healthy.

In the existing “functional spice business,” as *Ukon No Chikara* – a main brand that has supported this segment so far – finds it difficult to maintain its former market position due to changes in drinking circumstances and competitive factors, under the Sixth Medium-Term Business Plan we are expanding the area of value provision to the support of daily health through the effects of spices. As the first step, in FY2018 we launched two foods with functional claims – *Curcumin & Bisacurone* and *Nerunoda* – and worked to increase the health value we provide.

In the vitamin business, we will thoroughly control marketing costs and enhance earnings strength. Meanwhile, in regard to jelly products, as this category continues to grow on the back of the needs for breakfast substitutes and light meals arising from changes in household compositions, in FY2019 we will enhance our proposal abilities and cost competitiveness through starting in-house production of jelly products as key products of the vitamin business.

Through the new lactic acid bacteria business, we seek to contribute to solving two social issues. One is “contributing to the achievement of a society of healthy longevity through extending healthy life expectancy” and the other is “contributing to the stable global supply of foodstuffs through improving the survival rate of livestock and marine products and enhancing productivity.”

We discovered *lactic acid bacterium L-137* in the 1990s and researched to put it to practical use. After finding out that the bacteria is immobilized in the best condition through heat treatment, we successfully developed a lactic acid bacteria that is highly stable against heat and acid. The development allowed us to put the lactic acid bacteria, which was previously only able to be absorbed through low temperature products, into processed foods, and we have confirmed its high stability even among compound products.

Utilizing this high processing suitability, we will push forward the business by expanding value chain initiatives not only in B to C activities targeted at general customers, but also in B to B feedstuffs or the B to B to C area.

In FY2018, the first year of its full-fledged start of this business, we failed to achieve the planned target as the improvement of product recognition and the promotion of customer understanding were still insufficient. However, by taking measures towards the challenges identified at their early stages, such as by developing sales and production frameworks and reforming communication, we will continue to develop this business as a new pillar.

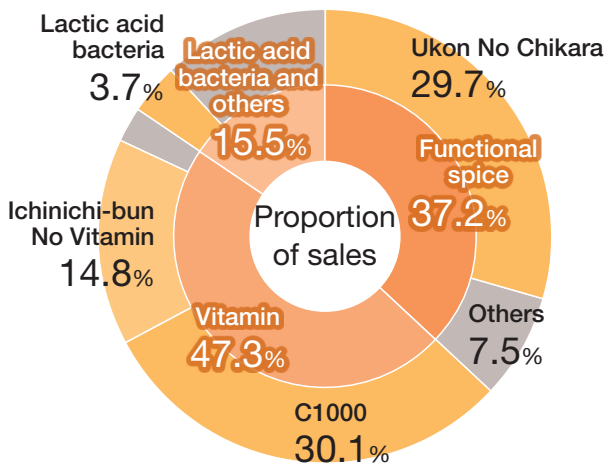
Status for FY2018

Net Sales	¥30,899 million	(Year-on-year change: 97.8%)	ROS	4.6%	(Year-on-year change: +1.7pt)
-----------	-----------------	------------------------------	-----	------	-------------------------------

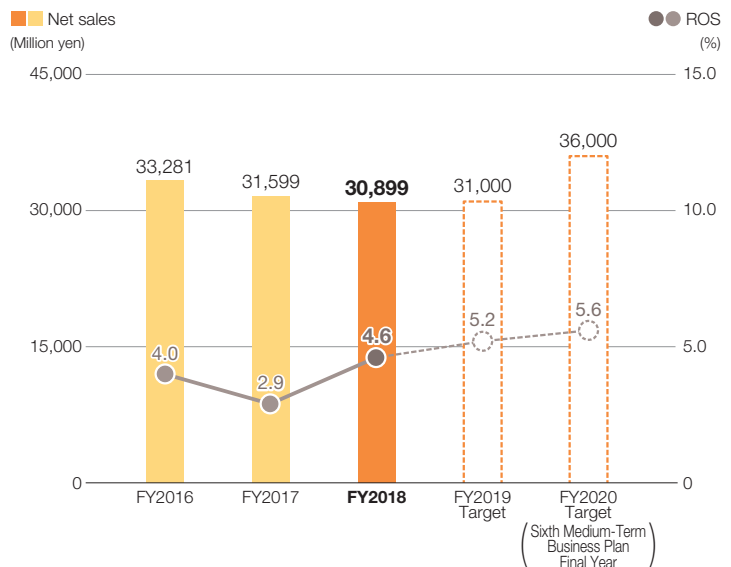
Promoted the restructuring of the business portfolio by conducting cost control to improve the earnings strength of existing brands.

Status of existing brands	Began focused initiatives on developing strategic healthy ingredients
<ul style="list-style-type: none"> <li>● <b>Ukon No Chikara</b> Having had a difficult time due to changes in the social and labor environments that had a long-term impact, in addition to the impact of competition</li> <li>● <b>C1000</b> Earnings strength improved due to the full enforcement of cost control, although sales declined</li> <li>● <b>Ichinichi-bun No Vitamin</b> Jelly products continued to drive growth</li> </ul>	<ul style="list-style-type: none"> <li>● In the full-fledged start of the lactic acid bacteria business, an increase in product recognition and customer understanding about the effects are issues</li> <li>● Launched foods with functional claims for the first time as a Group (<i>Curcumin &amp; Bisacurone, Nerunoda and Green Lemonade</i>)</li> </ul>

Proportion of Sales for FY2018



Results



Segment Issues

- Development and cultivation of business that will become the next-generation primary source of earnings

Sixth Medium-Term Business Plan Strategies by Segment

- **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 the 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: lactic acid bacteria)

# International Food Business



Driving the Group by pursuing the missions of growing businesses and strengthening the revenue base in the three key areas of the United States, China and ASEAN

Director, House Foods Group Inc.  
Responsible for Global Headquarters  
**Akira Koike**

## Sixth Medium-Term Business Plan Strategies by Segment

House Foods Group started its overseas expansion with the establishment of a representative's office in the United States in 1981. Currently, the International Food Business is pursuing the two missions of growing businesses and strengthening the revenue base, as a promising business responsible for the growth of the Group.

At present, we have increased international exposure as approximately 10% of net sales and 20% of operating profit come from overseas. Looking forward towards 2023, we will raise these to 20% and 30%, respectively.

Accordingly, in the Sixth Medium-Term Business Plan, we plan to increase production capacity in the three key areas of the United States, China and ASEAN, and in FY2018 we started operation at the Zhejiang Plant – our third and new flagship plant in China. While we expect the depreciation burden to increase for a while following the start of operation, we will enhance both the top and bottom line through growth exceeding that burden and reinforcement of the revenue base, in addition to allocating resources to the development of human resources who will support these goals.

Meanwhile, in the business field focused on processed foods and drinks in which the International Food Business is engaged, we have tended to use our successful experiences that House Foods Corporation has cultivated in Japan to develop overseas. However, in modern times where innovation is created and changes occur daily, we are required to create unique new businesses that address the challenges of each country in which we operate.

Take, for example, our tofu business in the United States. Soybean, an ingredient of tofu, are attracting a lot of attention as a healthy ingredient that potentially contributes to the sustainability of the global environment. In addition to our current tofu-focused proposals, if soybean can reach the market as an alternative to meat and dairy products, we believe the tofu business in the United States will become even more promising.

In order to achieve this, each employee needs to play an active role. While we have already been proactive in hiring local employees and shifting to local management, we will continue to focus on developing human resources and delivering value that can only be achieved by the Group to our stakeholders in the future as well.

### Segment Issues

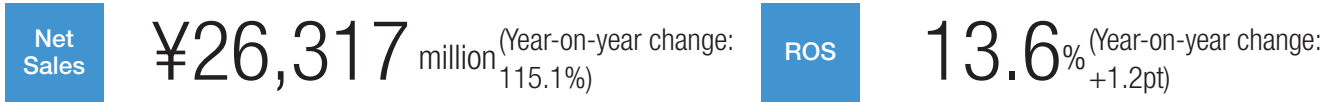
- The United States: Opportunity loss due to tight production capacity (responding to the expansion of the plant protein market following increased production capacity)  
Development and cultivation of business that will become the next-generation primary source of earnings
- China: Responding to rapid changes in the distribution and consumption structures despite depreciation burden at the Zhejiang Plant
- ASEAN: Responding to the excise tax revision in Thailand

### Sixth Medium-Term Business Plan Strategies by Segment

#### Promotion of both “acceleration of growth” and “securing of revenues” to lead the Group

- The United States: improvement of the system for the production and supply of tofu and the creation of the new business
- 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

Status for FY2018



Building of strong business foundation made progress in all the three key areas

Tofu business in the United States

- Tight production capacity is a challenge as the tofu market steadily expands. We are increasing production capacity in January 2020.

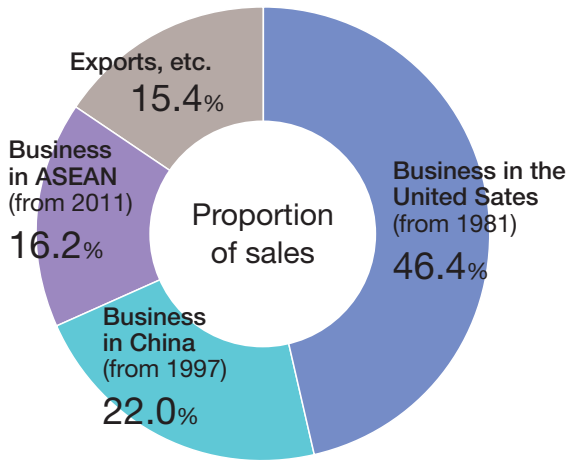
Curry business in China

- Curry menus steadily penetrated, and performance of food service roux remained strong even after price revision

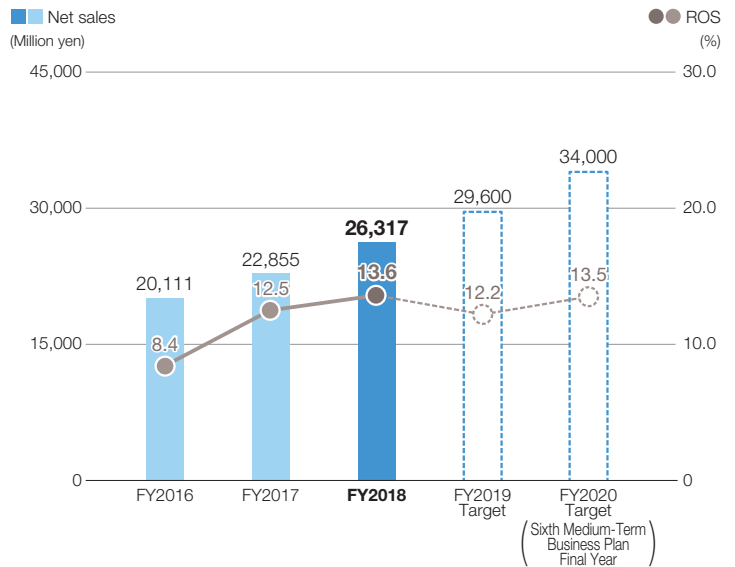
Functional drink business in Thailand

- Production capacity was expanded, and response to vitamin intake needs progressed.

Proportion of Sales for FY2018



Results



TOPICS

The Zhejiang Plant in China

In September 2018, the Zhejiang Plant, our third production base in China, started operation. With the concept of being a “profitable factory,” we brought together the best of House Foods Group’s technologies and introduced labor-saving (automated), faster production lines. The plant boasts the highest production capacity in China, producing 264 products per minute for small boxes and 180 products per minute for large boxes.



The Zhejiang Plant production line

# Restaurant Business



Further enhancing the revenue base of the domestic business and, at the same time, accelerating overseas expansion and communicating the charm of Japanese-style curry and rice to the world

Representative Senior Managing Director, House Foods Group Inc.  
Responsible for Domestic Affiliated Companies Planning Support Division, etc.

Keiji Matsumoto

## Sixth Medium-Term Business Plan Strategies by Segment

House Foods Group welcomed Ichibanya Co., Ltd. on-board in 2015, with the aim of further expanding our service area and providing deliciousness and excitement to customers around the world by the leading companies in the manufacturing and restaurant fields in the curry market joining hands.

We have set out two themes for Ichibanya's business development under the Sixth Medium-Term Business Plan: "Growing more attractive as a restaurant company and reconstructing the revenue base" and "leaping forward in the International Business."

To grow more attractive as a restaurant company and reconstruct the revenue base, we are working to further improve the completely fundamental QSC. In addition, we have developed new menu items such as spice curry and low-carb curry in order to meet the diverse needs of our customers, and have also performed promotional measures such as television commercials and various campaigns that push Ichibanya's unique pleasure of each customer being able to choose their favorite curry. In this way, Ichibanya is pushing forward with initiatives to attract many customers.

In regard to "leaping forward in the International Business," we operate 180 restaurants overseas as of June

2019 and are accelerating business development with 300 restaurants in sight. In FY2018, we made an entry into Vietnam as a new expansion in the ASEAN region and also expanded into the United Kingdom in anticipation of our future development in Europe. Each has got off to a good start and we have high hopes for the future. Moreover, going forward, we will take on the challenge of expanding into India, the home of curry. Curry and rice originally made its way to Japan from India via the United Kingdom. While spreading Japanese-style curry and rice in India will be a huge challenge, we are making preparations so that it will be accepted in this attractive market where the economy and the population have been growing.

The Restaurant Business expects that the severe surrounding conditions will continue, such as intensifying competition that involves other industries, increases in raw material prices and personnel expenses, and difficulties in securing human resources. In order to build up the core of the value chain, we will maximize synergies in House Foods Group and realize the stronger revenue base of the domestic business and strong expansion of the International Business.

### Segment Issues

- Response to the increasingly difficult environment for the Restaurant Business (securing of human resources, increase in consumption tax)
- Development of menus that will lead to the expansion of the customer base

### Sixth Medium-Term Business Plan Strategies by Segment

#### 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 the International Business: leap forward as a driver for growth (toward the business with 300 restaurants)



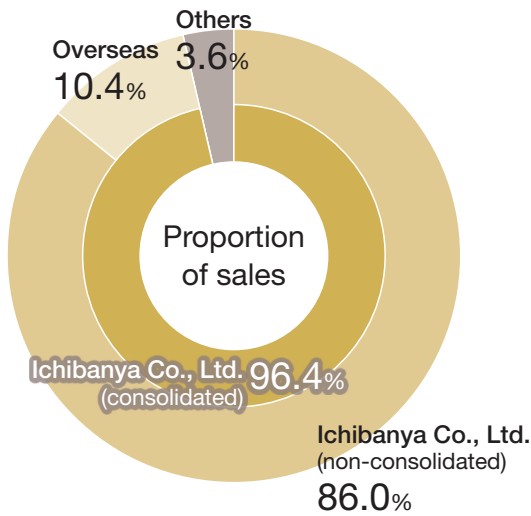
Status for FY2018

Net Sales	¥52,083 million	(Year-on-year change: 100.2%)	ROS	-1.1%	(Year-on-year change: -0.3pt)	8.6%
			ROS (excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.)			

