

FY2016 Results Briefing for the First Half

November 4, 2016



House Foods Group Inc.

URL <http://housefoods-group.com>

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FY2016 First-Half Results

Consolidated Performance

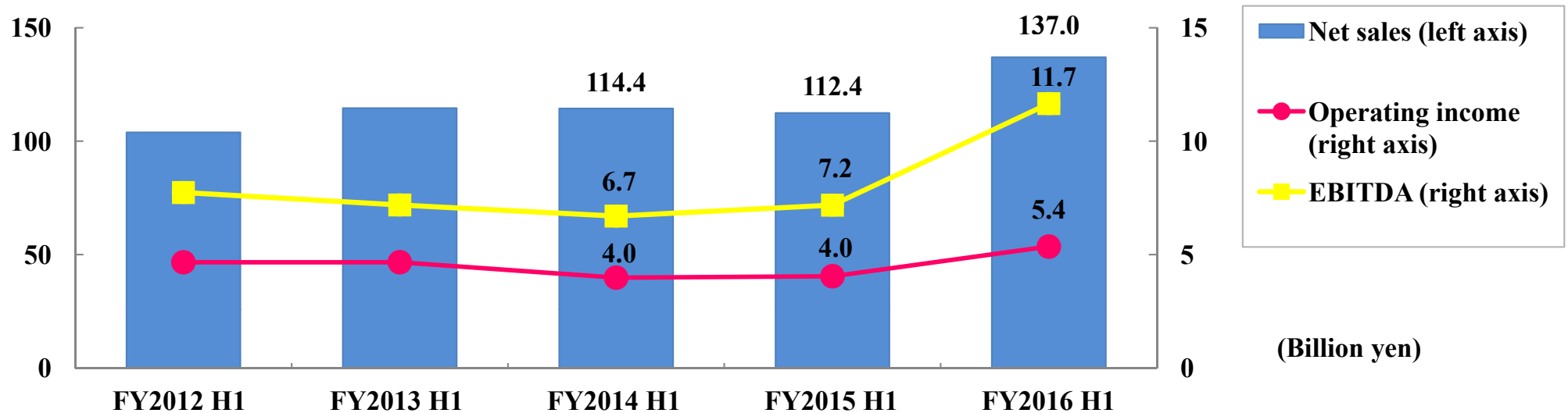


Billion yen	FY2015 H1 performance	FY2016 H1 target	FY2016 H1 performance	Year on year (%)	Comparison with target (%)	ROS (%)
Net sales	112.4	142.3	137.0	+24.6 (121.9)	-5.3 (96.3)	—
Operating income	4.0	4.0	5.4	+1.3 (132.3)	+1.4 (133.8)	3.9
Ordinary income	4.8	4.4	5.4	+0.6 (112.2)	+1.0 (122.2)	—
Profit attributable to owners of parent	3.0	3.2	4.2	+1.3 (142.6)	+1.0 (131.5)	—
<Reference>						
EBITDA *1	7.2	—	11.7	+4.5 (162.4)	—	*2 8.5
Profit attributable to owners of parent (judgment criteria for dividends) *3	3.0	—	4.5	+1.6 (153.6)	—	—

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

*2 EBITDA margin: EBITDA / Net sales

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

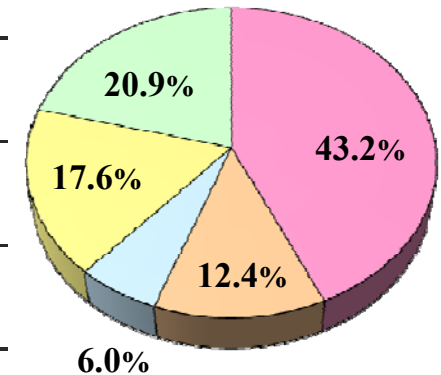


Net Sales by Segment



Billion yen	FY2015 H1 performance	FY2016 H1 target	FY2016 H1 performance	Year on year (%)	Comparison with target (%)
Net sales	112.4	142.3	137.0	+24.6 (121.9)	-5.3 (96.3)
Spice / Seasoning / Processed Food Business	57.0	63.3	62.3	+5.4 (109.4)	-1.0 (98.5)
Health Food Business	18.5	18.8	17.9	-0.7 (96.4)	-0.9 (95.0)
International Food Business	9.2	10.6	8.6	-0.6 (93.9)	-2.0 (81.2)
Restaurant Business	3.6	26.5	25.4	+21.8 (700.7)	-1.1 (95.9)
Other Food Related Business	30.0	30.6	30.2	+0.2 (100.6)	-0.4 (98.6)
Adjustment (elimination)	-5.9	-7.5	-7.4	-1.5 (-)	+0.1 (-)

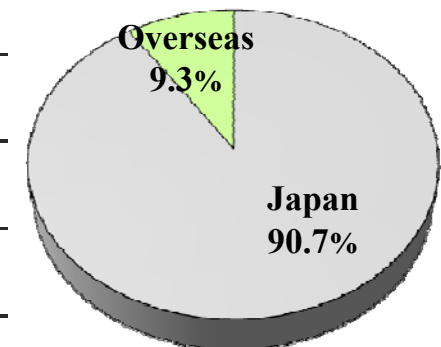
Breakdown by segment
* Excluding adjustment (elimination)



◆ Net sales by area

Japan	99.5	—	124.2	+24.7 (124.9)	—
East Asia	5.6	—	5.2	-0.4 (93.3)	—
Southeast Asia	0.8	—	1.5	+0.7 (193.3)	—
United States	6.3	—	5.8	-0.5 (92.0)	—
Other	0.2	—	0.3	+0.0 (117.4)	—

Breakdown by area



Operating Income by Segment



Billion yen	FY2015 H1 performance	FY2016 H1 target	FY2016 H1 performance	Year on year (%)	Comparison with target (%)	ROS	Breakdown by segment * Excluding adjustment (elimination)	
Operating income	4.0	4.0	5.4	+1.3 (132.3)	+1.4 (133.8)	3.9		
Spice / Seasoning / Processed Food Business	2.3	2.7	3.6	+1.3 (156.6)	+1.0 (136.5)	5.8		61.8%
Health Food Business	1.0	1.2	1.1	+0.2 (116.1)	-0.1 (94.2)	6.3		19.3%
International Food Business	0.6	0.8	0.8	+0.1 (119.1)	+0.0 (102.4)	8.9		13.1%
Restaurant Business	0.0	-0.1	-0.1	-0.1 (-)	-0.0 (-)	(0.4)		-1.7%
Other Food Related Business	-0.1	0.3	0.4	+0.5 (-)	+0.2 (173.8)	1.4		7.4%
Adjustment (elimination)	0.2	-0.8	-0.5	-0.7 (-)	+0.3 (-)			

◆ Reference Excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.

Operating income	4.0	6.5	7.9	+3.8 (194.4)	+1.4 (120.8)	5.7
Restaurant Business	0.0	2.5	2.4	+2.4 (-)	-0.0 (98.1)	9.5

Spice / Seasoning / Processed Food Business



Spice / Seasoning / Processed Food Business	FY2016 H1 performance	Year on year (%)	Comparison with target (%)
Net sales	62.3	+5.4 (109.4)	-1.0 (98.5)
Operating income	3.6	+1.3 (156.6)	+1.0 (136.5)

◆ Breakdown of sales (main factors)

House Foods Corporation	60.3	+2.3 (103.9)	-1.1 (98.3)
Curry roux	18.9	+1.0 (105.6)	+0.0 (100.1)
Stew roux	4.4	-0.3 (94.3)	-0.3 (93.5)
Spice	9.0	+0.6 (107.4)	+0.1 (101.2)
Retort pouched curry	6.7	+1.1 (118.9)	+0.2 (103.8)
Food service products	8.4	+0.3 (103.1)	-0.4 (95.9)
Gaban Co., Ltd.	2.6	+2.6 (-)	+0.0 (100.8)

- Gaban Co., Ltd. is newly consolidated in the second quarter of FY2016.

