

FY2018

Results Briefing

House Foods Group Inc.



May 14, 2019
<https://housefoods-group.com/>

◇ FY2018 Results	pp. 3 - 12
◇ Full-Year Plan for FY2019	pp. 13 - 17
◇ Capital and Business Alliance with Yamami Company	pp. 18 - 19

Supplementary materials

◇ Supplementary Description	pp. 20 - 27
Corporate Philosophy of House Foods Group and Medium-Term Business Plan / Sixth Medium-Term Business Plan / History of Businesses / Business Development / Major New Products and Varieties for the Spring and Summer 2019	

FY2018 Results

- ◇ **Operating profit hit a record high for the second consecutive year.**
 - **Two domestic core businesses increased their profit controlling power, but decelerated toward the end of the fiscal year, and operating profit declined in the fourth quarter.**
 - **We started the *Lactobacillus* business with unique technologies and began to fully develop it.**
 - **Steady growth was achieved for overseas business.**

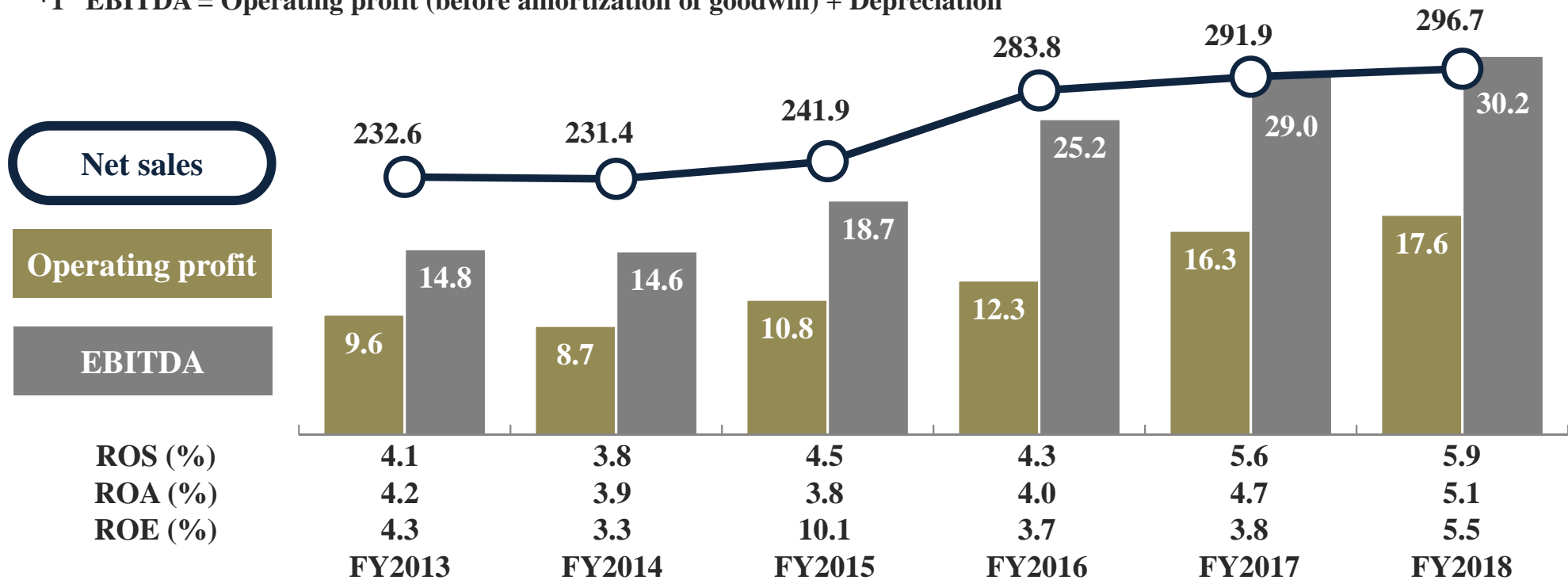
- ◇ **Execution of a business investment plan in anticipation of the seventh medium-term business plan and the implementation of measures to improve capital efficiency.**
 - **We closely examined the significance of holding group assets and sold some shares.**
 - **We acquired our own shares (2 million shares, acquisition price 8.8 billion yen) and cancelled all of them.**
 - **Year-end dividends were increased by 4 yen from the previous fiscal year; dividends for the full year increased by 6 yen from the previous fiscal year, to 44 yen.**