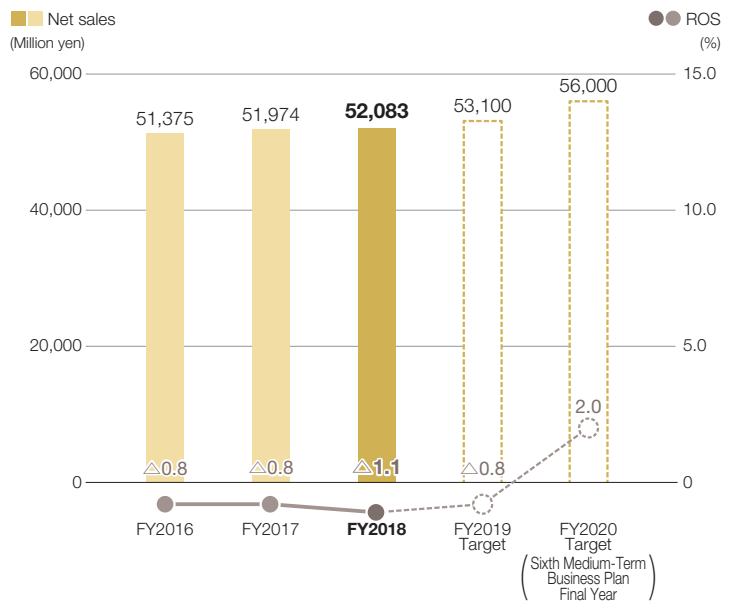
Japan	Overseas
-------	----------

- Personnel expenses increased due to difficulty in securing human resources; profit declined due to the rising prices of ingredients and mounting investment expenses in plant renewal.
  - Implemented promotions to increase motivation for store visits
- New store openings in Vietnam and the U.K. started on a good note

Proportion of Sales for FY2018



Results



Amount of amortization of goodwill, etc. for Ichibanya Co., Ltd. and amortization schedule

(Million yen)

	Amortization period	Amount of amortization	FY2018	FY2019	FY2020	FY2021
Goodwill	5 years	17,083	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>4,164</b>	<b>1,601</b>

\*Amortization began in the fourth quarter of FY2015.



First restaurant in the U.K.  
Leicester Square store

# Other Food Related Business

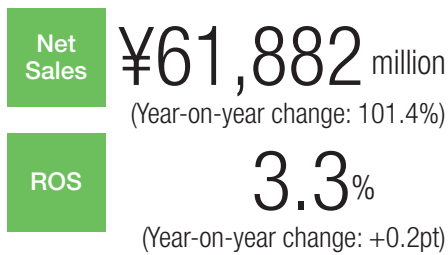
## Sixth Medium-Term Business Plan Approach to Segment

In the Other Food Related Business segment, the companies which support the Group come together and play an important role in increasing the comprehensive strength of the Group. Each company, by working on sweeping revenue improvement initiatives, is increasing their degree of contribution to enhancing the comprehensive strength of the Group.

In addition, when looking at the major changes in the

business environment in recent years and responses to AI and IoT, it is clear that we are not in an age when everything can be solved just within the Group. The launch of F-LINE Corporation in April 2019, in which the Group is also participating, is based on such perspective and, we will continue to accelerate the transformation to improve the comprehensive strength of the Group going forward.

### Status for FY2018



### Promoting external co-creation together with improving own revenue

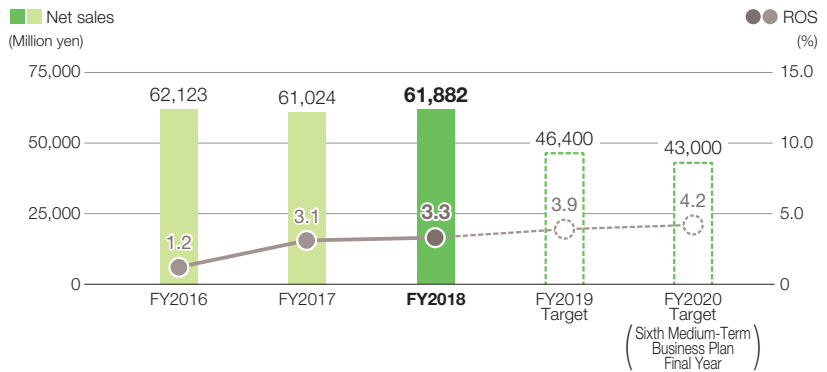
- Logistics business**
  - Promoted the disposal of unprofitable businesses in anticipation of the nation-wide development of F-LINE from April 2019
- Prepared food business**
  - Focus was placed on strengthening development capabilities and improving productivity; began using plant factory vegetables
- Foodstuff trading company business**
  - Increased the earnings strength of the core business and promoted solution proposals for high-quality raw materials

### Sixth Medium-Term Business Plan Strategies by Segment

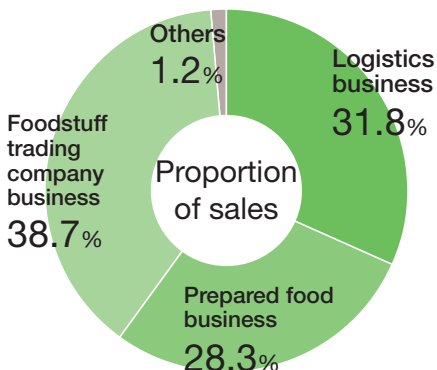
As a segment to support the comprehensive strength of the Group, each company in the segment is working to improve the revenue structure

- Logistics business: advancement of F-LINE, a joint initiative by food companies, and establishment of a sustainable logistics system
- Prepared food business: increase of earnings strength mainly in the salad and prepared food business
- Foodstuff trading company business: strengthening of the revenue base by improving own capabilities

### Results



### Proportion of Sales for FY2018



## TOPICS

### Launch of F-LINE Corporation – a nationwide logistics company by five domestic food manufacturers

As labor shortages in the logistics industry and improving the working environment for logistics workers become pressing issues, five domestic food manufacturers – Ajinomoto Co., Inc., KAGOME CO., LTD., The Nishin Oillio Group, Ltd., Nisshin Foods Inc., and House Foods Group Inc. – launched the nationwide logistics company F-LINE Corporation on April 1, 2019, with the aim of improving productivity through sustainable food logistics and collaboration on a nationwide scale.

Based on the concept of “competition on products, cooperation on logistics,” we are creating a sustainable logistics environment.

# Value Creation through Pursuing the “Three Responsibilities”

House Foods Group has determined “With Our Customers,” “With Employees and their Families” and “With Our Society” as the main pillars of its CSR Policy, in order to remain a good corporate citizen for its various stakeholders.

We believe that achieving these “three responsibilities” will contribute to our corporate social responsibility and lead to a sustainable enhancement of our corporate value.

## 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.

Initiatives for the three responsibilities

### 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.

Examples of initiatives on page 27

### 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.

Examples of initiatives on page 29

### 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.

Examples of initiatives on page 31



## House-style CSR

Creating **S**miles & **R**elationships

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

We will explain about the Group’s initiatives based on the “three responsibilities.”

# With Our Customers

House Foods Group will contribute to the eating habits and health of our customers by providing high-value products and services that are useful in their everyday lives and highly regarded.

House Foods Corporation

## Eliminating the worries of child-rearing households Turning “nameless menu items” into cherished ones

In February 2019, House Foods launched *Ajitsuki Curry Powder Vermont Curry Taste*.

Against the backdrop of an increase in double-income households and other factors, cooking time at home is on the decline. House Foods’ survey into the life situations of double-income households revealed that parents contrived many nameless menu items along with the standard menu items in the process of managing ingredients in cooking but their children would not like such nameless menu items. To address this issue, House Foods has worked over the past two years to develop a useful seasoning that both children and adults will like.

A new seasoning needed to be available for a wide range of foods, from sautéed foods to side dishes and soups, and cater to children’s taste preferences. In light of this, House Foods turned its attention to the potential of curry powder. With the hint from customers saying, “Conventional curry powders are too spicy and not tasty to children,” House Foods created an unlikely “sweet curry powder.” The unconventional seasoning reproduces the sweet flavor of *Vermont Curry*, which was launched in 1963 and accounts for a 30% share\* of the market based on the concept of “a mild curry that both children and adults can enjoy together.” The curry powder allows the parents to easily cook leftover ingredients in the fridge to their children’s taste.

Lifestyles and needs of customers change with the times. Going forward, House Foods will continue to provide our customers with the value they require.

\*Source: Monthly SRI Data by INTAGE Inc. (April 2018 – March 2019)



Ajitsuki Curry Powder Vermont Curry Taste

Ichibanya Co., Ltd.

## QSC\* enhancement initiatives utilizing customer questionnaire postcards

Ichibanya hears the voices of over 300,000 customers annually mainly through customer questionnaire postcards.

Holding up the strengthening of sales at existing restaurants as the most important issue in terms of domestic sales, Ichibanya is working to enhance QSC, develop various measures with regard to its menus, and strengthen attractive promotional activities that make people want to visit its restaurants. When pushing forward with such initiatives, Ichibanya is making steady efforts to further enhance the satisfaction level of customers and eliminate factors that prevent potential customers from visiting its restaurants by listening to their reasons.

Rather than being influenced by competitors’ strategies or economic trends, Ichibanya has constantly reexamined and improved the value it should provide by staying sincere to customers and thoroughly investigating their needs. Going forward, Ichibanya will not only respond to changes but create changes itself and will achieve sustainable and stable growth by remaining needed by the community and society.

\*Ichibanya operates 1,303 restaurants in Japan (all chains) and 180 overseas (as of June 30, 2019).

\*QSC stands for Quality, Service and Cleanliness.



Customer questionnaire postcards



Low-carb curry

House Foods Corporation

**Aiming to realize a society in which everyone can enjoy a delicious meal regardless of food allergies**

In September 2018, House Foods began a collaborative initiative regarding food allergies (Project A) that transcends company boundaries with Otafuku Sauce Co., Ltd., NAGATANIEN CO., LTD. and NH Foods Ltd.

When interviewing people with food allergies and their families, they answered that “it is difficult to increase the repertoire of menu items with limited ingredients available to cook with” and “it takes time and effort to prepare alternatives to allergen ingredients.”

This project was initiated with the shared belief that we can further expand activities in relation to the social issue of food allergies if companies that have a diversity of allergy-friendly products join hands.

While participating members from the four companies are in different positions such as in product development, brand promotion, sales and public relations, they all share the “desire to contribute to correct understandings of and empathy for food allergies” and are active in disseminating information on recipes that bring the four companies’ products together and promoting allergy-friendly products and sales floors.

Hopefully, our activities reach people with allergies as well as their schools, workplaces and other places in their communities and help everyone become more aware of and familiar with food allergy.



Cut-out curry bread (without seven specified allergenic items)

House Foods Group

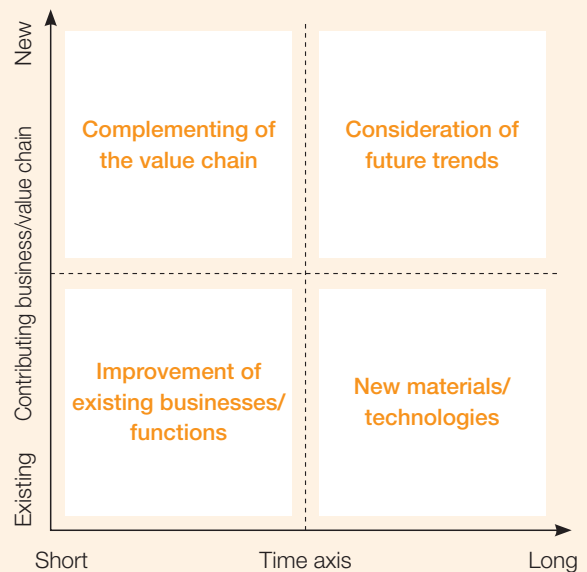
**Promoting open innovation  
Vision for CVC**

Towards its vision of “striving to become a high quality company that provides ‘Healthy Life Through Foods,’” SBI Investment Co., Ltd. and House Foods Group jointly established the House Foods Group Innovation Fund (CVC) (term of operation: 5 years; size: 5.0 billion yen) in October 2017.

As House Foods Group’s CVC, it stipulates the following three as key viewpoints: (1) whether synergies can be created by combining the strengths and know-how of the Group and the investee, (2) whether the investment can strengthen (complement) the Group’s value chain, and (3) whether the investment can contribute to resolving social issues in the area of “Healthy Life Through Foods.” The fund has performed five investments in the first year of its establishment.

From the second year onwards, the fund will organize the investment area portfolio in terms of both the Group’s medium-term management strategy and macro environmental factors and will work effectively without leaving out any areas in which the Group’s business value can be enhanced.

● Investment area portfolio



# With Employees and Their Families

House Foods Group is working to create lively and attractive workplaces where employees can make the most of their abilities and respect each other’s diversity, personality, individuality and privacy.

**House Foods Group**

## House Foods Group’s workstyle reforms that aim to achieve diversity

The Sixth Medium-Term Business Plan has set out “achieving diversity” as a key theme from the perspective of “for our employees and their families.”

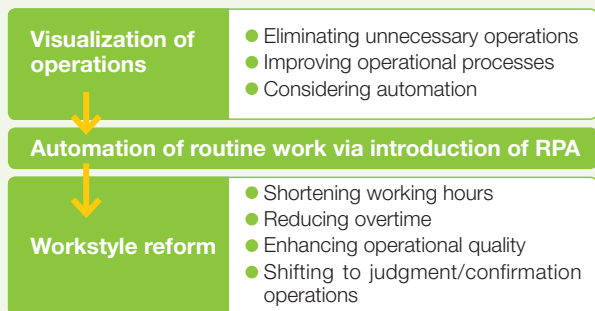
Changes in the composition of Japan’s population and a decrease in the working-age population are calling for the participation of a variety of workers in the entire society, such as women, the elderly and foreign workers. As such, our workstyle reforms are aimed at achieving “innovation,” “Group/individual growth” and “bountiful lives” coming from the labor participation of people with diverse gender, age, nationality and other backgrounds.