◆ House Foods Corporation

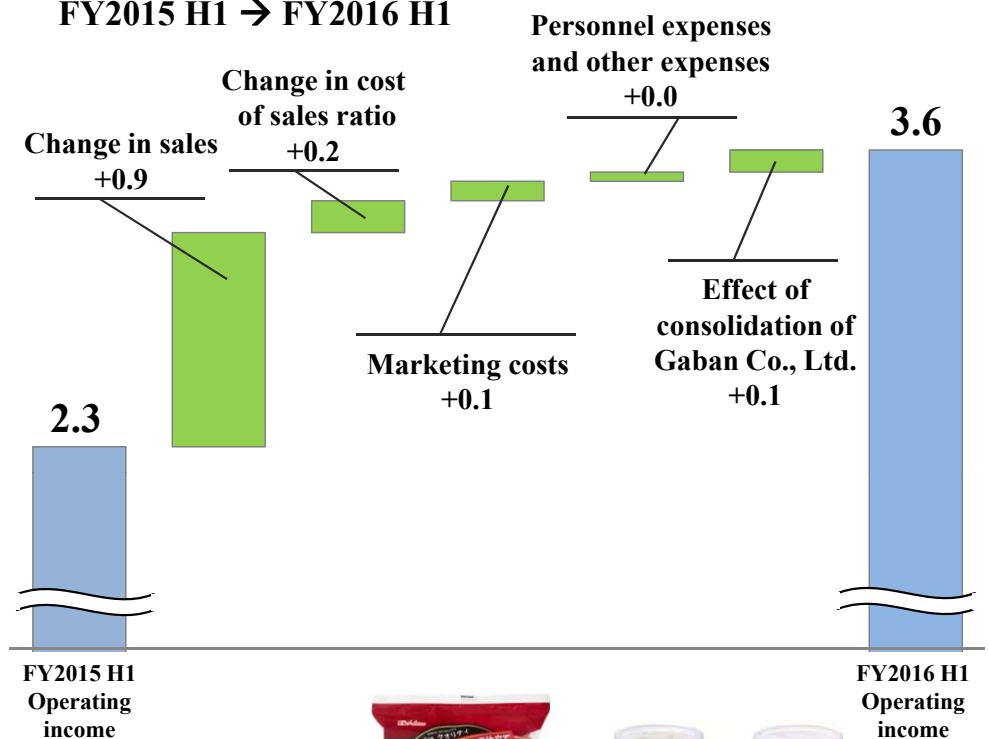
- Curry roux: The performance of major products remained firm. Sales increased thanks partly to a reaction to a temporary fall in demand after price revisions in the previous year (mainly in the first quarter).
- Retort pouched curry: Strategic products in a low price range were successful (*Pro Quality*).
- Spice: Growth in spice pastes and the strong performance of seasoning spice continued.

◆ Gaban Co., Ltd. was made into a subsidiary (newly consolidated in the second quarter).

- An ability to make proposals for spice and food service products was strengthened by including Gaban Co., Ltd., which excels in the BtoB area in the Group.
- The position in the upstream of the value chain was expanded using overseas spice production bases.

◆ Analysis of operating income change FY2015 H1 → FY2016 H1

(Billion yen)



Health Food Business



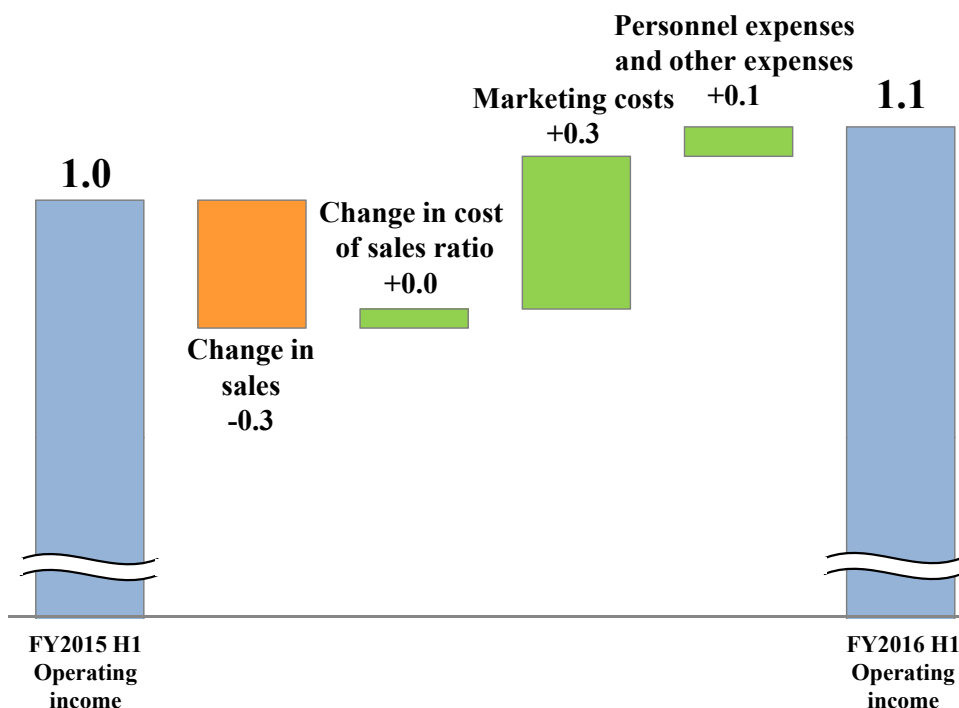
Health Food Business	FY2016 H1 performance	Year on year (%)	Comparison with target (%)
Net sales	17.9	-0.7 (96.4)	-0.9 (95.0)
Operating income	1.1	+0.2 (116.1)	-0.1 (94.2)

◆ Breakdown of sales (main factors)

<i>Ukon No Chikara</i>	5.4	-0.2 (97.0)	-0.3 (94.6)
<i>C1000</i>	7.9	-0.4 (95.6)	-0.7 (92.1)
<i>Vitamin Lemon</i>	3.1	-0.1 (96.7)	-0.2 (95.3)

◆ Analysis of operating income change FY2015 H1 → FY2016 H1

(Billion yen)



◆ Functional spice business

Ukon No Chikara: Responded to polarized drinking demand.

- Sales of *Ukon No Chikara Liver Plus* grew due to promotion for heavy users.
- Total sales declined, with the boosting of demand from middle and light users remaining an issue.

◆ Vitamin business: Expanded areas to offer vitamins.

- Focused on the cultivation of *Ichinichibun No Vitamin* comprising 13 kinds of vitamins.

◆ Other

- Profitability improved as a result of fully enforcing the effective operation of marketing costs.



International Food Business



International Food Business	FY2016 H1 performance	Year on year (%)	Comparison with target (%)	Year on year in local currency
Net sales	8.6	-0.6 (93.9)	-2.0 (81.2)	-
Operating income	0.8	+0.1 (119.1)	+0.0 (102.4)	-

◆ Breakdown of sales (main factors)

Business in the United States	4.8	-0.6 (88.3)	-0.7 (87.1)	105.1%
Tofu business	4.3	-0.5 (88.8)	-0.6 (88.1)	105.7%
Business in China	1.7	-0.3 (87.3)	-1.0 (63.8)	111.5%
Businesses in Southeast Asia	0.7	+0.4 (197.5)	-0.1 (86.2)	-
Thailand	0.7	+0.3 (192.8)	-0.1 (84.4)	238.2%

- For businesses in Southeast Asia, the account settlement for nine months was irregular in the previous fiscal year.

◆ Sales increased in local currency terms in all three areas but declined in yen terms due to the effect of the stronger yen.

<Impact of exchange rates> (Year on year) * The exchange rates of each country are provided in the fact data.
 Net sales: -¥1.6 billion (the United States: -0.9 billion; China: -¥0.5 billion; southeast Asia: -¥0.2 billion)
 Operating income: -¥0.1 billion (the United States: -¥0.1 billion)

◆ Business in the United States

- Growth in high value-added products (organic tofu and products for commercial use) continued in the American market.