Consolidated Results



Billion yen	FY2018					
	Results	Comparison with net sales	Year on year		Comparison with revised target	
Net sales	296.7	—	+4.8	+1.6%	-5.0	-1.7%
Operating profit	17.6	5.9%	+1.3	+7.8%	-0.4	-2.4%
Ordinary profit	19.1	6.4%	+1.9	+11.0%	-0.5	-2.6%
Profit attributable to owners of parent	13.8	4.6%	+4.4	+47.2%	+0.1	+0.5%
EBITDA ^{*1}	30.2	10.2%	+1.3	+4.4%	-0.2	-0.5%

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





Results by Segment

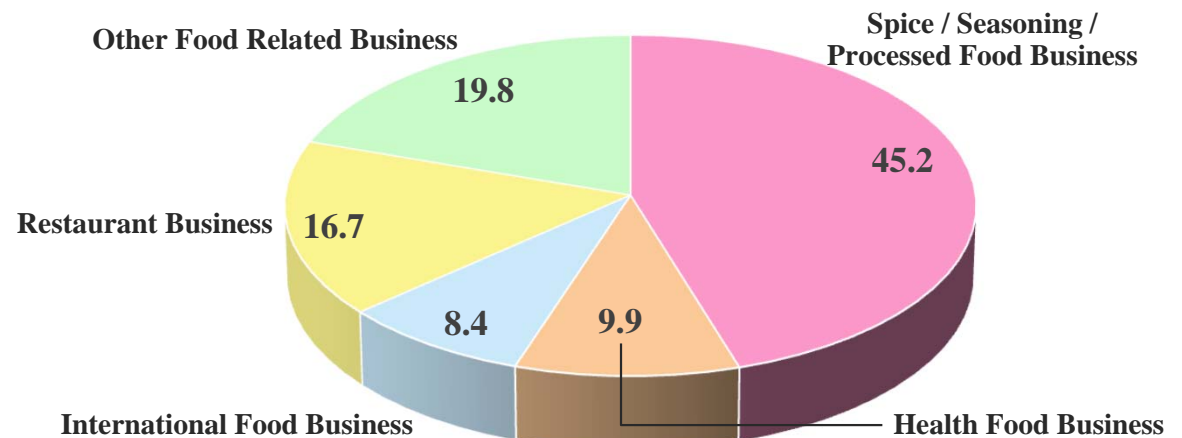
Billion yen	Net sales					Operating profit					
	FY2018					FY2018					
	Results	Year on year		Comparison with revised target		Results	ROS	Year on year		Comparison with revised target	
Total	296.7	+4.8	+1.6%	-5.0	-1.7%	17.6	5.9%	+1.3	+7.8%	-0.4	-2.4%
Spice / Seasoning / Processed Food Business	141.2	+1.3	+0.9%	-2.0	-1.4%	12.7	9.0%	+0.6	+4.9%	-0.3	-2.5%
Health Food Business	30.9	-0.7	-2.2%	-1.1	-3.4%	1.4	4.6%	+0.5	+56.6%	-0.1	-5.2%
International Food Business	26.3	+3.5	+15.1%	+0.0	+0.1%	3.6	13.6%	+0.7	+25.9%	+0.2	+5.4%
Restaurant Business <small>(Excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.)</small>	52.1	+0.1	+0.2%	-1.0	-1.9%	-0.6	-1.1%	-0.2	-	-0.3	-
Other Food Related Business	61.9	+0.9	+1.4%	-1.0	-1.6%	4.5	8.6%	-0.2	-3.4%	-0.3	-5.5%
Adjustment (elimination)	-15.7	-0.2	-	+0.1	-	2.0	3.3%	+0.2	+9.6%	+0.0	+2.2%
						-1.6	-	-0.6	-	+0.0	-

Reference: Net Sales by Area

Japan	258.6	+1.3	+0.5%
United States	14.9	+0.9	+6.5%
East Asia	14.8	+0.6	+4.5%
Southeast Asia	7.3	+1.8	+33.4%
Other	1.1	+0.1	+7.2%

Ratio of overseas sales: 12.9%
(up 1.0 percentage point year on year)

Sales breakdown by business segment (%)



* Before the elimination of intersegment sales

Spice / Seasoning / Processed Food Business



Billion yen	FY2018			
	Results	Year on year		Comparison with revised target
Net sales	141.2	+1.3	+0.9%	-2.0 -1.4%
Operating profit	12.7	+0.6	+4.9%	-0.3 -2.5%
ROS	9.0%	+0.3Pt		-0.1Pt

◆ Breakdown of sales (main factors)

Details are also stated in "S. Trends in Net Sales by Business Segment" in Fact Data.