● Launch of “5 reforms of workstyle”

- |                        |  |
|------------------------|--|
| Aims                   | (1) Increase productivity by working more proactively and flexibly within the planned time, leading to value creation  |
|                        | (2) Improve oneself and achieve a bountiful life through the reforms   |
| 5 Reforms of workstyle | (1) Expansion of monthly planned work (flexitime)<br>- Adjust working hours systematically within a month -  |
|                        | (2) Introduction of teleworking<br>- Make workplaces flexible -  |
|                        | (3) Introduction of objective management of working hours<br>- Record and manage working hours more accurately and objectively -                             |
|                        | (4) Abolition of the deemed working hours system for outside sales activities<br>- Stop deemed working and grasp working hours of outside sales activities - |
|                        | (5) Reduction of the prescribed working hours by 15 minutes<br>- Reduce daily working hours by 15 minutes - (from 8 hrs to 7 hrs 45 min)                     |

● Operational improvement utilizing RPA\*

In introducing RPA, we visualized our operations by taking an inventory of the challenging operations faced by each Group company. Eliminating unnecessary operations and improving operational processes, we introduced RPA into several operations. We will reduce working hours by 72,000 hours (compared to FY2017) across the Group by FY2022.



\*RPA: Robotic Process Automation

● Promotion of work-life balance

House Foods Corporation is working to promote a work-life balance, as it believes that harmonizing the work and family life of its employees leads to enhanced productivity and motivation. It is putting various systems in place that promote the acquisition of paid leave and support both childcare and nursing care. In addition, in recent years, the company has focused on the permeation and utilization of the systems among male employees and, in FY2017, 20 male employees took childcare leave (56% of applicable employees). The number and percentage of such employees both increased from FY2015 (nine employees and 17%, respectively). In FY2018, 19 employees (37% of those applicable) took such leave, with more and more employees now taking long-term leave such as three months or one year. These activities are highly commended, and House Foods has received the Kurumin certification from the Ministry of Health, Labour and Welfare as a childcare supporting company for four terms running since first certified in April 2007.



**House Foods Group**

## Recognized as a 2019 Certified Health and Productivity Management Organization (White 500)

The Certified Health and Productivity Management Organization Recognition Program is for commending particularly outstanding large enterprises and SMEs that are engaged in health and productivity management in recognition of their initiatives to address local health issues and health promotion activities led by the Nippon Kenko Kaigi. In the current third year of the program, 821 enterprises were recognized for the large enterprise category, and 2,503 enterprises were recognized for the SME category. In the large enterprise category, House Foods Group Inc. and House Foods Corporation were selected for the first time, and in the SME category, House Ai-Factory Corporation was selected for the third year running.

We at House Foods Group will continue to further enhance our efforts aimed at promoting health.



## House Foods Group

**Acknowledging the power of the frontline  
Professional Commendation System begins**

In FY2018, House Foods Group initiated the “Professional Commendation System — the Greatness of the Frontline —” as an initiative to foster a corporate culture that emphasizes quality.

This system seeks to serve as a higher motivation in the frontline employees and create a corporate culture that emphasizes quality, based on the notion that quality assurance are underpinned by the steady efforts of the frontline, which are vital to House Foods Group. We recognize the steady efforts of the frontline employees and express our gratitude so that this notion will be communicated to the frontline, where employees are working hard for improvement and ingenuity every day.

Commendation cases are selected among the people and teams entered for consideration via recommendation, following visits to all workplaces by the Quality Assurance Management Division of House Foods Group Inc. An apparently effortless operation may actually be difficult and require knowledge; repetition of such operation leads to improving its accuracy and speed and also to maintaining and enhancing product quality. We visit workplaces to acknowledge the difficulty, knowledge and repeated efforts related to quality assurance, properly recognize the power of the frontline through interviews, and then communicate this to the whole Group.

In recent years, as the Group’s diversity increases due to welcoming companies that possess their respective individualities, such as Ichibanya Co., Ltd., Gaban Co., Ltd., and Malony Co., Ltd., into the Group, we will foster a corporate culture that emphasizes quality.

**(Applicable workplaces)**

20 plants (House Foods Corporation, Sun House Foods Corporation, Sun Supply Corporation, House Ai-Factory Corporation, House Wellness Foods Corporation, Ichibanya Co., Ltd., Gaban Co., Ltd., Malony Co., Ltd., Delica Chef Corporation)

## House Foods Group

## House Ai-Factory Corporation

**Aiming to enable all employees to fulfill  
active roles regardless of disabilities**

House Ai-Factory was established in 2009 to further promote stable employment for people with disabilities throughout the Group, and was certified as a special subsidiary and an applicable affiliated company in 2010.

Employees with disabilities are also engaged in the production of spice products, the main business of House Foods Group. Even if employees have a disability, we hopefully share the same work with them and support their independent lifestyles as a member of the same society. We believe this leads to contributing to society. Going forward, we will keep seeking a production system that produces higher quality products, regardless of disabilities.

In addition, from the perspective of recruiting diverse human resources and creating a workplace where they can take an active role, we have begun new initiatives at Group companies besides House Ai-Factory. Such initiatives include hiring people with disabilities for House Foods Group Inc.’s operations staff positions and establishing a specialized organization. In this way, we are developing occupational fields suited to their aptitudes and relevant systems.

Going forward, we will push forward with efforts to realize diversity across the Group so that employees can work together and positively influence each other, regardless of any disabilities.



## With Our Society

Aiming to coexist with local communities, House Foods Group will deepen food-focused communication and contribute to reducing its environmental burden in order to sustain the global environment.

### House Foods China Inc.

#### Making curry and rice a more popular dish in China and creating a curry culture through activities for food education

In November 2017, House Foods China established a foundation together with the Shanghai Soong Ching Ling Foundation and began food education activities. In FY2018, the foundation supported school lunches at rural elementary schools (Hunan Province), and supported scholarships and performed cooking training for Japanese-style curry at culinary schools (Shanghai) that train future chefs.

In elementary schools in rural districts, there are many families in which both parents work away from home and many children live in dormitories. We served curry and rice at school lunch, and children smiled and said “*hao chi* (tasty!)” after they had the dish for the first time. Their happy smiles left a big impression on us.

As for the culinary schools, a lot of students come to Shanghai after graduating from junior or senior high school and many of them are still ignorant of curry and rice. We gave a lecture on the origin of curry and rice, and performed cooking training in which the students cooked their unique curry dishes full of personality, providing us with a series of surprises and discoveries.

Food is fundamentally local, and so the establishment of new menus requires us to cross cultural barriers. Through activities for food education, we aim to “make curry and rice a more popular dish in China and contribute to Chinese society through food” and will continue with our challenge.



### Delica Chef Corporation

#### Starting to use plant factory vegetables

Delica Chef is responsible for the CVS vendor business in the home meal replacement market, which continues to expand along with the growing tendency for people to eat out or buy food to eat at home. The food company delivers mainly delicatessen dishes such as salads, as well as baked bread and desserts to customers in the Tokyo metropolitan area.

The Kuki Plant, which began operation in February 2015, uses fresh vegetables daily in its production of salad and delicatessen items, and a cleaning process using water is indispensable in order to prevent foreign matters and browning. In addition, differences tend to occur in outdoor-grown vegetables depending on weather conditions and bad vegetables will lead to increased raw material waste that deteriorates yields, which has been an issue that impacts both management efficiency and environmental burdens.

As weather anomalies is becoming normal, Delica Chef began to consider the use of plant factory vegetables three years ago and researched on taste and quality jointly with external companies. Deepening its knowledge on stable procurement, quality improvement, and production efficiency improvement, Delica Chef began using plant factory vegetables in some of its salads in October 2018 and currently delivers these to around 2,600 stores daily in the Tokyo metropolitan area.

By using plant factory vegetables, the company has been able to reduce its total water usage by around 10% compared to when using the same amount of outdoor-grown vegetables, and improve yields through reducing raw material waste.

At the same time, Delica Chef worked to get rid of the water of vegetable waste containing a lot of moisture to reduce the waste volume, achieving an approximate 55% reduction in FY2018 compared to the previous year.





House Foods Corporation

House Wellness Foods Corporation

## Working to reduce food loss

House Foods and House Wellness Foods have decided to change the best-before date display from “year/month/day” to “year/month” in phases from April 2020, with the aim of contributing to resolving the significant social issue of reducing food loss and improving logistical and operational efficiency. In addition, they will also consider extending best-before dates.

### • Targets of year/month display

House Foods: Household products with best-before dates of over one year

House Wellness Foods: All household products

Japan’s food loss is a serious social issue with the amount totaling around 6.43 million tons annually (2016 estimate by the Ministry of Agriculture, Forestry and Fisheries). The United Nations Sustainable Development Summit 2015 resolved on the halving of food loss by 2030 as one of the SDGs (sustainable development goals), and social interests in the effective use of food

resources are increasing. In accordance with this, and with labor shortages becoming a serious issue, we began initiatives across the whole of our supply chain aimed at increasing efficiency through “manufacturing, distribution and retail.”

House Foods Group participates in the Manufacturer-Distributor-Retailer Collaboration Council led by the Ministry of Economy, Trade and Industry, the Working Team for Studying Business Practices for Food Loss Reduction led by the Ministry of Agriculture, Forestry and Fisheries, and the The Consumer Goods Forum (TCGF) Japan, a voluntary gathering of manufacturers, distributors and retailers, and has made the following efforts towards reducing food loss.

- Activities for reducing product returns and wastes and promotion of recycling
- Volume reduction of packaging containers, shorter cooking-time products (energy saving), and easy-to-fully-use products for customers (reduction of residual waste), etc.
- Utilization of foodbanks (from FY2016 at House Foods and from FY2017 at House Wellness Foods)

House Foods Group

## Starting research on health promoting effects of eating habits by using big data

Looking towards achieving a society of healthy longevity, Hirosaki University and the Group established a joint research seminar titled “Food and Health Science Seminar,” in order to clarify what eating habits lead to a longer healthy life expectancy. In the seminar, as part of Hirosaki University Center of Healthy Aging Innovation (COI)\*, we are jointly proceeding with research to elucidate the relationship between dietary habits and various health indicators by using health big data.

In particular, we will contribute towards tackling problems in the aging society of recent years such as dementia and other ailments by proposing food styles based on scientific evidence.

\*Hirosaki University COI: One of the centers for “COI STREAM,” a radical innovation and entrepreneurship program promoted by the Ministry of Education, Culture, Sports, Science and Technology. It aims to enable the early detection of dementia and lifestyle-related diseases through analyzing health big data, and to create prevention methods, verify them and implement the results (apply and develop them for solving problems) in society.



House Foods Corporation

## Completion of switch to FSC® certified paper\* in product packaging

Looking towards construction of a recycling-oriented model, we are using more FSC® certified paper as one of the sustainable procurement initiatives aimed at raw material procurement in consideration of the environment, human rights and economy of the production areas.

House Foods has switched to FSC® certified paper in nearly all product packaging and began displaying the certification mark on new products launched from the spring of 2019.

We are also increasing its adoption in other products of the Group companies and will work on procuring sustainable paper materials.

\*FSC® certified paper: The FSC (Forest Stewardship Council) is an independent non-profit organization aimed at promoting responsible forest management around the world. It certifies properly managed forests, and the FSC® certification mark can be displayed on products made from certified forest products.



# With Our Society

Ichibanya Co., Ltd.

## Initiatives aimed at tackling child poverty through the Children’s Future Support Fund\*

Ichibanya performs support activities every year for various facilities, organizations and disaster areas, using around 1% of the previous year’s profit, as part of its social and welfare activities. In terms of donating to organizations, the company donates every year to Ashinaga, a foundation that performs support activities towards children who have lost their parents due to illness or disasters.

In addition, agreeing to the purpose of the Children’s Future Support National Movement promoted mainly by the Cabinet Office, Government of Japan, the company began to donate to the Children’s Future Support Fund in 2018. Recognized as donating private property for the public good, the company was awarded a Medal with Dark Blue Ribbon\*.

In order to achieve the business objective of “Share happiness with all people who are related to our company,” Ichibanya will construct good relationships with all its stakeholders and expand its circle of happiness around the world.

\*The Children’s Future Support Fund is a fund established as part of the Children’s Future Support National Movement in order to expand the circle of support for children, based on public-private collaboration and cooperation. The fund is utilized in the support of NPOs and other organizations across Japan that stand by children plagued in poverty and conduct grass-roots activities.

\*The Medal with Dark Blue Ribbon is a medal of honor awarded by the Government of Japan to individuals or organizations with outstanding achievements in donating private property for the public good.



Vox Trading Co., Ltd.

## Supporting girls and women globally through spices and herbs

“Because I am a Girl” is a global campaign promoted by Plan International, an international NGO, in Japan, the United Kingdom, Australia, the Netherlands, Canada and other countries.

While girls and women in developing countries are in poverty, they face further difficulties by being placed at the bottom of society due to their gender. However, on the other hand, powering girls and women and giving them education and learning opportunities have been proved to reduce poverty not only for the girls and women themselves, but also for their families, local areas and even countries.

Vox Trading is a trading company specializing in food and procures spices and herbs from across the globe. Solving social issues at the places of procurement is an indispensable theme for sustainable growth. Since 2013, the company has agreed with the concept of the “Because I am a Girl” campaign, and has manufactured and sold three kinds of herbal teas as social products. A part of the products’ sales is donated to Plan International to support the lives of girls in severe situations in developing countries.



# Corporate Governance

## 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, the Company 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 the Company undertakes the operation of that company’s internal control system with due respect.

## Corporate Governance System

### 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, which is chaired by the President, Hiroshi Urakami, and consists 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 system, the Group 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. The operation of the Board of Directors, matters to be resolved by the Board of Directors, and the roles and functions of Independent Outside Directors are reviewed as necessary to enhance the function of the Board of Directors.

Chair of the Board of Directors	President
Number of Directors stipulated in the Articles of Incorporation	Not more than 10
Number of Directors	10
Number of Outside Directors (Number of Independent Directors)	2 (2)
Term of Office of Director	1 year

### Compensation Advisory Committee

In order to ensure objectivity and transparency to a greater extent in the decision process of compensation for the Directors and Audit & Supervisory Board Members, the Company has established the Compensation Advisory Committee chaired by an Independent Outside Director with the majority of the committee members being Independent Outside Directors or Independent Outside Audit & Supervisory Board Members. The compensation system and the amounts of compensation, etc. for the Directors are determined by the Board of Directors after deliberation of the Compensation

Advisory Committee. The compensation system and the amounts of compensation, etc. for the Audit & Supervisory Board Members are deliberated by the Compensation Advisory Committee at the request of the Audit & Supervisory Board and, after the deliberation results are reported to the Audit & Supervisory Board, determined by consultation among the Audit & Supervisory Board Members.