◆ Business in China

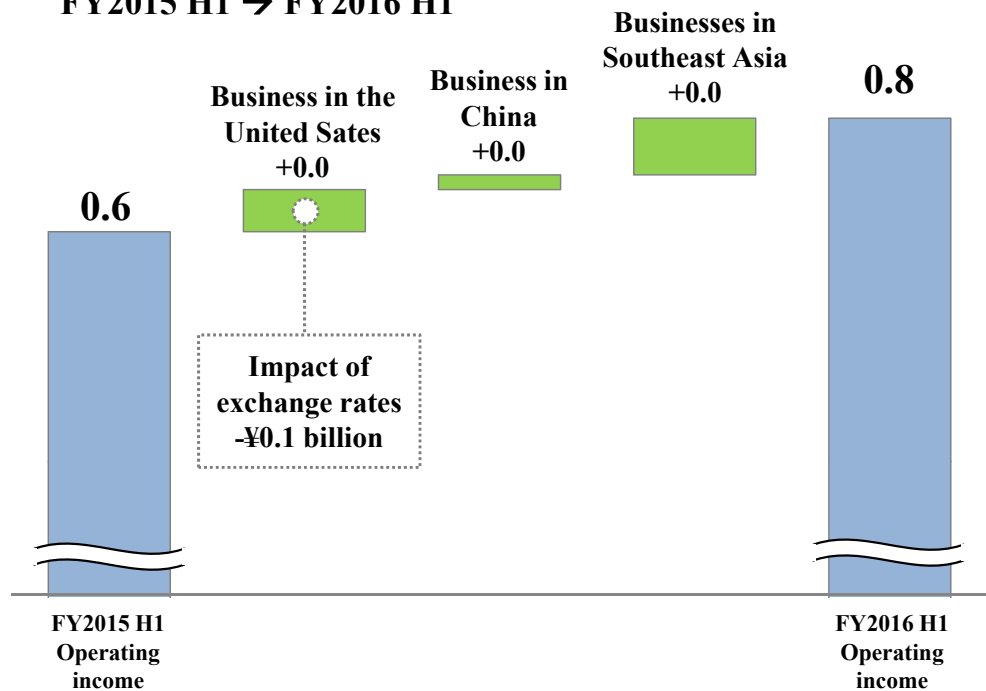
- Japanese-style curry for both household use and commercial use steadily penetrated mainly in urban areas.

◆ Businesses in Southeast Asia

- Thailand: Sales of C-Vitt increased significantly during the summer when demand was robust.

◆ Analysis of operating income change FY2015 H1 → FY2016 H1

(Billion yen)



Restaurant Business



(Billion yen)

Restaurant Business	FY2016 H1 performance	Year on year (%)	Comparison with target (%)	Year on year in local currency
Net sales	25.4	+21.8 (700.7)	-1.1 (95.9)	-
Operating income	-0.1	-0.1 (-)	-0.0 (-)	-
Operating income excluding amortization of goodwill, etc.	2.4	+2.4 (-)	-0.0 (98.1)	-

◆ Breakdown of sales (main factors)

Ichibanya Co., Ltd. (consolidated)	22.5	+22.5 (-)	-0.2 (99.1)	-
Restaurant business in Asia	2.3	-0.5 (83.1)	-0.7 (76.7)	-
China (54 restaurants)	1.3	-0.3 (81.2)	-0.6 (70.6)	103.7%
Taiwan (28 restaurants)	0.8	-0.1 (85.3)	-0.1 (87.8)	105.3%
South Korea (22 restaurants)	0.2	-0.0 (88.2)	-0.0 (84.9)	107.7%

- Ichibanya Co., Ltd. was included in consolidation in the fourth quarter of FY2015.
- The number of restaurants in the restaurant business in Asia is as of June 2016.



China Plaza Restaurant
(Guangzhou), China

◆ Reorganization of the restaurant business in Asia

- The restaurant business in China and Taiwan was shifted to a system under the leadership of Ichibanya Co., Ltd.
- Strengthened the profitability of the business as a whole in the increasingly competitive environment by ensuring the economic viability of individual restaurants.
 - (i) Disposal and rebuilding of underperforming restaurants
 - (ii) Further improvement in QSC at restaurants
 - (iii) Stricter selection of locations, contract conditions, etc. for opening restaurant

◆ Ichibanya Co., Ltd.

- Promoted efforts to improve QSC and enhance the comfort and convenience of restaurants, with highest priority placed on increasing sales at existing restaurants.

* Results of Ichibanya Co., Ltd. (March to August 2016): Sales and income increased (net sales 100.3% and operating income 106.1%).

Other Food Related Business



Other Food Related Business	FY2016 H1 performance	Year on year (%)	Comparison with target (%)
Net sales	30.2	+0.2 (100.6)	-0.4 (98.6)
Operating income	0.4	+0.5 (-)	+0.2 (173.8)

◆ Breakdown of sales (main factors)

House Logistics Service Corporation	11.6	+0.2 (101.6)	+0.2 (101.3)
Delica Chef Corporation	8.5	+0.3 (103.3)	+0.1 (100.7)
Vox Trading Co., Ltd.	9.6	-0.3 (97.1)	-0.6 (94.2)

- Vox Trading Co., Ltd. merged with Horie Yamatoya Co., Ltd. through an absorption-type merger on April 1, 2016, and the values stated in “Year on year” are compared with actual results including Horie Yamatoya.

◆ House Logistics Service Corporation (transport and warehousing)

- Efforts to improve profitability, including strengthening cost competitiveness and enhancing economic viability, achieved certain results.

◆ Delica Chef Corporation (convenience store vender)

- Initial costs for the operation of a new prepared food plant were eliminated.

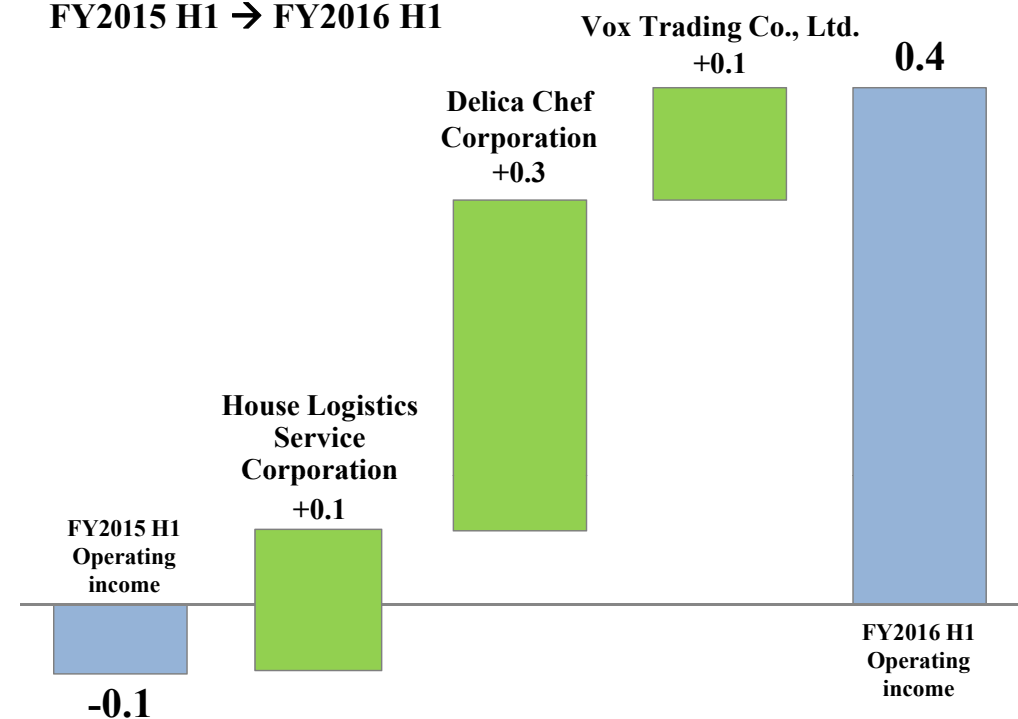
- The enhancement of production capacity and the improvement of production efficiency were promoted.

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

- Merged with Horie Yamatoya Co., Ltd. to strengthen the business base.

◆ Analysis of operating income change FY2015 H1 → FY2016 H1

(Billion yen)

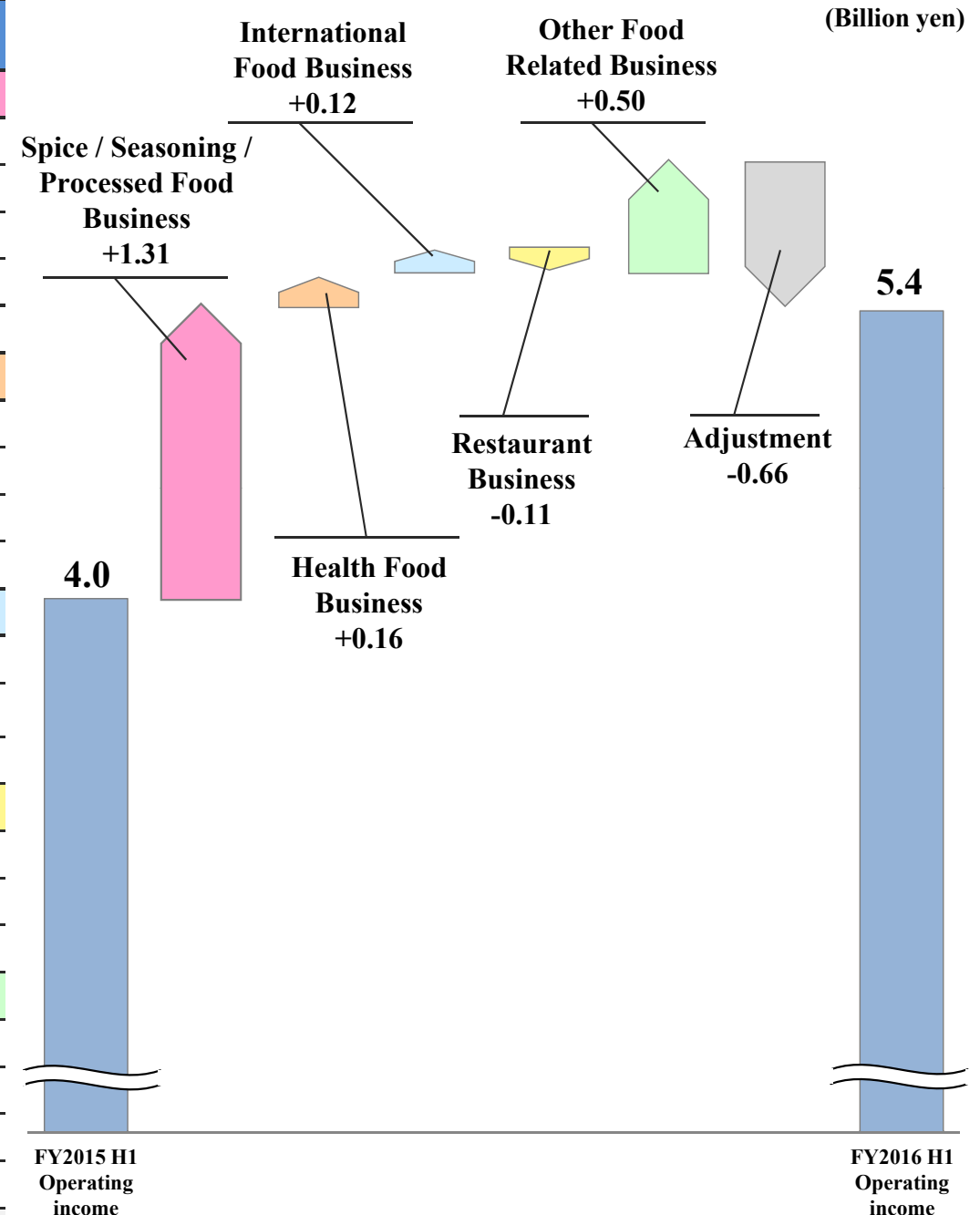


Operating Income Change Analysis



◆ Factors of changes by business segment

	FY2016 H1 performance
Spice / Seasoning / Processed Food Business	+1.31
Change in sales	+0.9
Change in cost of sales ratio	+0.2
Marketing costs	+0.1
Personnel expenses and other expenses	+0.0
Effect of consolidation of Gaban Co., Ltd.	+0.1
Health Food Business	+0.16
Change in sales	-0.3
Change in cost of sales ratio	+0.0
Marketing costs	+0.3
Personnel expenses and other expenses	+0.1
International Food Business	+0.12
Business in the United States (excl. restaurants)	+0.0
Business in China	+0.0
Businesses in Southeast Asia	+0.0
Restaurant Business	-0.11
Ichibanya Co., Ltd.: Effect of consolidation	+2.5
Ichibanya Co., Ltd.: Amortization of goodwill, etc.	-2.5
Restaurant business in Asia	-0.1
Other Food Related Business	+0.50
House Logistics Service Corporation	+0.1
Delica Chef Corporation	+0.3
Vox Trading Co., Ltd.	+0.1
Adjustment	-0.66
Changes in operating income	+1.31



Full-Year Plan for FY2016

Targets for Consolidated Income (Loss)



Billion yen	FY2015 performance	FY2016 revised target	Year on year (%)	ROS (%)	Comparison with target (Jun. 24) (%)
Net sales	241.9	285.3	+43.4 (117.9)	—	-10.5 (96.5)
Operating income	10.8	11.0	+0.2 (102.1)	3.9	+0.6 (105.8)
Ordinary income	12.2	11.5	-0.7 (94.6)	—	+0.1 (100.9)
Profit attributable to owners of parent	22.6	7.3	-15.3 (32.3)	—	+0.4 (105.8)
<Reference>					
EBITDA *1	18.7	23.8	+5.1 (127.3)	*2 8.3	
Profit attributable to owners of parent (judgment criteria for dividends) *3	9.6	9.4	-0.2 (97.7)	—	

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

*2 EBITDA margin: EBITDA / Net sales

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

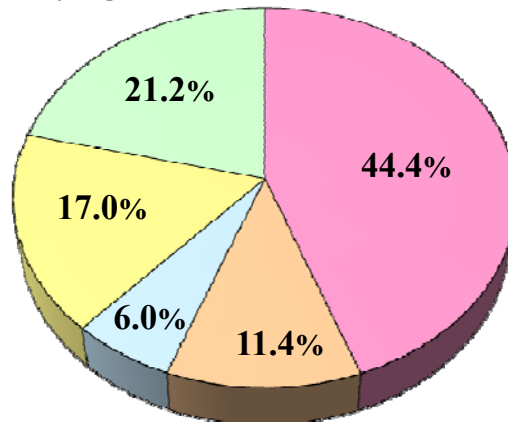
Targets for Net Sales by Segment



Billion yen	FY2015 performance	FY2016 revised target	Year on year (%)		FY2016 H2 revised target	Year on year (%)	
Net sales	241.9	285.3	+43.4	(117.9)	148.3	+18.8	(114.5)
Spice / Seasoning / Processed Food Business	120.0	133.1	+13.1	(110.9)	70.8	+7.7	(112.2)
Health Food Business	34.5	34.3	-0.2	(99.4)	16.4	+0.4	(102.8)
International Food Business	18.6	18.1	-0.5	(97.4)	9.5	+0.1	(100.9)
Restaurant Business	18.3	51.0	+32.7	(278.5)	25.6	+10.9	(174.2)
Other Food Related Business	62.7	63.6	+0.9	(101.4)	33.4	+0.7	(102.2)
Adjustment (elimination)	-12.3	-14.8	-2.5	(-)	-7.4	-1.0	(-)

◆ Breakdown of revised full-year targets by segment

* Excluding adjustment (elimination)



Targets for Operating Income by Segment



Billion yen	FY2015 performance	FY2016 revised target	Year on year (%)	ROS (%)	FY2016 H2 revised target	Year on year (%)	ROS (%)
Operating income	10.8	11.0	+0.2 (102.1)	3.9	5.6	-1.1 (83.9)	3.8
Spice / Seasoning / Processed Food Business	7.9	8.9	+1.0 (112.3)	6.7	5.3	-0.3 (94.1)	7.5
Health Food Business	1.4	1.6	+0.2 (114.5)	4.7	0.5	+0.0 (110.8)	2.9
International Food Business	1.4	1.2	-0.2 (86.9)	6.6	0.4	-0.3 (58.8)	4.6
Restaurant Business	0.0	-0.3	-0.3 (-)	(0.5)	-0.2	-0.2 (-)	(0.6)
Other Food Related Business	0.1	0.8	+0.6 (742.5)	1.2	0.3	+0.2 (193.5)	0.9
Adjustment (elimination)	-0.1	-1.2	-1.1 (-)	-	-0.7	-0.5 (-)	-

◆ Reference Excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.