Purpose	Ensure objectivity and transparency in decisions concerning the compensation system and the amounts of compensation, etc. for the Directors and Audit & Supervisory Board Members
Chair of the Compensation Advisory Committee	Kunikatsu Yamamoto, Independent Outside Director
Committee Members	Hiroshi Urakami, President Keiji Matsumoto, Representative Senior Managing Director Kyuzo Saito, Independent Outside Director Hiroyuki Kamano, Independent Outside Audit & Supervisory Board Member
Held	Three times a year in principle

### Audit system

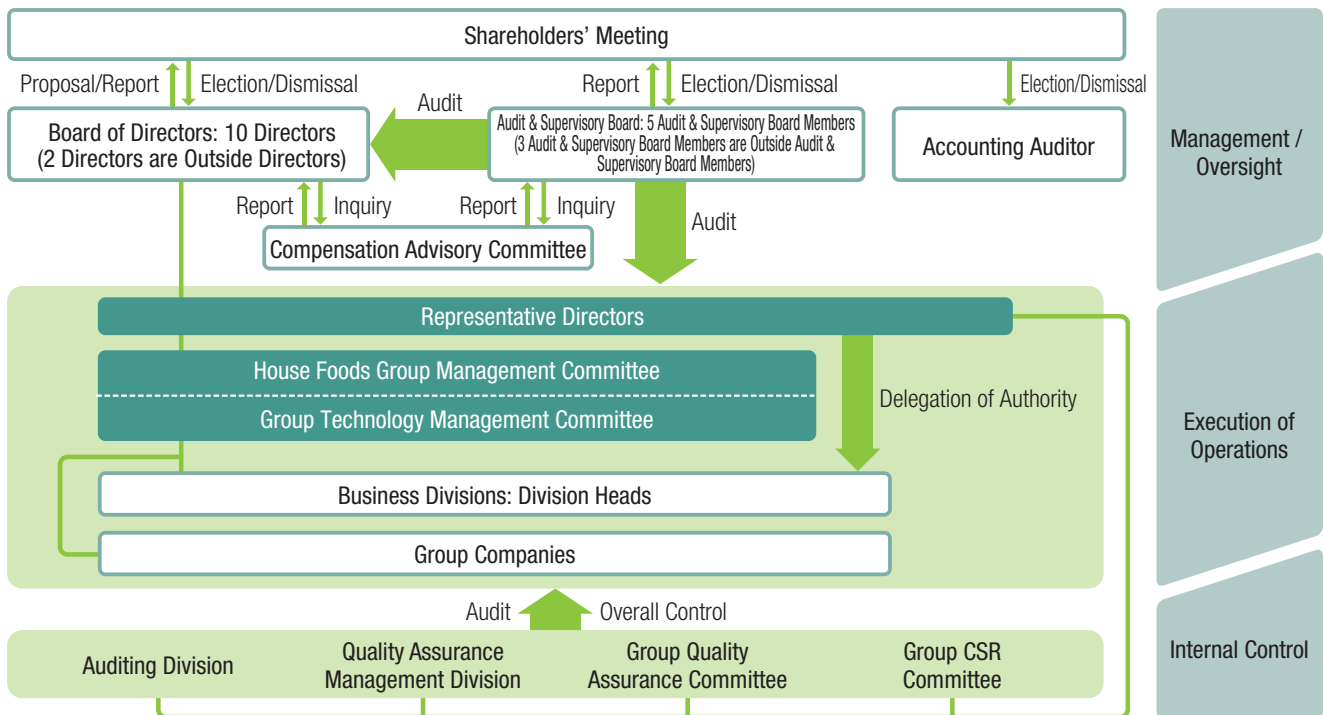
The Audit & Supervisory Board, which is chaired by the Standing Audit & Supervisory Board Member Hiroshi Kato, consists of five Audit & Supervisory Board Members (of whom three are Outside Audit & Supervisory Board Members). Audit & Supervisory Board Members attend the Board of Directors meetings and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

As for the internal audit system, the Auditing Division reporting directly to the President conducts audits of operations, including those of Group companies, according to the audit plan, and also evaluates the status of development of internal controls and operation of the internal control system.

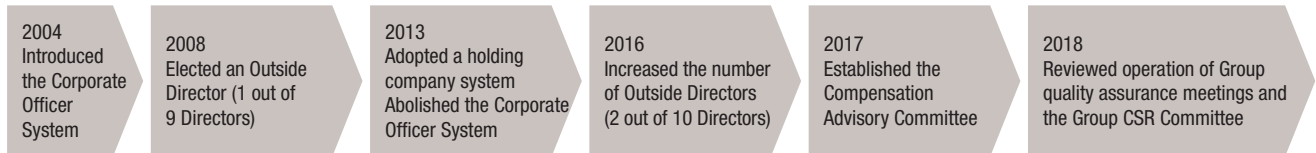
Audits by the Accounting Auditor are performed by Deloitte Touche Tohmatsu LLC. We have an audit agreement with this firm to perform audits under the Companies Act, and those under the Financial Instruments and Exchange Act.

Chair of the Audit & Supervisory Board	Standing Audit & Supervisory Board Member
Number of Audit & Supervisory Board Members stipulated in the Articles of Incorporation	Not more than 5
Number of Audit & Supervisory Board Members	5
Number of Outside Audit & Supervisory Board Members (Number of Independent Audit & Supervisory Board Members)	3 (3)
Term of Office of Audit & Supervisory Board Members	4 years

**Diagram of corporate governance system**



**Initiatives to strengthen corporate governance**



\*Discontinuation of takeover defense measures

The Company abolished takeover defense measures, which had been continued after making some necessary changes since their introduction in 2007, upon expiration of the effective period in 2019.

**Election/dismissal of management executives and policy and procedures for nomination of candidates for Directors and Audit & Supervisory Board Members**

With regard to the election of management executives and the nomination of candidates for Directors and Audit & Supervisory Board Members, suitable personnel according to the election criteria provided below shall be proposed to the Board of Directors upon consultation among the relevant persons, such as the President and the Director in charge of the Human Resources Development Division, to be resolved as the candidates, and then brought to the Shareholders' Meeting for discussion.

Directors	<ul style="list-style-type: none"> <li>• Persons who have courage to stay committed to the Group's philosophy and mission statement</li> <li>• Persons who have the knowledge, experience and ability to engage in management</li> <li>• Persons who aim to enhance the corporate value, and who have the driving force to achieve performance targets</li> <li>• Persons with an excellent human nature appropriate for a Director of the Company</li> </ul>
Audit & Supervisory Board Members	<ul style="list-style-type: none"> <li>• Persons who possess the ability to carry out an audit based on extensive experience and insight</li> <li>• Persons with an excellent human nature appropriate for an Audit &amp; Supervisory Board Member of the Company</li> </ul>

Personnel who are to serve as Directors and Audit & Supervisory Board Members in the future receive practical OJT mainly through gaining experience in the Company's managerial roles and as directors of business companies as well as OFFJT mainly through executive development programs and internal training, as part of the Company's efforts to nurture successors.

If the Board of Directors determines that a management executive is not consistent with the election criteria, dismissal will be resolved by the Board of Directors and presented to the Shareholders' Meeting for discussion.

**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.

**Outside executives** The Outside Directors and Outside Audit & Supervisory Board Members are as follows (as of July 2019).

Name	Term of office	Rate of attendance in FY2018 (times)			Reasons for election	Status of significant concurrent positions
		Board of Directors meetings	Audit & Supervisory Board meetings	Compensation Advisory Committee meetings		
<b>Outside Directors</b>						
<b>Kunikatsu Yamamoto</b> Independent Director	11 years	14/14	—	3/3	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.	Director (outside), BML, INC.
<b>Kyuzo Saito</b> Independent Director	3 years	14/14	—	3/3	Mr. Saito has a deep understanding of the food business and the food industry gained during his long involvement in the food administration.	
<b>Outside Audit &amp; Supervisory Board Members</b>						
<b>Hiroyuki Kamano</b> Independent Audit & Supervisory Board Member	4 years	14/14	12/12	3/3	Mr. Kamano has extensive experience and a broad understanding of corporate legal affairs gained during his long involvement in legal services as a lawyer.	Managing Partner, Kamano Sogo Law Offices Director (outside), NGK INSULATORS, LTD.
<b>Junsuke Fujii</b> Independent Audit & Supervisory Board Member	3 years	14/14	12/12	—	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.	Audit & Supervisory Board Member (outside), Sumitomo Dainippon Pharma Co., Ltd.
<b>Tamotsu Iwamoto</b> Independent Audit & Supervisory Board Member	2 years	14/14	12/12	—	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.	Senior Advisor, Ajinomoto Co., Inc. Director (outside), SHIMIZU CORPORATION

## Basic design of executives' compensation

As our basic policy, the amounts of compensation, etc. and the compensation system for the Directors are 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." They are determined by the Board of Directors after deliberations of the Compensation Advisory Committee.

The amounts of compensation, etc. and the compensation system for the Audit & Supervisory Board Members are determined by consultation among the Audit & Supervisory Board Members, based on deliberation of

the Compensation Advisory Committee at the request of the Audit & Supervisory Board.

The Compensation Advisory Committee studies the compensation systems, compares the compensation levels with those of other equally sized companies and verifies them, based on the confirmed trends in society. The Compensation Advisory Committee deliberates and reports on the compensation systems, the compensation levels by position of the Directors, and the amounts of compensation for the individual Directors and Audit & Supervisory Board Members, which are inquired items from the Board of Directors and the Audit & Supervisory Board.

## Composition of compensation for Standing Directors

Compensation type	Fixed compensation	Performance-linked compensation		Medium- to long-term
		Single-year		
		Evaluation of company performance	Evaluation of individual performance	
Evaluation indicators, method of payment, etc.	Determine the levels by position, provide additional compensation according to the role, and pay as monthly compensation	Pay as bonuses according to the level of achievement against the estimate and previous-year result for single-year consolidated operating profit or operating profit of the business company in charge	Pay as bonuses according to the level of achievement of targets set for each Director	Pay as funds for purchasing shares of the Company by including it in fixed compensation *Shares will be purchased via the officers' shareholding association and cannot be transferred until retirement from Director
Percentage of compensation	70%	20%		10%

\*1 Single-year performance-linked compensation varies within the range of 70–130% based on two evaluation indicators (in the event that performance fluctuates significantly, the details are deliberated by the Compensation Advisory Committee and bonuses vary within the range of 0–150%).

\*2 Compensation for non-standing Outside Directors consists of monthly compensation and bonuses. Both of them are fixed compensation because the main role of such Outside Directors is to supervise and give advice to management.

\*3 Compensation for the Audit & Supervisory Board Members consists of only fixed compensation.

## Total compensation, etc., total compensation, etc., by type, and number of eligible executives by executive category

Executive category	Total compensation, etc. (Million yen)	Total compensation, etc., by type (Million yen)		Number of eligible executives
		Fixed compensation	Bonuses	
Directors (excluding Outside Directors)	291	217	74	9
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	40	40	—	3
Outside Executives	71	63	7	5

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

\*2. There were ten Directors (including two Outside Directors) and five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) as of March 31, 2019.

\*3. Bonuses for Directors are performance-linked compensation.

## Interview with Outside Directors



Outside Director **Kyuzo Saito**

Outside Director **Kunikatsu Yamamoto**

### Please tell us about the effectiveness of the Board of Directors.

**Yamamoto:** Prior to every meeting of the Board of Directors, we receive information from the secretariat regarding the status of internal discussions, such as investment projects and medium-term business plan themes. This effort gives me the impression that the Company is open towards its Outside Directors. At meetings of the Board of Directors, both Outside Directors and Outside Audit & Supervisory Board Members actively make comments and receive courteous replies from executive directors. Board of Directors meetings have an atmosphere that allows unrestricted discussions, and ingenuity can be seen in the way that themes are set for such meetings.

In my capacity as an Outside Director, I have been involved in several medium-term business plans, through which the Group has undergone major changes and achieved growth. The Board of Directors meetings are spending as little time as possible on periodic performance reporting to focus its discussions on medium- to long-term growth strategies. This change is in the right direction in line with the expansion of House Foods Group. In addition, customer information is always on the meeting agenda, which reflects the corporate attitude that puts customers first and is desirable from a risk management perspective.

**Saito:** This year marks my fourth year as an Outside Director. Having worked in the public sector, I got involved in corporate management for the first time at House Foods Group, and I find the management of the Board of Directors meetings quite inspiring.

House Foods Group puts in place a system for us to inspect production sites and obtain raw information in a timely manner. In addition, we are also given regular opportunities to exchange opinions freely with President Urakami in person, which is very helpful in understanding the President's vision for the direction of the Company and medium- to long-term strategies. As Outside Directors, we are adequately informed of necessary information for

discussions at Board of Directors meetings, which are functioning well as a place for decision making that is not merely a formality.

### How are the opinions of Outside Directors reflected in management?

**Yamamoto:** At Board of Directors meetings, appropriate management decisions are made after sufficient discussion by members including outside executives. Some projects were referred back as a result of the discussion.

I strongly remember the capital and business alliance with Yamami Company. House Foods Group has developed its tofu business in the United States for many years and achieved continuous growth. I have always suggested that we explore the development in the Japanese market utilizing its knowledge obtained in the United States, so I have high hopes for post-alliance developments.

### The first year of the Sixth Medium-Term Business Plan has finished.

#### How are you evaluating the Medium-Term Plan?

**Yamamoto:** Under the current Medium-Term Plan, we see ambitious, value chain focused initiatives ahead, such as material procurement and the establishment of a business model for food service products. It is commendable that House Foods Corporation, the fundamental business company in performing governance for such offensive and defensive plans, has a better profit structure, which is laying the groundwork for more focus on the Medium-Term Plan.

I believe that the resource allocation will be an important medium- to long-term theme in the future. The current Medium-Term Plan stipulates "striving to become a high quality company" as its vision, and "quality" here means greater uniqueness. In that sense, increasing the R&D investment ratio and creating new and unique technologies is not only necessary for the development of the Group going forward, but is also positive for the development of society. At House Foods Group, the R&D budget has been appropriately

allocated and various activities have been put into practice, so I look forward to seeing those bear fruit in the future.

**Saito:** I am focusing my attention on the CVC and other new non-self-contained initiatives. Together with creating new shoots in response to change, it is refreshing to see collaborative efforts that skillfully utilize the powers of others. We have added “advancement of AI and other technologies,” “diversification of human resources” and “societal demands such as the SDGs” to the business environmental conditions that serve as the basis for considering the Medium-Term Business Plan. The Group will need to provide its unique solutions swiftly while capitalizing on new mechanisms in the future.

Another challenge is profitability improvement. Japanese manufacturers have lower profit margins than those in other countries and, unfortunately, food manufacturers remain in the lower ranks even among them. Although House Foods Group’s ongoing efforts for better profitability have been producing results gradually, the profit target of the Sixth Medium-Term Business Plan is still not enough. Going forward, I would like to discuss how we can wrestle with this issue while also utilizing external co-creation mechanisms.

**At this year’s Shareholders’ Meeting, we received opinions from our shareholders regarding the necessity of female executives. Can you tell us about any challenges the Company faces for the further enhancement of the effectiveness of the Board of Directors?**

**Saito:** In terms of the diversity of human resources, initiatives have started from many angles, such as increasing the number of female recruits and actively utilizing foreigners. Meanwhile, I am concerned about how the Group will train and manage its people as it becomes more diverse and expands to have a total of over 6,000 human resources including overseas.

Clarifying roles and nurturing a sense of unity are particularly essential for human resources from a perspective of greater productivity. In terms of a sense of unity, while various efforts are being devised and thoroughly implemented on a daily basis, such as activities to disseminate the House Way, it will likely be necessary to restructure the selection process of management human resources in a transparent manner as the liquidity of human resources is increasing. House Foods Group is aiming to increase the ratio of overseas sales to 20% and overseas operating profit to 30%. The utilization of women and overseas human resources, in addition to how to develop management human resources, can be said to be a significant challenge.

In this respect, House Foods Group has made a positive change in that it has reviewed and updated the operation method of the Board of Directors this fiscal year such that

not only Directors but division heads in charge of the themes are also involved in explanations as necessary. This revision will be effective in human resource development in the longer term, and it also provides us outsiders with a good opportunity to get to know about internal views.

**Yamamoto:** House Foods Group has assembled the Medium-Term Plan from the perspectives of the “three responsibilities,” so I will organize issues from these perspectives.

From the perspective of “for employees and their families,” challenges are the utilization of diverse human resources and productivity improvement. The nature of the food industry calls for women’s more active roles in the industry, and a Group company appointed the first female Director via internal promotion this year. I expect the further development of human resources responsible for future management as we see a training system being organized. In addition, improving labor productivity is also an issue that requires a fundamental review of optimization and work methods.

The same applies for the setting of compensation: Compensation for executives and employees needs to incorporate a new system that leads to growth. A challenge lies in the way the compensation can reflect qualitative evaluations, such as environmental management initiatives, in addition to quantitative performance evaluations. To address this and other challenges, I intend to deepen discussions at the Compensation Advisory Committee that I chair.

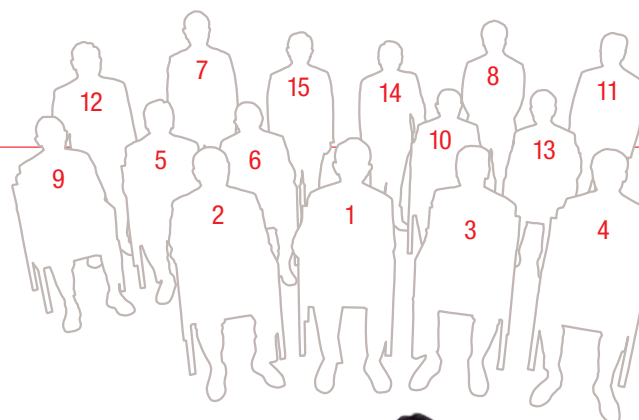
We have a lot left to do from the perspective of “for our customers.” At the top of the agenda is the construction of a value chain, an important theme under the Medium-Term Business Plan that needs to be addressed swiftly. Overseas development can also be expedited by identifying priority areas and investing more resources. To this end, the Company should make a reinforcement strategy that involves organizational and human resource issues, among other factors.

From the perspective of “for society,” I feel things are progressing steadily, such as the development of environmental investment standards. Meanwhile, as the reduction of plastic waste becomes a significant social issue, I expect the Company to play a leading role, such as by declaring medium- and long-term goals that are environmentally friendly.

Of course, “responsibility for our shareholders” is also an important theme. In order to increase returns above the cost of capital, it will be important to change the business portfolio. House Foods Group needs to increase corporate value by clarifying areas to be expanded and areas to be contracted in view of balancing future potential, profitability and cost of capital.



**Executives** (As of June 25, 2019)



**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



## 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

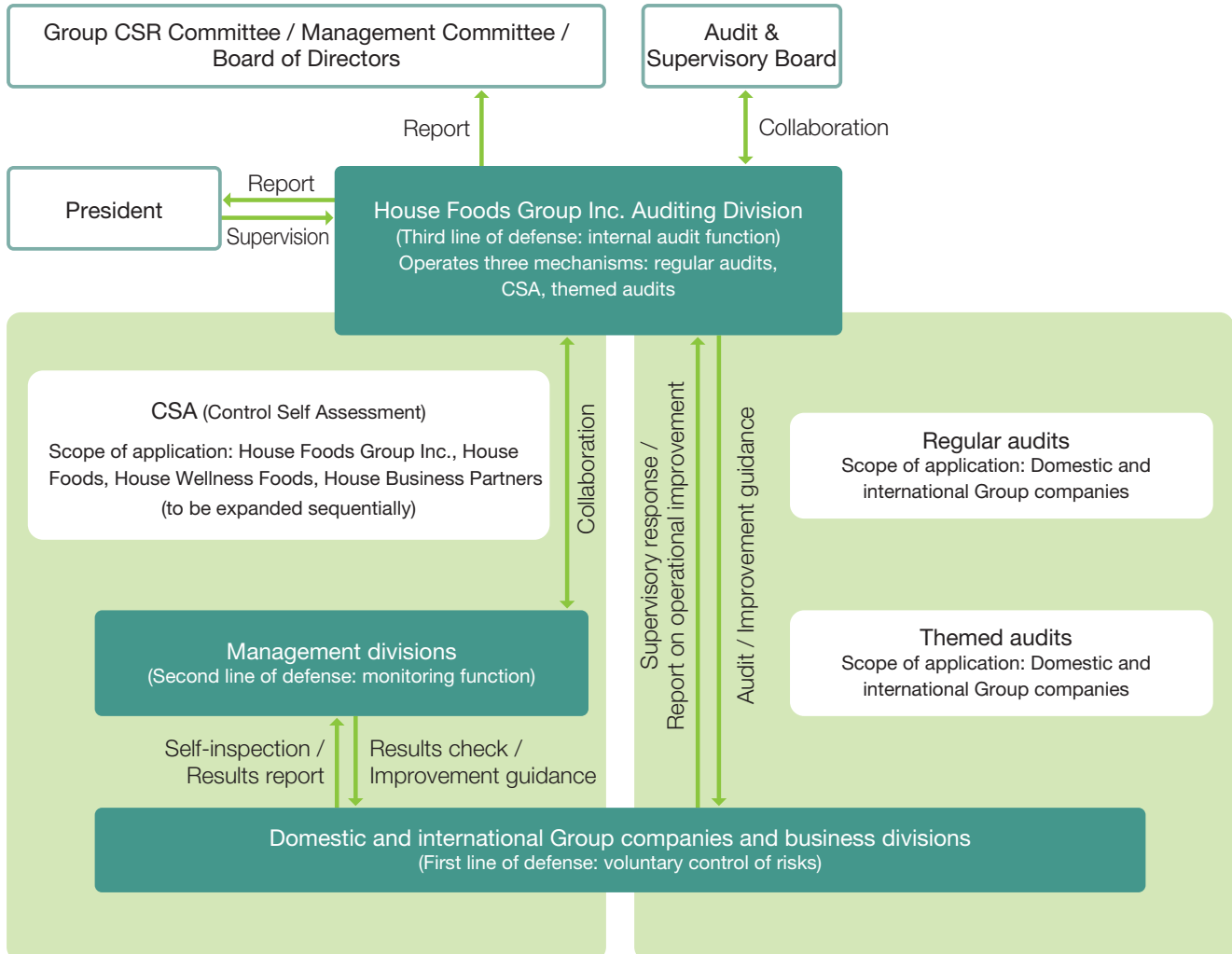
The Auditing Division reporting directly to the President conducts audits of operations, including those of the Group companies, in accordance with the audit plan.

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 is pursuing risk management in order to fulfill 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.

### Risk Management Activities

At the Group, verification of risk management activities of the entire Group and voluntary control of risks by the Group companies constitute the two pillars of risk management.

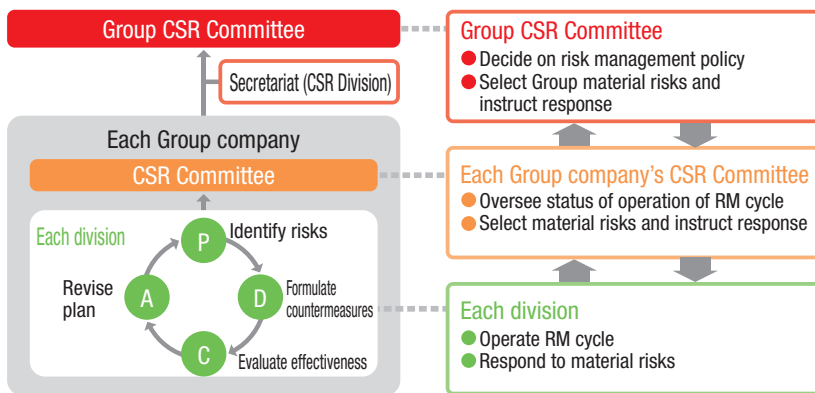
The Group conducts regular risk investigation to identify potential risks, which are evaluated every year in terms of their impact, occurrence likelihood and status of responses. Each Group company and division prioritizes the responses to the risks based on the results of such investigation so that the risks are managed appropriately.

Each Group company particularly focuses on responding to "material risks" that have material impacts on the management of the company. Among the material risks of the Group companies, risks that have material impacts on the management of the entire Group and risks that need cross-divisional response within the Group are reported as

"Group material risks" to the Group Management Committee. In particular, matters that highly affect the Group and matters that receive inadequate responses and need to be urgently addressed by the Group are reported as "Group material focus risks." The Group Management Committee determines the response policy and a division responsible for addressing such risks, and gives instructions from an optimal standpoint of the entire Group.

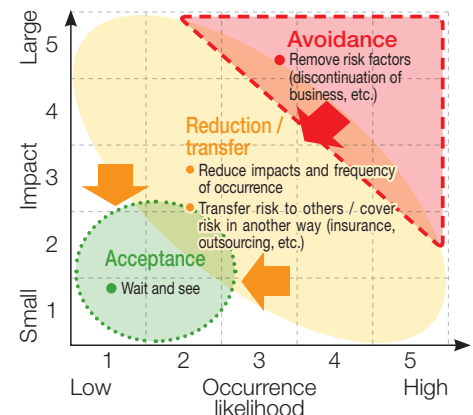
The Group formulates and implements a business continuity plan (BCP) to fulfill its social responsibility and maintain trust when the businesses of Group companies face the risk of suspension due to some factors such as natural disasters. For the purpose of enhancing the effectiveness of the BCP, we implement training on a regular basis and review the manuals.

#### Risk management system



(Examples of Group material risks) Leak of information / Inadequate response to natural disasters and accidents / Labor issue / Occurrence of quality or display issues and defects / Suspension or operation failure of core business system

#### Approach toward priority



### 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.



Risk management study session in China (Shanghai)



Study session for executives responsible for overseas businesses

#### 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

## Compliance

House Foods Group addresses 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. We conduct all activities based on compliance.

Under this philosophy, we have established the House Foods Group CSR Policy, which outlines the code of conduct for the Group, in order to be trusted by the society and ensure future development. 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.

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.

### Promotion Structure and Specific Initiatives

House Foods Group considers compliance as a key theme to be addressed by the Group CSR Committee, and pushes ahead with Group-wide initiatives through the Compliance Promotion Committee comprised of directors and division heads in charge of CSR promotion of the Group companies.

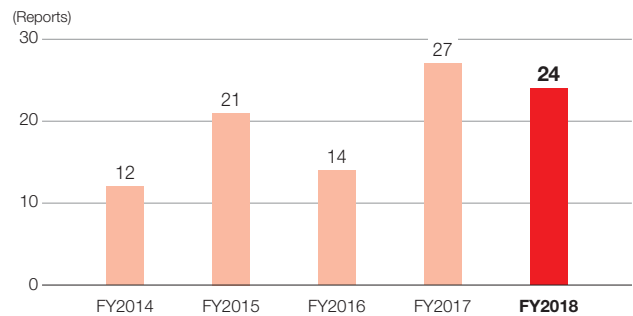
Important matters for management are reported to the Group CSR Committee, which then makes reports and recommendations on such matters to the Group Management Committee and the Board of Directors.

At each Group company, the division in charge of CSR promotion of the Group company plays a central role in ensuring thorough compliance, together with executives responsible for CSR promotion and personnel in charge of CSR promotion who are selected on a division-by-division basis.

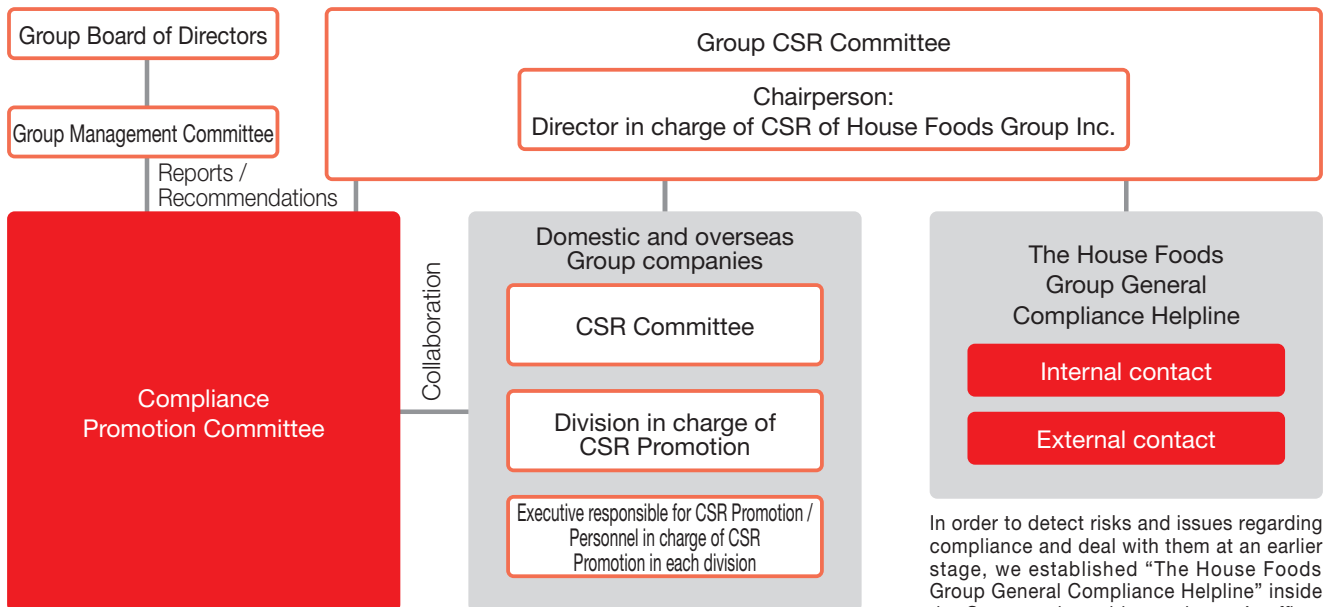
In addition, a compliance survey is conducted with all Group employees each year to investigate the awareness and status of understanding toward compliance. The survey results are fed back to the president and the director in

charge of compliance promotion of each Group company to take appropriate measures. Along with this, each Group company holds study sessions on compliance and seeks to cultivate a workplace culture that focuses on compliance.