Operating income	12.0	16.0	+4.0 (133.2)	5.6	8.2	+0.2 (102.2)	5.5
Restaurant Business	1.3	4.8	+3.5 (367.2)	9.3	2.4	+1.1 (184.0)	9.2

◆ Breakdown of revised full-year targets by segment * Excluding adjustment (elimination)

Spice / Seasoning / Processed Food Business	Health Food Business	International Food Business	Restaurant Business	Other Food Related Business
73.0%	13.1%	9.8%	-2.0%	6.1%

Revised Full-Year Targets by Segment, Comparison with Target (June 24)



Billion yen	FY2016 revised target	Comparison with target (Jun. 24) (%)	FY2016 H2 revised target	Comparison with target (Jun. 24) (%)
Net sales	285.3	-10.5 (96.5)	148.3	-5.2 (96.6)
Spice / Seasoning / Processed Food Business	133.1	-2.4 (98.2)	70.8	-1.4 (98.0)
Health Food Business	34.3	-0.7 (98.0)	16.4	+0.2 (101.5)
International Food Business	18.1	-4.1 (81.5)	9.5	-2.1 (81.8)
Restaurant Business	51.0	-3.0 (94.4)	25.6	-1.9 (93.0)
Other Food Related Business	63.6	-0.4 (99.4)	33.4	+0.0 (100.1)
Adjustment (elimination)	-14.8	+0.1 (-)	-7.4	+0.0 (-)
Operating income	11.0	+0.6 (105.8)	5.6	-0.8 (88.3)
Spice / Seasoning / Processed Food Business	8.9	+0.8 (109.2)	5.3	-0.2 (96.0)
Health Food Business	1.6	-0.2 (91.4)	0.5	-0.1 (85.5)
International Food Business	1.2	-0.4 (77.4)	0.4	-0.4 (54.1)
Restaurant Business	-0.3	-0.2 (-)	-0.2	-0.2 (-)
Other Food Related Business	0.8	+0.1 (115.5)	0.3	-0.1 (79.1)
Adjustment (elimination)	-1.2	+0.5 (-)	-0.7	+0.2 (-)

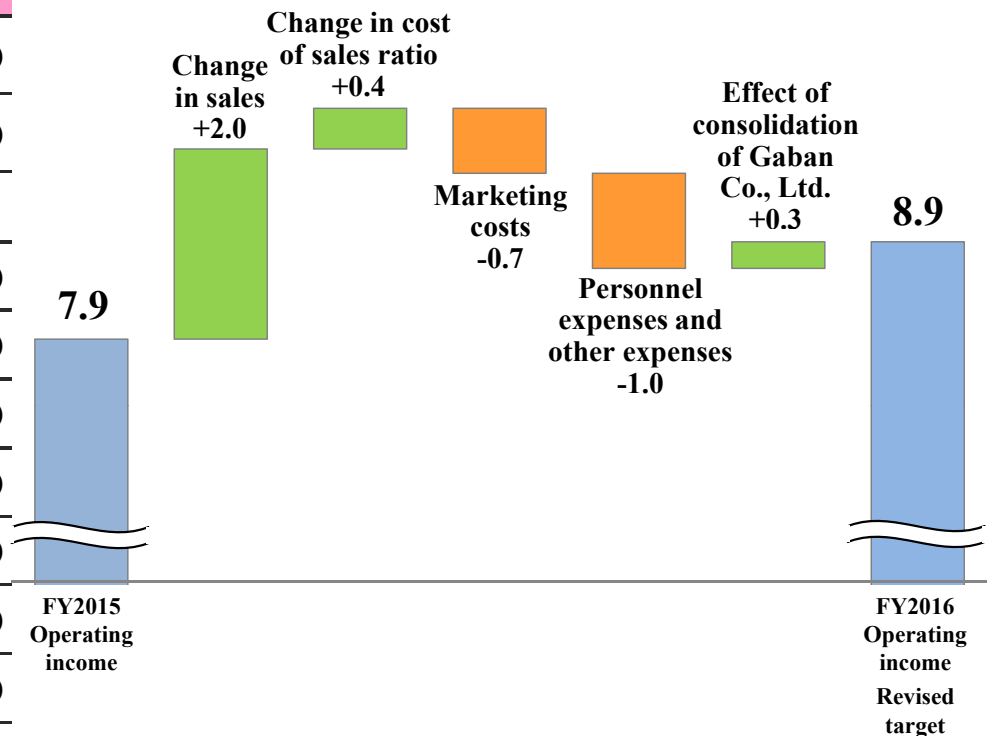
Spice / Seasoning / Processed Food Business



Spice / Seasoning / Processed Food Business	FY2015 performance	FY2016 revised target	Year on year (%)
Net sales	120.0	133.1	+13.1 (110.9)
Operating income	7.9	8.9	+1.0 (112.3)

◆ Analysis of operating income change FY2015 → FY2016

(Billion yen)



◆ Breakdown of sales (main factors)

	FY2015 performance	FY2016 revised target	Year on year (%)
House Foods Corporation	122.2	127.2	+5.0 (104.1)
Curry roux	37.3	38.2	+0.9 (102.4)
Stew roux	13.0	13.2	+0.2 (101.2)
Spice	16.9	18.2	+1.4 (108.0)
Retort pouched curry	11.6	13.0	+1.4 (112.3)
Food service products	16.4	17.2	+0.8 (104.8)
Gaban Co., Ltd.	—	7.5	+7.5 (—)

- Gaban Co., Ltd. is newly consolidated in the second quarter of FY2016.

◆ Further increase the menu value and the product brand power.

- Roux products: Enhance special event sales promotion and promote the stew value co-creation marketing.
- Retort pouched products: Focus on efforts to establish *Pro Quality* on the market and increase the attractiveness of products.
- Strengthen the development and cultivation of new value products for sustainable profit creation.

◆ Synergy with Gaban Co., Ltd.

- Initiate efforts for strengthening the BtoB area and cooperation in production and procurement.



Health Food Business



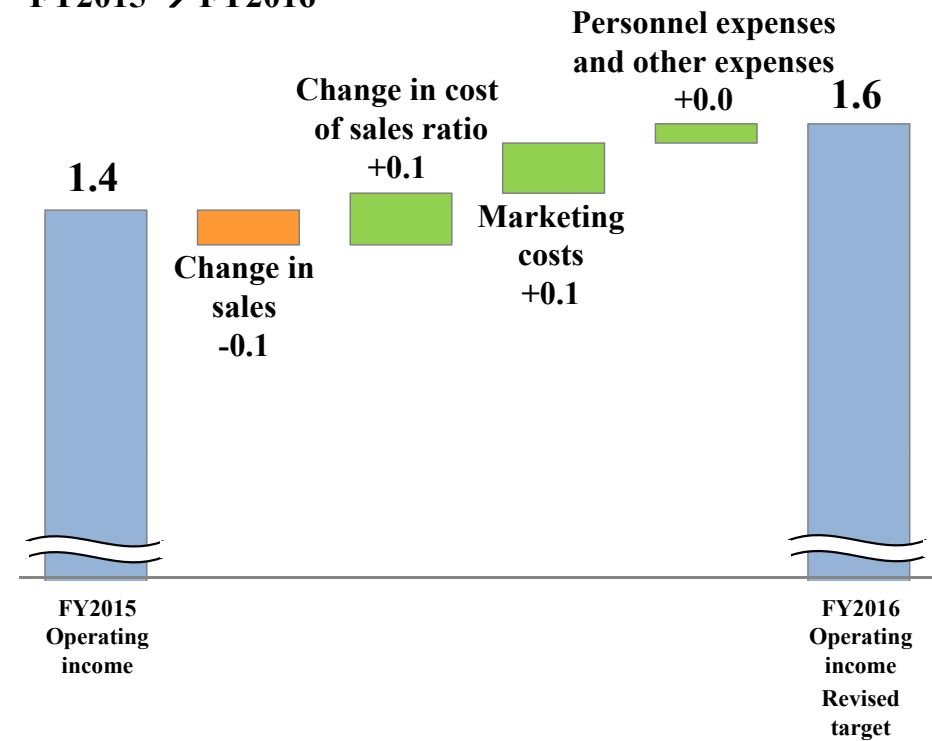
Health Food Business	FY2015 performance	FY2016 revised target	Year on year (%)
Net sales	34.5	34.3	-0.2 (99.4)
Operating income	1.4	1.6	+0.2 (114.5)

◆ Breakdown of sales (main factors)

<i>Ukon No Chikara</i>	12.1	12.2	+0.1 (100.7)
<i>C1000</i>	13.8	13.9	+0.0 (100.3)
<i>Vitamin Lemon</i>	5.8	5.7	-0.1 (98.6)

◆ Analysis of operating income change FY2015 → FY2016

(Billion yen)



◆ Functional spice business

Ukon No Chikara

- Boost demand and enhance contact points.
Fully enforce freshness with a higher sense of efficacy and promotion to evoke drinking scenes.
Continue marketing activities in entertainment districts.