#### Number of reports received by Helpline



#### Compliance promotion structure



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.

### Analysis of Consolidated Operating Results

House Foods Group regards the theme of “striving to become a high quality company that provides ‘Healthy Life Through Foods’” as a vision of the Group in the Sixth Medium-Term Business Plan, which commenced in April 2018. The Group is taking steps to become a high quality company in all three of the responsibilities (“for our customers,” “for our employees and their families,” and “for society”) it seeks to fulfill as a corporate citizen.

#### Key themes in the “three responsibilities”

For our customers

Creating innovation in the mature market in Japan and accelerating business development in overseas growth markets

( Value chain innovation, R&D innovation, the expansion of growth in overseas businesses and the strengthening of business base )

For our employees and their families

Achieving diversity and improving productivity

( Implementing workstyle reforms, recruiting diverse human resources and creating a workplace where they can take an active role )

For society

Constructing a recycling-oriented model and achieving a society of healthy longevity through the CSR\* activities the Group conceives

\*CSR: Creating Smiles & Relationships

#### Net sales

Net sales of the Group increased 1.6% year on year, to 296.7 billion yen, mainly because of the firm performance of the Spice/Seasoning/Processed Food Business, the Restaurant Business and the Other Food Related Business, in addition to the expansion of the business scale of the International Food Business in each area into which it made an advancement, although, of the five business segments, sales in the Health Food Business fell below the level a year earlier.

#### Profit

Operating profit rose 7.8% year on year, to 17.6 billion yen and ordinary profit increased 11.0% year on year, to 19.1 billion yen, thanks to the thoroughly practiced effective operation of marketing costs in the Spice/Seasoning/Processed Food Business and the Health Food Business, in addition to the effect of higher sales in the International Food Business, which offset the impact of the rising price of rice for food services and higher personnel expenses in the Restaurant Business.

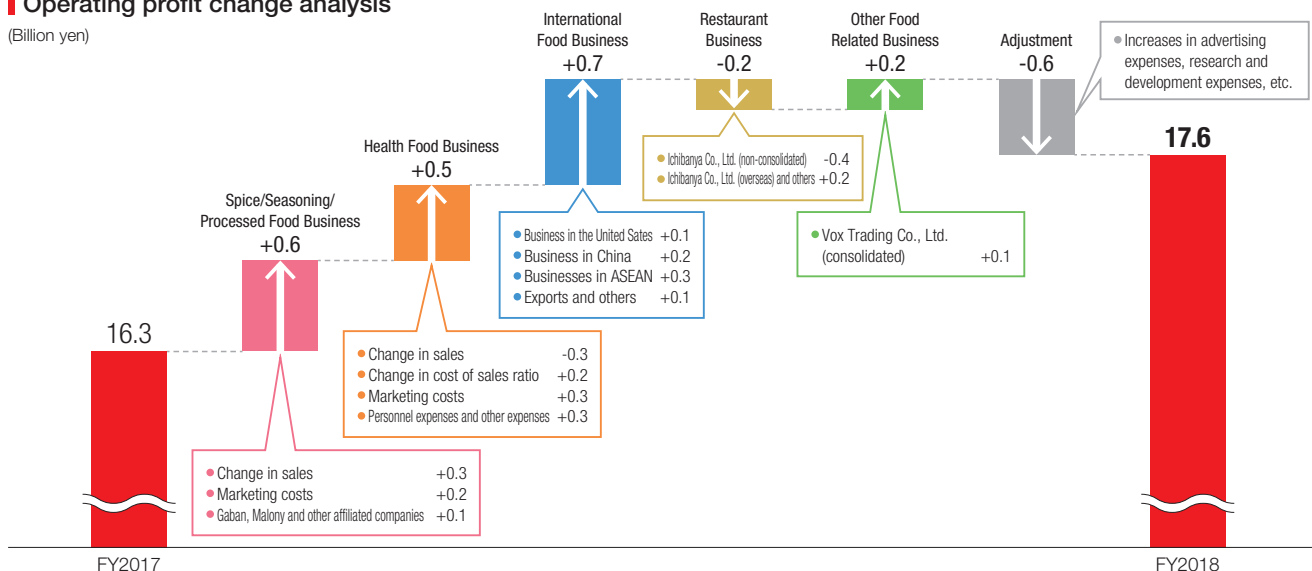
Profit attributable to owners of parent climbed 47.2% year on year, to 13.8 billion yen due to an increase in extraordinary income mainly due to an increase in gain on sales of investment securities.

The Group purchased and cancelled treasury shares to implement capital policy in a flexible manner and to improve capital efficiency and enhance returns to shareholders.

	FY2017	FY2018
ATO (Total asset turnover)	0.80 times	0.79 times
ROS (Ratio of operating profit to net sales)	5.6%	5.9%
ROA (Ratio of ordinary profit to total assets)	4.7%	5.1%
ROE (Ratio of profit to equity)	3.8%	5.5%

#### Operating profit change analysis

(Billion yen)



## Status of Assets, Liabilities and Equity

---

### Total assets

Total assets at the end of FY2018 fell 7.8 billion yen from the end of the previous fiscal year, to 371.0 billion yen.

### Assets

Current assets stood at 144.8 billion yen, an increase of 3.5 billion yen compared to the end of the previous fiscal year, due to an increase in merchandise and finished goods and an increase in cash and deposits, offsetting a decrease in securities. Non-current assets were 226.3 billion yen, a year-on-year decrease of 11.3 billion yen, mainly due to a decrease in investment securities and a decrease in goodwill.

### Liabilities

Total liabilities were 91.9 billion yen, a decrease of 3.3 billion yen compared to the end of the previous fiscal year.

Current liabilities were down 1.3 billion yen to 55.3 billion yen, primarily due to a decrease in short-term borrowings and a decrease in income taxes payable. Non-current liabilities were 36.6 billion yen, a year-on-year decrease of 1.9 billion yen, mainly due to a decrease in deferred tax liabilities, offsetting an increase in long-term guarantee deposits.

### Net assets

Net assets stood at 279.1 billion yen, a decrease of 4.6 billion yen from the end of the previous fiscal year. This primarily reflected a decrease in valuation difference on available-for-sale securities due to the sales of investment securities held and a decrease in foreign currency translation adjustment, offsetting an increase in retained earnings.

## Overview of Capital Investment

---

The total amount of capital investment in the Group during FY2018 was 11.9 billion yen, an increase of 10.9% year on year. This was mainly performed for reinforcement of production capacity and a renewal of production facilities.

## Status of Cash Flows

---

In the Fifth Medium-Term Business Plan, House Foods Group worked to strengthen its value chain, welcoming Ichibanya Co., Ltd., Gaban Co., Ltd., and Malony Co., Ltd. into the Group. In the Sixth Medium-Term Business Plan, which began in April 2018, we have set the themes of “build-up of the core of the value chain,” “build-up of R&D functions and creation of new business” and “expansion of growth and strengthening of foundation overseas” through realization of synergies with the new companies. In order to achieve these, we plan to strive towards growth by proactively utilizing a total of 60 billion yen as a business investment fund over the three years of the Medium-Term Plan.

Based on this plan, net cash provided by operating activities during FY2018 was 20.9 billion yen, a decrease of 2.7 billion yen year on year, mainly due to profit before income taxes (22.3 billion yen).

Net cash used in investing activities was 1.0 billion yen, a decrease of 12.7 billion yen year on year, mainly due to purchase of both intangible assets and property, plant and equipment in accordance with the themes of the Medium-Term Business Plan, and proceeds from the sales of some investment securities in order to further enhance the quality of the balance sheet. Net cash used in financing activities was 17.3 billion yen, an increase of 12.0 billion yen year on year, mainly due to purchase and cancellation of treasury shares and an increase in cash dividends paid.

As a result, cash and cash equivalents at the end of FY2018 stood at 62.5 billion yen, an increase of 2.3 billion yen compared with the balance at the beginning of the year.

## Dividend Policy

---

Recognizing that one of the key management issues is the return of profits to shareholders, the Group endeavors to increase its earnings strength and improve its financial position. In addition, our basic policy on the payment of dividends is to “maintain stable dividends, with a dividend payout ratio of at least 30% on a consolidated basis excluding the effects of extraordinary income/losses arising from business combination and the amortization of goodwill as a standard,” comprehensively considering the consolidated business results and the business plans, among other aspects.

In FY2018, the Group recorded one-off extraordinary income mainly due to the sales of investment securities. However, out of consideration for maintaining a stable dividend, the Group decided to pay an annual dividend of 44.00 yen per share, which is an increase of 6.00 yen from the previous fiscal year.

As a result, the consolidated dividend payout ratio was 32.8%, and the dividend payout ratio based on the basic policy on the payment of dividends was 26.2% on a consolidated basis.

## 11 Years' Selected Financial Data

Years Ended March 31		2009	2010	2011	2012
Net sales	(Million yen)	222,549	220,622	216,713	214,317
Operating profit	(Million yen)	10,201	10,964	12,069	14,053
Ordinary profit	(Million yen)	10,993	12,187	13,031	15,502
Profit attributable to owners of parent	(Million yen)	4,726	4,820	5,252	7,928
Depreciation	(Million yen)	6,118	6,102	5,704	5,356
Capital investment	(Million yen)	5,329	4,734	2,825	4,889
EBITDA (Operating profit (before amortization of goodwill) + Depreciation)	(Million yen)	20,432	21,187	21,894	20,770
Cash flows from operating activities	(Million yen)	16,525	15,813	18,568	17,098
Cash flows from investing activities	(Million yen)	(3,343)	(10,129)	(10,228)	(19,069)
Cash flows from financing activities	(Million yen)	(2,432)	(2,771)	(6,466)	(2,836)
Cash and cash equivalents at end of period	(Million yen)	41,680	44,570	46,091	41,190
Total assets	(Million yen)	228,226	231,927	228,810	240,092
Net assets	(Million yen)	178,522	182,628	181,298	189,242
Shareholders' equity	(Million yen)	178,195	182,275	180,922	188,785
Profit per share	(yen)	43.05	43.91	48.40	74.26
Net assets per share	(yen)	1,623.36	1,660.57	1,694.59	1,768.27
Dividend per share	(yen)	22.0	22.0	22.0	28.0
Return on equity	(%)	2.6	2.7	2.9	4.3
Return on assets	(%)	4.8	5.3	5.7	6.6
Return on sales (Ratio of operating profit to net sales)	(%)	4.6	5.0	5.6	6.6
Total asset turnover	(Times)	0.98	0.96	0.94	0.91
Equity ratio	(%)	78.08	78.59	79.10	78.60
Price-earning ratio	(Times)	31.78	30.95	28.10	19.05

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

	2013	2014	2015	2016	2017	2018	2019
	209,784	232,610	231,448	241,893	283,812	291,897	<b>296,695</b>
	11,441	9,589	8,686	10,775	12,312	16,288	<b>17,559</b>
	13,445	10,962	10,957	12,152	13,951	17,207	<b>19,100</b>
	8,254	8,792	6,971	22,632	8,683	9,353	<b>13,767</b>
	5,020	5,056	5,789	6,908	9,345	9,126	<b>9,262</b>
	5,684	11,115	9,588	6,757	7,708	10,215	<b>11,320</b>
	17,167	14,815	14,642	18,699	25,235	28,978	<b>30,242</b>
	12,884	8,818	8,428	12,518	21,298	23,608	<b>20,913</b>
	(1,841)	(7,471)	(4,679)	(8,308)	(2,169)	(13,739)	<b>(1,008)</b>
	(4,943)	(68)	(10,588)	(3,743)	(7,388)	(5,317)	<b>(17,317)</b>
	47,715	49,586	43,832	44,156	55,594	60,202	<b>62,495</b>
	250,780	273,368	286,149	349,427	353,888	378,864	<b>371,025</b>
	199,328	210,097	221,456	260,329	266,615	283,719	<b>279,144</b>
	198,731	208,801	219,927	228,812	235,246	251,814	<b>247,275</b>
	77.78	83.13	67.61	220.48	84.53	91.02	<b>134.32</b>
	1,879.06	1,974.31	2,140.27	2,231.86	2,289.43	2,450.71	<b>2,454.34</b>
	30.0	35.0*	30.0	30.0	32.0	38.0	<b>44.0</b>
	4.3	4.3	3.3	10.1	3.7	3.8	<b>5.5</b>
	5.5	4.2	3.9	3.8	4.0	4.7	<b>5.1</b>
	5.5	4.1	3.8	4.5	4.3	5.6	<b>5.9</b>
	0.85	0.89	0.83	0.76	0.81	0.80	<b>0.79</b>
	79.20	76.40	76.90	65.50	66.47	66.47	<b>66.65</b>
	21.06	20.62	37.27	9.54	28.72	38.84	<b>33.13</b>

## Consolidated Financial Statements

### Consolidated Balance Sheets

(Million yen)

As of March 31	2015	2016	2017	2018	2019
<b>Assets</b>					
<b>Current assets</b>	123,134	118,947	135,612	141,245	<b>144,755</b>
Cash and deposits	26,906	44,128	57,583	60,630	<b>62,484</b>
Notes and accounts receivable - trade	40,695	43,140	45,370	48,575	<b>48,601</b>
Securities	34,577	10,009	7,436	8,654	<b>7,082</b>
Merchandise and finished goods	9,708	9,628	10,020	10,828	<b>13,645</b>
Work in process	1,535	1,563	2,008	1,963	<b>1,935</b>
Raw materials and supplies	3,590	3,723	4,563	4,740	<b>4,706</b>
Deferred tax assets	2,070	2,397	2,682	—	—
Other	4,132	4,499	6,185	6,049	<b>6,315</b>
Allowance for doubtful accounts	(79)	(141)	(234)	(194)	<b>(12)</b>
<b>Non-current assets</b>	163,016	230,480	218,275	237,619	<b>226,269</b>
<b>Property, plant and equipment</b>	66,616	77,223	79,162	83,182	<b>85,943</b>
Buildings and structures, net	24,176	28,848	29,491	30,211	<b>31,528</b>
Machinery, equipment and vehicles, net	10,801	11,722	12,723	12,794	<b>14,598</b>
Land	25,842	28,851	30,394	32,322	<b>32,212</b>
Leased assets, net	3,775	4,400	3,942	3,554	<b>3,278</b>
Construction in progress	556	1,140	585	2,428	<b>2,111</b>
Other, net	1,465	2,261	2,028	1,872	<b>2,216</b>
<b>Intangible assets</b>	3,478	74,799	69,949	64,441	<b>59,238</b>
Goodwill	476	16,542	12,964	9,400	<b>5,980</b>
Trademark right	220	26,570	25,933	25,296	<b>24,660</b>
Software	1,960	2,109	2,142	1,701	<b>1,474</b>
Contract-related intangible assets	—	28,753	27,787	26,820	<b>25,854</b>
Software in progress	75	89	29	164	<b>310</b>
Other	747	736	1,094	1,059	<b>960</b>
<b>Investments and other assets</b>	92,922	78,458	69,164	89,996	<b>81,088</b>
Investment securities	80,240	68,800	61,870	76,841	<b>66,472</b>
Long-term loans receivable	369	360	356	349	<b>329</b>
Deferred tax assets	636	2,247	1,223	2,008	<b>1,609</b>
Long-term time deposits	2,000	2,500	500	1,000	<b>1,000</b>
Retirement benefit asset	7,103	285	358	3,981	<b>4,823</b>
Claims provable in bankruptcy, claims provable in rehabilitation and other	512	719	683	712	<b>788</b>
Other	2,764	4,441	5,049	6,009	<b>7,038</b>
Allowance for doubtful accounts	(702)	(893)	(874)	(903)	<b>(971)</b>
<b>Total assets</b>	<b>286,149</b>	<b>349,427</b>	<b>353,888</b>	<b>378,864</b>	<b>371,025</b>



(Million yen)

As of March 31	2015	2016	2017	2018	2019
<b>Liabilities</b>					
<b>Current liabilities</b>	46,303	50,814	51,492	56,648	<b>55,308</b>
Notes and accounts payable - trade	17,592	18,749	19,584	20,877	<b>21,178</b>
Electronically recorded obligations - operating	1,447	1,540	1,294	1,465	<b>1,562</b>
Short-term borrowings	6,770	6,849	5,711	5,858	<b>3,749</b>
Current portion of bonds	—	—	—	26	<b>26</b>
Lease obligations	483	733	655	620	<b>584</b>
Accounts payable - other	12,432	13,887	14,872	16,601	<b>16,657</b>
Income taxes payable	1,557	2,810	2,680	4,331	<b>3,504</b>
Provision for bonuses	—	129	317	409	<b>431</b>
Provision for bonuses for directors (and other officers)	65	68	75	95	<b>98</b>
Provision for shareholder benefit program	—	75	87	90	<b>90</b>
Other provisions	—	—	124	15	<b>—</b>
Asset retirement obligations	—	3	3	4	<b>1</b>
Other	5,957	5,971	6,090	6,256	<b>7,427</b>
<b>Non-current liabilities</b>	18,390	38,284	35,781	38,496	<b>36,573</b>
Bonds payable	—	—	—	52	<b>26</b>
Long-term borrowings	810	824	550	573	<b>392</b>
Lease obligations	3,393	3,745	3,390	3,018	<b>2,770</b>
Long-term accounts payable - other	661	319	298	254	<b>219</b>
Deferred tax liabilities	11,383	25,330	24,296	26,570	<b>24,234</b>
Provision for retirement benefits for directors (and other officers)	—	—	—	296	<b>—</b>
Provision for loss on guarantees	—	6	3	2	<b>2</b>
Retirement benefit liability	960	4,668	2,720	1,728	<b>1,814</b>
Asset retirement obligations	285	711	719	843	<b>845</b>
Long-term guarantee deposits	—	—	3,508	4,643	<b>5,777</b>
Other	898	2,681	295	517	<b>495</b>
<b>Total liabilities</b>	64,693	89,098	87,273	95,145	<b>91,881</b>
<b>Net assets</b>					
<b>Shareholders' equity</b>	191,150	210,257	215,545	221,296	<b>221,975</b>
Share capital	9,948	9,948	9,948	9,948	<b>9,948</b>
Capital surplus	23,868	23,927	23,107	23,107	<b>23,107</b>
Retained earnings	157,338	176,898	182,501	188,258	<b>188,920</b>
Treasury shares	(5)	(516)	(12)	(17)	<b>(1)</b>
<b>Accumulated other comprehensive income</b>	28,777	18,555	19,702	30,518	<b>25,300</b>
Valuation difference on available-for-sale securities	20,402	18,294	18,297	25,614	<b>21,327</b>
Deferred gains or losses on hedges	47	(19)	188	(5)	<b>5</b>
Foreign currency translation adjustment	2,878	2,410	1,566	1,763	<b>756</b>
Remeasurements of defined benefit plans	5,450	(2,128)	(350)	3,147	<b>3,213</b>
<b>Non-controlling interests</b>	1,530	31,517	31,369	31,905	<b>31,869</b>
<b>Total net assets</b>	221,456	260,329	266,615	283,719	<b>279,144</b>
<b>Total liabilities and net assets</b>	286,149	349,427	353,888	378,864	<b>371,025</b>

## Consolidated Financial Statements

### Consolidated Statements of Income and Comprehensive Income

(Million yen)

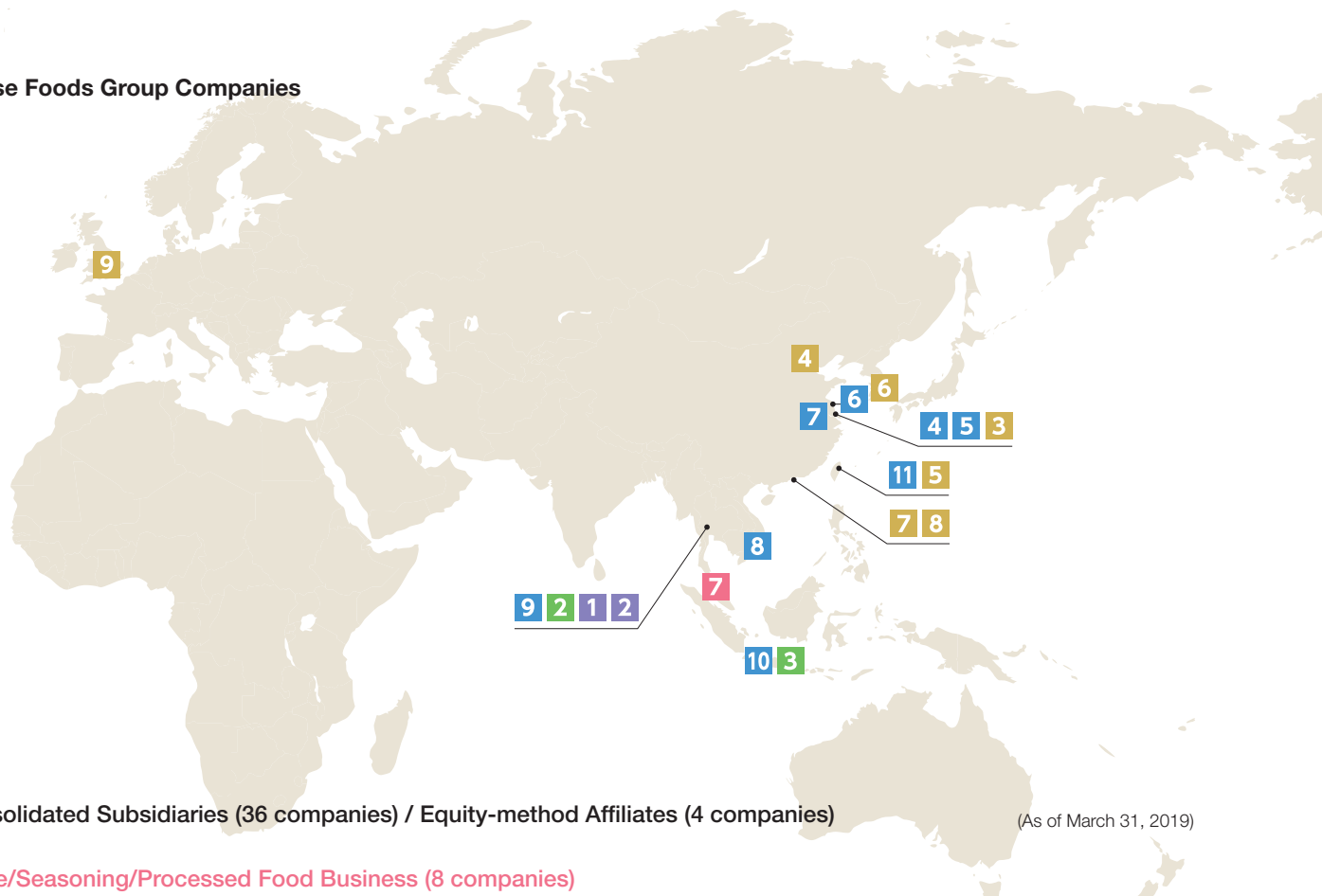
Years Ended March 31	2015	2016	2017	2018	2019
<b>Net sales</b>	231,448	241,893	283,812	291,897	<b>296,695</b>
<b>Cost of sales</b>	133,293	138,371	159,624	162,497	<b>165,068</b>
<b>Gross profit</b>	98,155	103,522	124,187	129,400	<b>131,628</b>
<b>Selling, general and administrative expenses</b>	89,468	92,746	111,875	113,112	<b>114,068</b>
Advertising expenses	10,326	9,822	9,869	9,879	<b>9,739</b>
Transportation and storage costs	6,836	7,248	9,519	9,919	<b>10,278</b>
Sales commission	2,441	2,342	2,455	2,480	<b>1,669</b>
Promotion expenses	30,871	29,741	30,607	31,234	<b>32,571</b>
Salaries, allowances and bonuses	15,203	16,961	22,359	22,666	<b>23,103</b>
Depreciation	1,458	1,996	3,838	3,627	<b>3,531</b>
Amortization of goodwill	167	1,016	3,578	3,564	<b>3,420</b>
Rental expenses	2,605	3,006	4,231	4,213	<b>4,038</b>
Research and development expenses	3,582	3,510	3,787	3,955	<b>4,212</b>
Other	15,979	17,105	21,634	21,575	<b>21,506</b>
<b>Operating profit</b>	8,686	10,775	12,312	16,288	<b>17,559</b>
<b>Non-operating income</b>	2,937	2,177	2,607	2,296	<b>2,566</b>
Interest income	530	478	395	328	<b>329</b>
Dividend income	603	609	762	656	<b>679</b>
Share of profit of entities accounted for using equity method	628	584	70	99	<b>51</b>
Rental income from buildings	0	176	758	762	<b>757</b>
Foreign exchange gains	820	—	238	—	<b>154</b>
Other	356	330	384	451	<b>597</b>
<b>Non-operating expenses</b>	667	801	969	1,376	<b>1,026</b>
Interest expenses	129	93	87	90	<b>80</b>
Rental expenses	—	148	631	616	<b>618</b>
Foreign exchange losses	—	174	—	380	<b>—</b>
Other	538	385	251	291	<b>327</b>
<b>Ordinary profit</b>	10,957	12,152	13,951	17,207	<b>19,100</b>
<b>Extraordinary income</b>	1,543	17,013	2,008	993	<b>4,470</b>
Gain on sales of non-current assets	195	7	178	13	<b>6</b>
Gain on sales of investment securities	1,311	3,135	147	765	<b>4,284</b>
Gain on sales of invested money	18	—	—	—	<b>—</b>
Gain on sales of restaurants	—	19	147	144	<b>129</b>
Gain on change in equity	3	—	—	—	<b>—</b>
Gain on bargain purchase	—	—	1,018	57	<b>—</b>
Gain on step acquisitions	—	13,851	448	—	<b>—</b>
Other	15	1	70	13	<b>52</b>
<b>Extraordinary losses</b>	607	1,062	1,488	1,186	<b>1,273</b>
Loss on sales of non-current assets	121	0	10	19	<b>23</b>
Loss on retirement of non-current assets	141	273	279	222	<b>630</b>
Loss on sales of investment securities	—	—	—	0	<b>—</b>
Loss on valuation of investment securities	4	16	0	5	<b>2</b>
Loss on sales of membership	—	2	—	—	<b>—</b>
Loss on valuation of membership	1	3	11	0	<b>7</b>
Impairment loss	323	718	1,138	774	<b>579</b>
Other	18	51	50	166	<b>32</b>
<b>Profit before income taxes</b>	11,893	28,102	14,470	17,014	<b>22,297</b>
Income taxes - current	3,999	4,875	5,531	7,098	<b>7,384</b>
Income taxes - deferred	876	36	(1,237)	(676)	<b>(153)</b>
<b>Total income taxes</b>	4,875	4,911	4,294	6,421	<b>7,231</b>
<b>Profit</b>	7,018	23,191	10,176	10,593	<b>15,067</b>
<b>Profit attributable to</b>					
Profit attributable to owners of parent	6,971	22,632	8,683	9,353	<b>13,767</b>
Profit attributable to non-controlling interests	47	559	1,493	1,240	<b>1,300</b>
<b>Other comprehensive income</b>	14,771	(10,404)	1,069	10,954	<b>(5,313)</b>
Valuation difference on available-for-sale securities	8,725	(2,071)	115	7,383	<b>(4,298)</b>
Deferred gains or losses on hedges	132	(157)	139	(188)	<b>3</b>
Foreign currency translation adjustment	1,898	(493)	(920)	226	<b>(1,092)</b>
Remeasurements of defined benefit plans, net of tax	3,947	(7,584)	1,747	3,505	<b>73</b>
Share of other comprehensive income of entities accounted for using equity method	69	(98)	(11)	28	<b>(0)</b>
<b>Comprehensive income</b>	21,789	12,787	11,245	21,547	<b>9,754</b>
<b>Comprehensive income attributable to</b>					
Comprehensive income attributable to owners of parent	21,526	12,411	9,829	20,169	<b>8,549</b>
Comprehensive income attributable to non-controlling interests	263	376	1,416	1,377	<b>1,205</b>

## Consolidated Statements of Cash Flows

(Million yen)