◆ Vitamin business:

- Build a portfolio with high profitability and growth potential.
Accelerate efforts to develop the independent brand *Ichinichibun No Vitamin*.



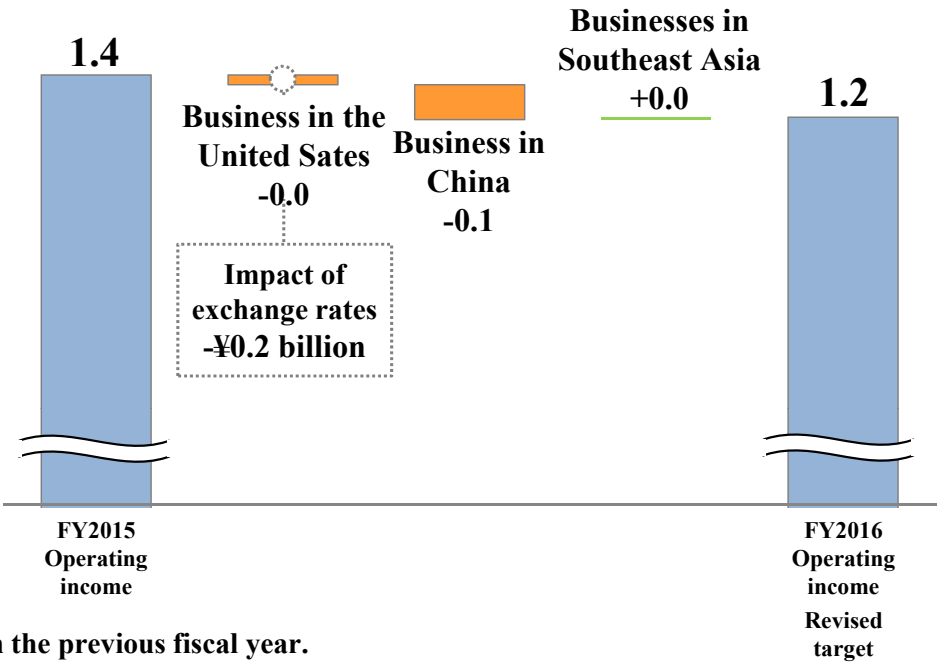
Ukon No Chikara
Enhanced and strengthened
B-complex vitamins

International Food Business



International Food Business	FY2015 performance	FY2016 revised target	Year on year (%)	Year on year in local currency
Net sales	18.6	18.1	-0.5 (97.4)	-
Operating income	1.4	1.2	-0.2 (86.9)	-

◆ Analysis of operating income change FY2015 → FY2016 (Billion yen)



◆ Breakdown of sales (main factors)

Business	FY2015 performance	FY2016 revised target	Year on year (%)	Year on year in local currency
Business in the United States	10.7	9.6	-1.1 (89.5)	104.9%
Tofu business	9.6	8.6	-1.0 (89.6)	105.0%
Business in China	4.0	3.7	-0.3 (92.3)	109.7%
Businesses in Southeast Asia	1.1	1.5	+0.4 (139.5)	-
Thailand	1.1	1.4	+0.4 (133.5)	152.1%

- For businesses in Southeast Asia, the account settlement for nine months was irregular in the previous fiscal year.

* The exchange rates of each country are provided in the fact data.

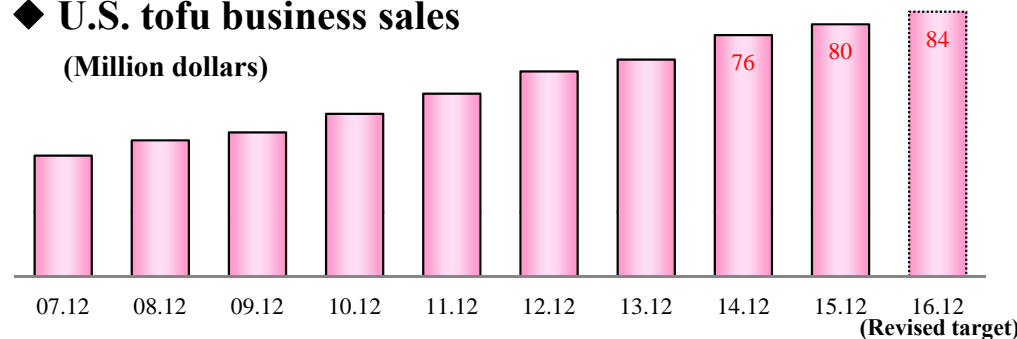
◆ Impact of exchange rates (Year on year)

Net sales: -¥2.6 billion (the United States: -1.6 billion; China:-¥0.7 billion; southeast Asia: -¥0.2 billion)

Operating income: -¥0.2 billion (the United States: -¥0.2 billion)

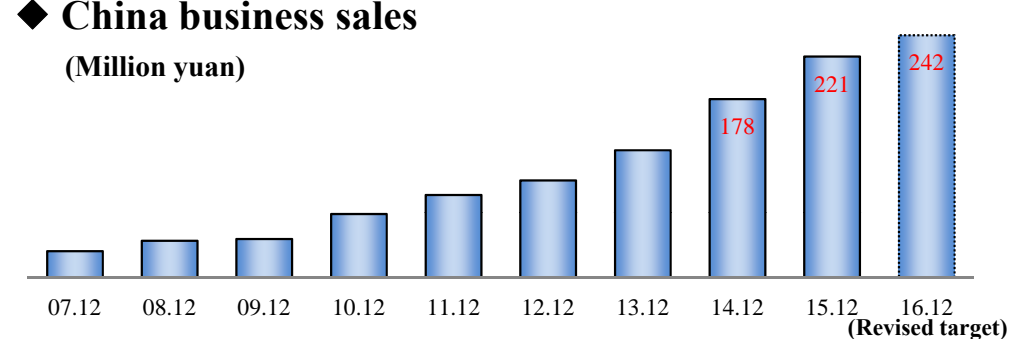
◆ U.S. tofu business sales

(Million dollars)



◆ China business sales

(Million yuan)



International Food Business



Business in the United States

Tofu business

- Increase the share and profitability of the existing tofu business.
 - Acquire new customers.
- Undertake the broadening of base by launching high value-added products in the market.
(Strengthen an approach to the American market.)



GO
UMAMI

TOFU
SHIRATAKI
RAMEN



Business in China

Curry business

- Promote the market expansion for Japanese-style curry for both household use and commercial use (started the construction of the third plant in preparation for further business expansion).
- Work to rebuild the sales system and the agent policy for sustainable growth.



Deepening of
communication

Businesses in Southeast Asia

Functional drink business in Thailand

- Continue growth by working to expand targets and drinking scenes in order to further expand demand for vitamins.

Curry business in Southeast Asia

- Acquire the Halal certification.
- Start a test marketing in Indonesia, beginning with the BtoB business.



Restaurant Business / Other Food Related Business



Restaurant Business	FY2015 performance	FY2016 revised target	Year on year (%)
Net sales	18.3	51.0	+32.7 (278.5)
Operating income	0.0	-0.3	-0.3 (-)
Operating income excluding amortization of goodwill, etc.	1.3	4.8	+3.5 (367.2)

◆ Breakdown of sales (main factors)

Ichibanya Co., Ltd. (consolidated)	11.4	45.0	+33.6 (394.5)
Restaurant business in Asia	5.2	4.7	-0.5 (89.6)

- Ichibanya Co., Ltd. was included in consolidation in the fourth quarter of FY2015.

Other Food Related Business	FY2015 performance	FY2016 revised target	Year on year (%)
Net sales	62.7	63.6	+0.9 (101.4)
Operating income	0.1	0.8	+0.6 (742.5)

◆ Breakdown of sales (main factors)

House Logistics Service Corporation	23.0	23.1	+0.1 (100.4)
Delica Chef Corporation	16.9	16.8	-0.1 (99.2)
Vox Trading Co., Ltd.	21.8	22.8	+0.9 (104.3)

- Vox Trading Co., Ltd. merged with Horie Yamatoya Co., Ltd. through an absorption-type merger on April 1, 2016, and the values stated in "Year on year" are compared with actual results including Horie Yamatoya.