Years Ended March 31	2015	2016	2017	2018	2019
<b>Cash flows from operating activities</b>					
Profit before income taxes	11,893	28,102	14,470	17,014	22,297
Depreciation	5,789	6,908	9,345	9,126	9,262
Amortization of goodwill	167	1,016	3,578	3,564	3,420
Impairment loss	323	718	1,138	774	579
Share of loss (profit) of entities accounted for using equity method	(628)	(584)	(70)	(99)	(51)
Loss (gain) on step acquisitions	—	(13,851)	(448)	—	—
Loss (gain) on valuation of investment securities	4	16	0	5	2
Loss on valuation of membership	1	3	11	0	7
Increase (decrease) in allowance for doubtful accounts	91	211	64	(14)	(114)
Gain on bargain purchase	—	—	(1,018)	(57)	—
Increase (decrease) in retirement benefit liability	86	(1,072)	347	355	(596)
Increase (decrease) in provision for bonuses for directors (and other officers)	(28)	3	7	18	3
Increase (decrease) in provision for retirement benefits for directors (and other officers)	—	—	—	10	(296)
Increase (decrease) in provision for shareholder benefit program	—	(21)	12	3	(1)
Increase (decrease) in provision for loss on guarantees	—	(1)	(2)	(1)	(0)
Increase (decrease) in other provisions	—	—	124	(109)	(15)
Interest and dividend income	(1,133)	(1,088)	(1,157)	(984)	(1,007)
Interest expenses	129	93	87	90	80
Foreign exchange losses (gains)	(408)	296	10	60	(137)
Loss (gain) on sales of investment securities	(1,311)	(3,133)	(147)	(765)	(4,284)
Loss (gain) on sales of investments in capital	(18)	—	—	—	—
Loss (gain) on sales of non-current assets	(75)	(6)	(168)	6	16
Loss on retirement of non-current assets	141	273	279	222	630
Loss (gain) on sales of restaurants	—	(19)	(147)	(144)	(128)
Decrease (increase) in trade receivables	405	76	(439)	(2,891)	(137)
Decrease (increase) in inventories	(920)	758	587	(566)	(2,831)
Increase (decrease) in trade payables	76	(1,409)	576	1,264	277
Increase (decrease) in accounts payable - bonuses	9	(120)	143	92	22
Decrease (increase) in other assets	(939)	(1,838)	(1,504)	(950)	(1,330)
Increase (decrease) in other liabilities	(1,464)	573	464	1,945	2,486
Subtotal	12,187	15,903	26,143	27,966	28,156
Interest and dividends received	1,398	1,365	1,062	1,128	1,060
Interest paid	(133)	(102)	(84)	(90)	(82)
Income taxes paid	(5,025)	(4,648)	(5,822)	(5,395)	(8,221)
Net cash provided by (used in) operating activities	8,428	12,518	21,298	23,608	20,913
<b>Cash flows from investing activities</b>					
Proceeds from withdrawal of time deposits	6,523	803	5,639	3,314	853
Payments into time deposits	(4,030)	(929)	(5,280)	(2,208)	(729)
Purchase of securities	(4,577)	(3,424)	(1,000)	(5,000)	(1,000)
Proceeds from sales of securities	7,630	18,498	10,500	8,336	8,578
Purchase of property, plant and equipment	(8,710)	(5,501)	(6,972)	(10,153)	(9,543)
Proceeds from sales of property, plant and equipment	357	7	310	78	42
Gain on sales of restaurants	—	29	444	415	322
Purchase of intangible assets	(807)	(522)	(735)	(408)	(800)
Purchase of investment securities	(4,920)	(6,501)	(2,114)	(8,484)	(6,095)
Proceeds from sales of investment securities	3,883	5,788	1,469	1,636	7,358
Payments for investments in capital	(5)	(30)	(3)	—	—
Proceeds from divestments	36	11	—	—	6
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	—	21	—	—	—
Proceeds from sales of membership	—	—	—	0	—
Loan advances	(58)	(1)	—	—	—
Proceeds from liquidation of subsidiaries	—	—	30	1	—
Net cash provided by (used in) investing activities	(4,679)	(8,308)	(2,169)	(13,739)	(1,008)
<b>Cash flows from financing activities</b>					
Proceeds from short-term borrowings	58,890	75,360	65,877	60,793	59,348
Repayments of short-term borrowings	(59,555)	(75,269)	(67,258)	(60,717)	(61,574)
Repayments of lease obligations	(550)	(592)	(836)	(735)	(681)
Proceeds from long-term borrowings	—	284	300	170	—
Repayments of long-term borrowings	(188)	(235)	(298)	(340)	(50)
Redemption of bonds	—	—	—	(13)	(26)
Purchase of treasury shares	(5,494)	(4)	(3)	(5)	(8,773)
Purchase of treasury shares of subsidiaries	—	—	(902)	(0)	—
Proceeds from sales of shares of parent held by subsidiaries	—	471	1,009	—	—
Dividends paid	(3,658)	(3,076)	(3,076)	(3,596)	(4,316)
Dividends paid to non-controlling interests	(33)	(662)	(1,175)	(872)	(1,245)
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	(10,588)	(3,743)	(7,388)	(5,317)	(17,317)
<b>Effect of exchange rate change on cash and cash equivalents</b>	1,085	(144)	(302)	56	(295)
<b>Net increase (decrease) in cash and cash equivalents</b>	(5,754)	323	11,438	4,608	2,293
<b>Cash and cash equivalents at beginning of period</b>	49,586	43,832	44,156	55,594	60,202
<b>Cash and cash equivalents at end of period</b>	43,832	44,156	55,594	60,202	62,495

## House Foods Group Companies



### Consolidated Subsidiaries (36 companies) / Equity-method Affiliates (4 companies)

(As of March 31, 2019)

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

Company name	Business lines	Location (Country or region)	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

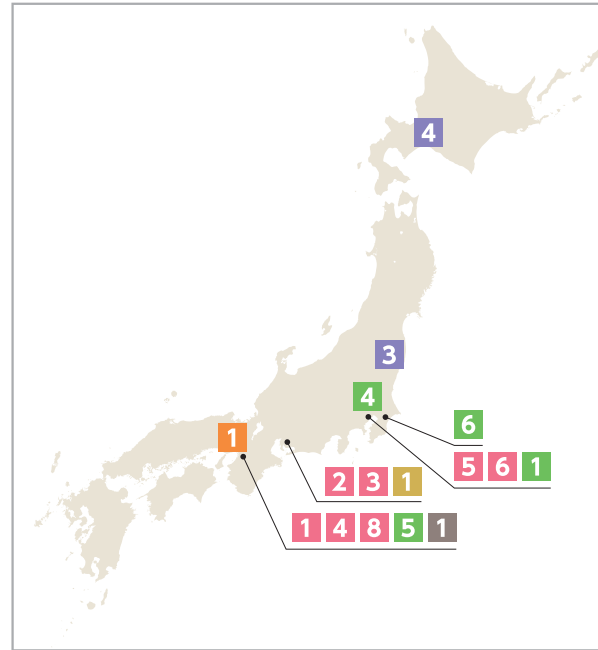
#### Health Food Business (1 company)

Company name	Business lines	Location (Country or region)	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 (Country or region)	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 274.245 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

1 2 3 2



### Restaurant Business (9 companies)

Company name	Business lines	Location (Country or region)	Capital	Percentage of Shareholding (%)
1 Ichibanya Co., Ltd.	Planning and operation of restaurants	Ichinomiya-city, Aichi	JP¥1,503 million	51.00
2 Ichibanya USA, Inc.	Planning and operation of restaurants	Torrance, California, U.S.A.	US\$7 million	60.80
3 Ichibanya Restaurant Management (China) Co., Ltd.	Planning and operation of restaurants	Shanghai-city, China	RMB 80.935 million	51.00
4 House Restaurant Management (Beijing) Co., Ltd.	Planning and operation of restaurants	Beijing-city, China	RMB 33.367 million	100.00
5 Taiwan Ichibanya Inc.	Planning and operation of restaurants	New Taipei City, Taiwan	NT\$107 million	40.80
6 Curry House Korea Corporation	Planning and operation of restaurants	Anyang-city, Korea	₩2,500 million	70.20
7 Ichibanya International Hong Kong Limited	Restaurant operation guidance and trading services	Kowloon, Hong Kong, China	HK\$7.5 million	51.00
8 Ichibanya Hong Kong Limited	Planning and operation of restaurants	Kowloon, Hong Kong, China	HK\$26.375 million	58.37
9 Ichibanya UK Limited	Planning and operation of restaurants	London, U.K.	GBP 4.5 million	51.00

### Other Food Related Business (6 companies)

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

\*On April 1, 2019, House Logistics Service Corporation conducted a company split and transferred its logistics business (excluding orders received and yard handling business operations) to F-LINE Corporation.

### Common (1 company)

Company name	Business lines	Location (Country or region)	Capital	Percentage of Shareholding (%)
1 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)

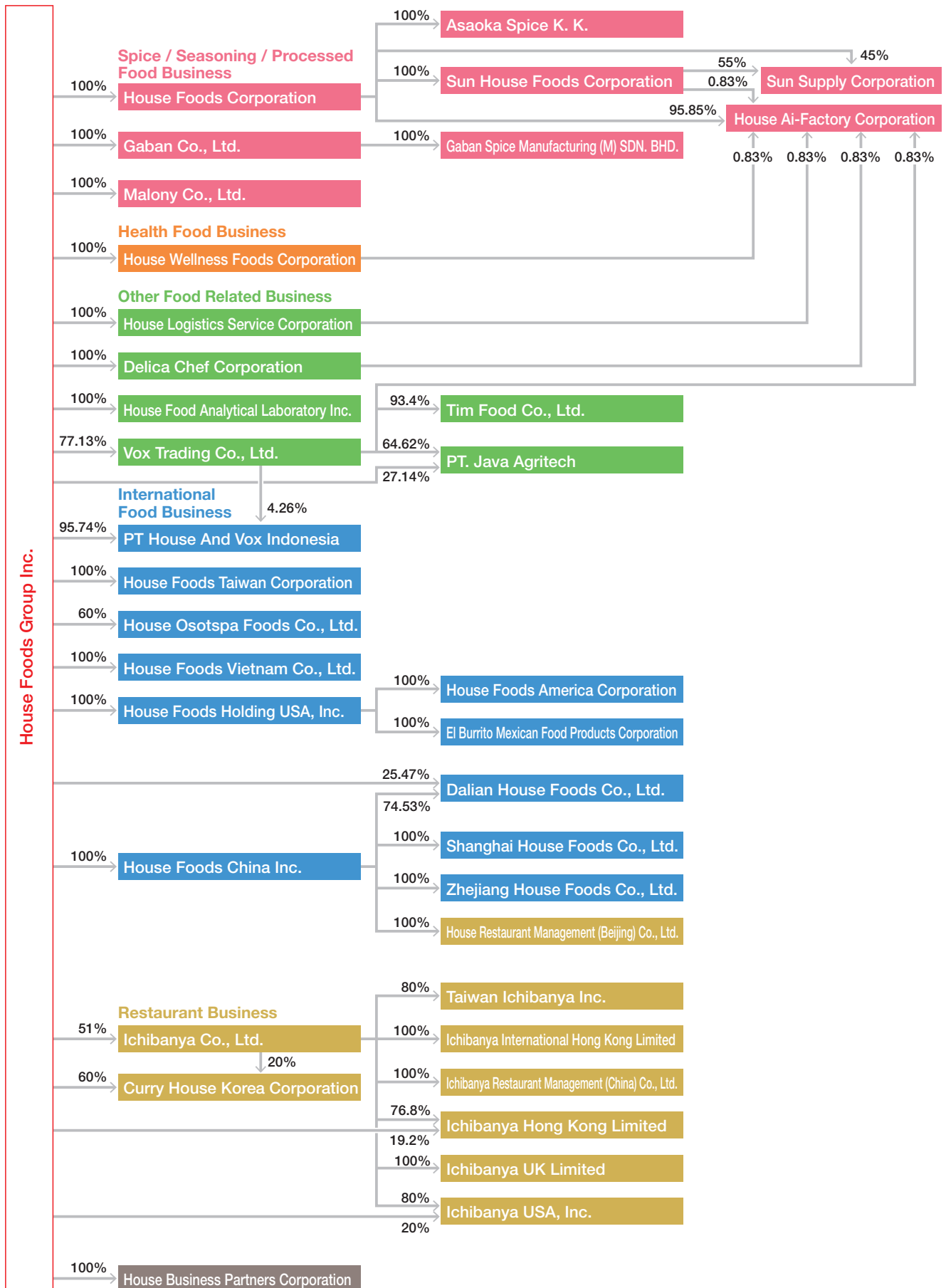
Company name	Business lines	Location (Country or region)	Capital	Percentage of Shareholding (%)
1 Ichibanya Midwest Asia Co., Ltd.	Operation of restaurants in Thailand	Bangkok, Thailand	Baht 50 million	23.87
2 Vox Trading (Thailand) Co., Ltd.	Export sales of vegetables in Thailand	Bangkok, Thailand	Baht 23 million	37.80
3 Sanyo Can Corporation	Production and sales of retort pouched products and canned products, etc.	Fukushima-city, Fukushima	JP¥155 million	30.97
4 F-LINE Corporation	Transport and warehouse operations	Kita-hiroshima-city, Hokkaido	JP¥298 million	25.00

\*On April 1, 2019, F-LINE Corporation (new) was established through the integration of the respective logistics businesses of Ajinomoto Logistics Corporation, Kagome Distribution Service Co., Ltd., House Logistics Service Corporation (part of its business), F-LINE Corporation, and Kyushu F-LINE Corporation.  
F-LINE Corporation (new) (location: Chuo-ku, Tokyo, capital: JP¥2,480 million, percentage of shareholding by the Company: 26.0%)

# House Foods Group Companies

Capital Relationship Diagram (ownership ratio of voting rights)

(As of March 31, 2019)



## Corporate Information

### Company Overview (As of March 31, 2019)

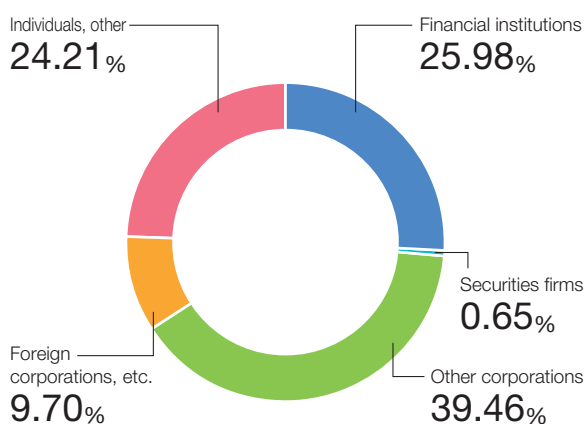
Name	House Foods Group Inc.
Founded	November 11, 1913
Established	June 7, 1947
Capital	¥9,948,323,523
Business lines	To propose Group strategies, provide management support for business companies (domestic and overseas), and to supervise the International Business
Number of employees	288 (6,066 on a consolidated basis)

### Stock Information (As of March 31, 2019)

#### Stock summary

Number of Shares Issued .....	100,750,620 shares
Number of Shares Authorized.....	391,500,000 shares
Number of Shareholders.....	58,248
Number of Shares per Trading Unit.....	100 shares

#### Breakdown of shares by type of shareholder



#### Principal shareholders

	Number of Shares Held (shares)	Percentage of Total Shares Outstanding (%)
House Kosan Co., Ltd.	12,585,616	12.49
HKL Co., Ltd.	6,700,000	6.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,910,800	3.88
Sumitomo Mitsui Banking Corporation	3,668,027	3.64
Japan Trustee Services Bank, Ltd. (Trust Account)	3,582,200	3.56
Urakami Foundation for Food and Food Culture Promotion	2,900,218	2.88
Ajinomoto Co., Inc.	2,693,543	2.67
House Koushinkai	2,229,301	2.21
Setsuko Urakami	2,007,569	1.99
Nippon Life Insurance Company	1,844,810	1.83

Note: Percentage of total shares outstanding is calculated by excluding the number of treasury shares (337 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 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
<b>Stock Transfer Agency Handling Office</b>	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Dept. 4-5-33 Kitahama, Chuo-ku, Osaka
<b>Mailing Address and Contact</b>	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Dept. 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 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> 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

#### 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>