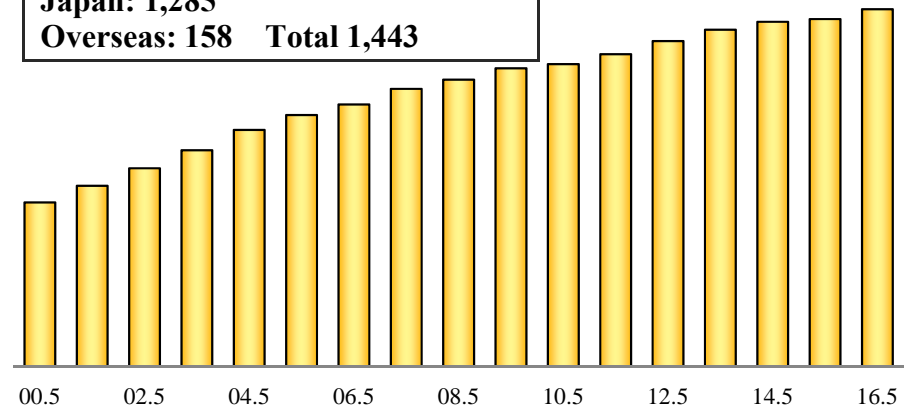
◆ Number of restaurants of Ichibanya Co., Ltd. (including overseas)

(Billion yen)

As of August 2016

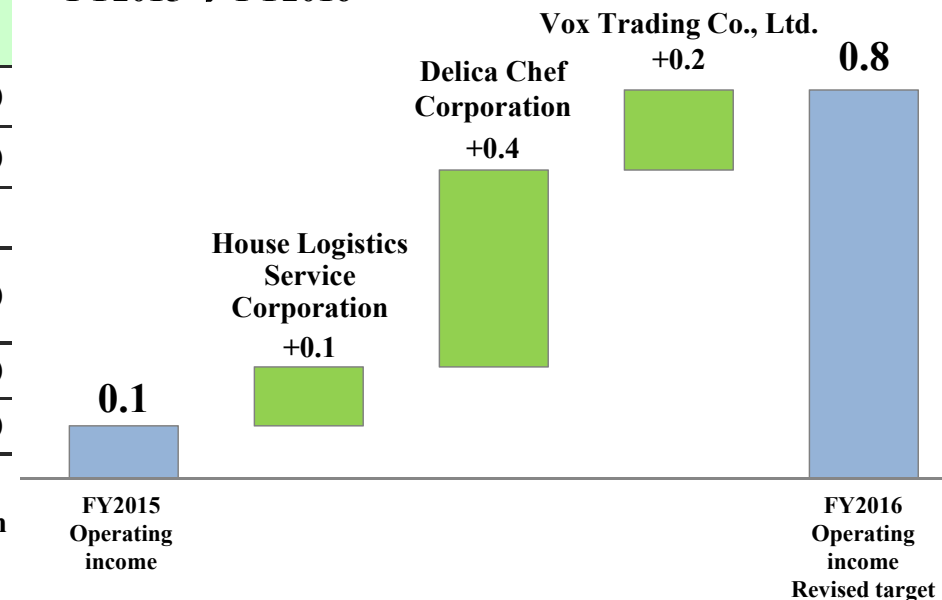
Japan: 1,285

Overseas: 158 Total 1,443



* Target of Ichibanya Co., Ltd. (March 2016 - February 2017):
Higher sales and income

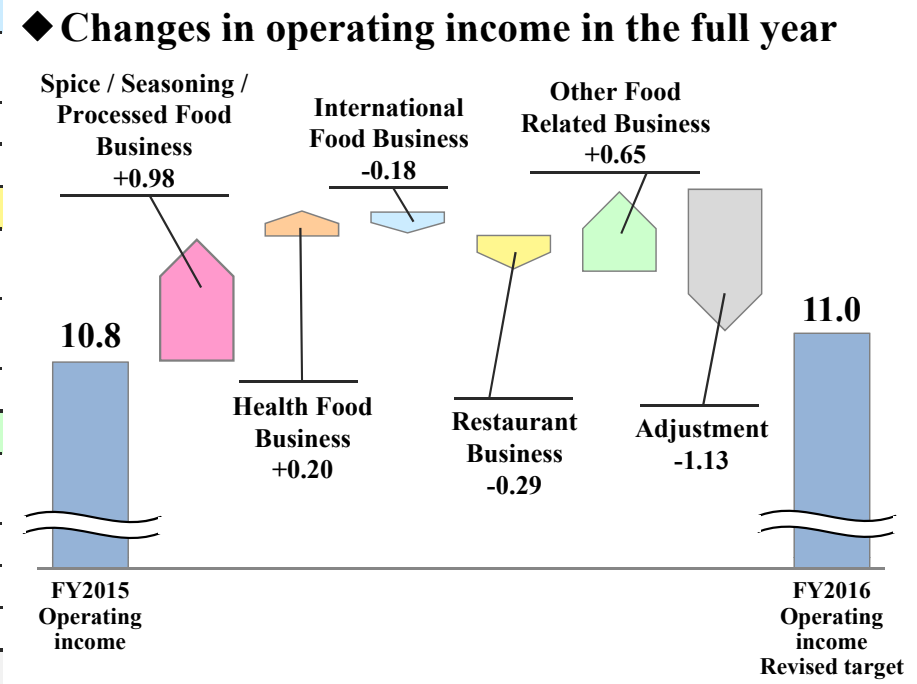
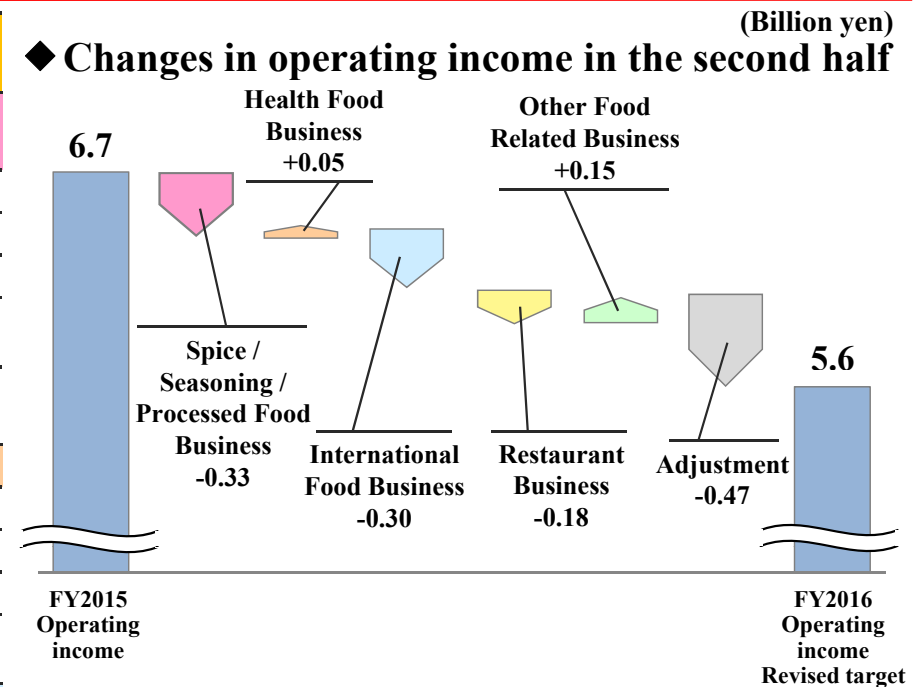
◆ Analysis of operating income change FY2015 → FY2016



Operating Income Change Analysis



◆ Factors of changes by business segment	FY2016 H1 performance	FY2016 H2 revised target	FY2016 revised target
Spice / Seasoning / Processed Food Business	+1.31	-0.33	+0.98
Change in sales	+0.9	+1.1	+2.0
Change in cost of sales ratio	+0.2	+0.2	+0.4
Marketing costs	+0.1	-0.8	-0.7
Personnel expenses and other expenses	+0.0	-1.0	-1.0
Effect of consolidation of Gaban Co., Ltd.	+0.1	+0.2	+0.3
Health Food Business	+0.16	+0.05	+0.20
Change in sales	-0.3	+0.2	-0.1
Change in cost of sales ratio	+0.0	+0.1	+0.1
Marketing costs	+0.3	-0.2	+0.1
Personnel expenses and other expenses	+0.1	-0.1	+0.0
International Food Business	+0.12	-0.30	-0.18
Business in the United States (excl. restaurants)	+0.0	-0.0	-0.0
Business in China	+0.0	-0.1	-0.1
Businesses in Southeast Asia	+0.0	-0.0	+0.0
Restaurant Business	-0.11	-0.18	-0.29
Ichibanya Co., Ltd.: Effect of consolidation	+2.5	+1.0	+3.5
Ichibanya Co., Ltd.: Amortization of goodwill, etc.	-2.5	-1.3	-3.8
Restaurant business in Asia	-0.1	+0.0	-0.0
Other Food Related Business	+0.50	+0.15	+0.65
House Logistics Service Corporation	+0.1	-0.0	+0.1
Delica Chef Corporation	+0.3	+0.1	+0.4
Vox Trading Co., Ltd.	+0.1	+0.1	+0.2
Adjustment	-0.66	-0.47	-1.13
Changes in operating income	+1.31	-1.08	+0.23



Supplementary Description

History of businesses (Abstract)

-1950s

- 1913 Urakami Shoten, an enterprise dealing in herbal medicines, founded
- Spice
- 1926 Launch of powder curry start
- 1934 Hashed beef sauce



1960s-1980s

- 1960 Solid curry roux
- 1964 Dessert
- 1966 Stew
- 1970 Retort pouched food (Sun House Foods)
- Transport and warehousing (House Logistics Service)
- 1973 Instant noodles
- 1977 Snack
- 1983 Entry into USA (Restaurant, Tofu)
- Mineral water
- 1985 Deli products (Delica Chef)

Vermont Curry



Launched in 1963

Stew Mix



Launched in 1966

tofu (USA)



Launched in 1983

Tongari Corn



Launched in 1978

Kukure Curry



Launched in 1971

1990s

- 1995 Liquid seasoning
- 1997 Entry into China (Restaurants)
- Health Foods



C1000

Launched in 1990

2000s

- 2000 Entry into Taiwan (Restaurants)
- 2002 Retort pouched curry (China)
- 2004 Ukon extract drink
- 2005 Curry roux (China)
- 2006 Health foods (House Wellness Foods)
- 2007 Entry into South Korea (Restaurants)

Ukon No Chikara



Launched in 2004

Vermont Curry (China)



Launched in 2005

2010s

- 2010 Transfer of the mineral water business
- 2011 Entry into Thailand (House Osotspa Foods Co., Ltd.)
- 2012 Entry into Vietnam (House Foods Vietnam Co., Ltd.)
- 2013 Import/sales of foodstuffs (Vox Trading Co., Ltd.)
- Switch to a holding company system (the company name changed to House Foods Group Inc.)
- 2015 Ichibanya Co., Ltd. made into a consolidated subsidiary
- 2016 Gaban Co., Ltd. made into a consolidated subsidiary



Major new products and varieties for the autumn and winter 2016



◆ New product

Tax is not included. Prices in parentheses are for reference.

Category	Product	Suggested retail price (reference price)	On-shelf date
Chowder	144g Hokkaido Chowder (clam chowder)	Open (¥260)	Aug. 22
Gratin	Gratiner Penne Rigate Gratin (<i>noukou white sauce, noukou demi-glace sauce</i>)	Open (¥276)	Aug. 22
Spice	42g Tokusen Honkaori Yasashii Karasano Nama Wasabi	¥190	Aug. 22
Retort pouched curry	<i>Guno Ippin</i> (European curry with diced Pork, Indian curry with chicken with bone)	Open (¥450)	Aug. 22

◆ Variety

Stew roux	180g <i>Stew Mix Cream Noukou-jitate</i>	¥259	Aug. 22
Stew roux	148g <i>Mogitate Sweet Corn No Creamy Stew</i>	Open (¥248)	Aug. 22
Spice	Spice Cooking (pea sprout stir-fried, pumpkin salad, otsumami potato salad)	Open (¥110)	Aug. 22
Retort pouched curry	Pro Quality Beef Curry Pack of 4 Mild Blend	Open (¥478)	Aug. 22
Retort pouched curry	Curry Marche Specialite, Curry with Lamb and Mushroom	Open (¥500)	Aug. 22

◆ Renewal

Stew roux	90g/180g Hokkaido Stew Cream	90 g ¥156 180 g ¥297	Aug. 22
Stew roux	172g Hokkaido Stew Beef	¥297	Aug. 22
Spice	42g Tokusen Honkaori (<i>nama wasabi, Japanese mustard, nama ninniku</i>)	¥190	Aug. 22
Wellness drinks	<i>Ukon No Chikara</i> : Ukon Extract Drink, cassis and orange flavor, pineapple and peach flavor	¥190	Oct. 17
Wellness drinks	<i>Ukon No Chikara</i> : Super	Open (¥286)	Oct. 17
Wellness drinks	<i>Ukon No Chikara</i> : Liver Plus	Open (¥324)	Oct. 17
Wellness drinks	C1000 <i>Chotto Koimeno Yasashii Lemon</i> 500ML	¥140	Sep. 26



* Other variety and fresh-up products

◆ 2020 Vision

Innovative changes to a quality company that offers health through its foods

◆ Fifth Medium-Term Business Plan Basic Concept

Start up a business model (new business) that offers new value in the mature domestic market, in addition to the core domestic businesses and the overseas core growth businesses.

- Support the Group's earnings base by further strengthening the brand value of the existing domestic businesses.
- Propel the Group's growth by applying the Group's expertise overseas.
- Start up business in collaboration with value-chain-type businesses that will offer new value in Japan.

Enhance the significance of Group's existence in society by fulfilling the "three responsibilities."

- Aim to realize the Group philosophy by conducting corporate activities based on the "three responsibilities" (for customers, employees and their families and society) we are obligated to fulfill as a corporate citizen.

Further strengthen the capacity to put functions and plans into practice.

- Group's PDCA function
- R&D function
- Cost competitiveness

Narrow the gap with the target ROE by improving the ROA.

◆ Guidelines concerning business investments

Utilize 50 billion yen for business investment funds.

* Set 70 billion yen as the upper limit if necessary (by borrowing 20 billion yen)

- Actual results of utilizing funds (as of the end of September 2016)	¥41.8 billion
Conversion of Ichibanya Co., Ltd. to a subsidiary	¥30.3 billion
Conversion of Gaban Co., Ltd. to a subsidiary	¥6.7 billion
Investment in the third plant in China	¥4.4 billion

◆ Guidelines concerning profit distribution

New dividend policy

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

- Dividend policy was changed as there will be greater fluctuation in income that is not accompanied by cash in the future due to business investment
→ Old dividend policy: Stable dividends based on payout ratio of 30%.

	FY2015 performance	FY2016 H1 performance
Annual dividend per share	¥30	¥15
Payout ratio	13.6%	36.6%
Payout ratio based on new dividend policy	32.0%	34.0%

A new onion that does not cause the eyes to water and has a mild flavor

Smile Ball

Started selling also in the current fiscal year, the second year after the launch, with limited volume and channels.

<Future plan>

- ◆ Aim for harvesting of 100 tons in 2017 and 1,000 tons in 2019 mainly for sales in Japan.
- ◆ Work on the *Smile Ball* business with a view to an entry into the ingredients and raw materials business in the future by actively developing valuable materials, in addition to production and sales overseas.



● Differences between *Smile Ball* and regular onions

	Ordinary onion	New onion	<i>Smile Ball</i>
Characteristics	Regular onion Distributed almost throughout the year.	Juicy onion with weak hot flavor limited in February to May	New onion with mild flavor bred by the Company
Hot flavor when it is eaten raw	Strong	Weak	Very little
Sweetness when it is eaten raw	Do not feel under cover of hot flavor.	Feel a little because hot flavor is weak.	Feel because there is very little hot flavor.
Moisture	90%	95%	90%
Sugar degree	About 10 to 11 degree	About 5 to 6 degree	About 10 to 11 degree
Quercetin	Standard = 1.0	0.25	1.0

CSR activities of the House Foods Group

“Hajimete Cooking” Workshops

Dietary education activity in which 6.45 million kindergarten children have participated since the inception in 1996.

The Group is promoting CSR activities through its core business more than ever, with the Group employees beginning to participate in the activities from the current fiscal year.