House Foods Corp.	130.2	+0.6	+0.5%	-1.8	-1.3%
Curry roux	36.3	-0.7	-1.9%	-0.2	-0.5%
Stew roux	12.3	-0.8	-5.9%	-0.6	-4.7%
Spice	18.9	+0.2	+1.3%	-0.5	-2.6%
Total of retort pouched products*	18.2	+0.9	+5.5%	-0.4	-2.3%
Packaged noodles	6.7	+0.2	+3.8%	+0.1	+1.2%
Food service products	17.4	+0.1	+0.4%	-0.3	-1.4%
Gaban Co., Ltd.	9.9	-0.2	-1.6%	+0.1	+0.8%
Malony Co., Ltd.	3.0	+1.0	+49.8%	-0.2	-5.6%

* Total of retort pouched curry, retort pouched hashed beef sauce and retort pouched stew

◇ House Foods Corporation

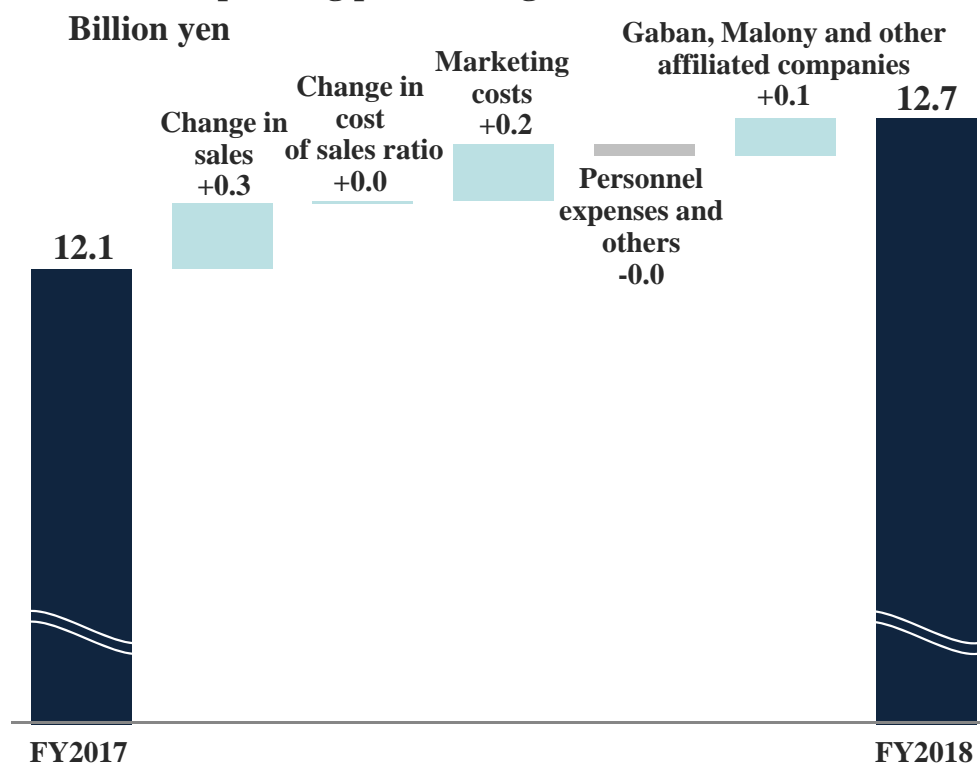
- Promoted reforms of the revenue structure model amid the growing tendency for people to eat out or buy food to eat at home.
 - Curry roux: By implementing the effective operation of marketing costs on the assumption of market shrinkage, developed products that meet demand.
 - Retort pouched products: Made an effort to increase competitiveness of the core low-price range and promote the securing of the position in the mid-price range.
 - Stew roux: Had difficulty reflecting the weather factor in the on-season, although it achieved some positive results for increasing eating opportunities year round.
 - Spice: Strengthened response to needs for time saving and easiness of use (launch of large-volume spice paste and enhancement of seasonings)
 - Packaged noodles: Fully enforced the profitability management of mainstay *Umakacchan*, and plans to revise prices in June 2019.

◇ Gaban Co., Ltd.

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

Issues: Response to concerns about the deceleration of consumption (increase in the attractiveness of menus not influenced by the environment and the development of promotions).
 Reform the revenue structure model in 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).

◆ Factors in operating profit change



Health Food Business



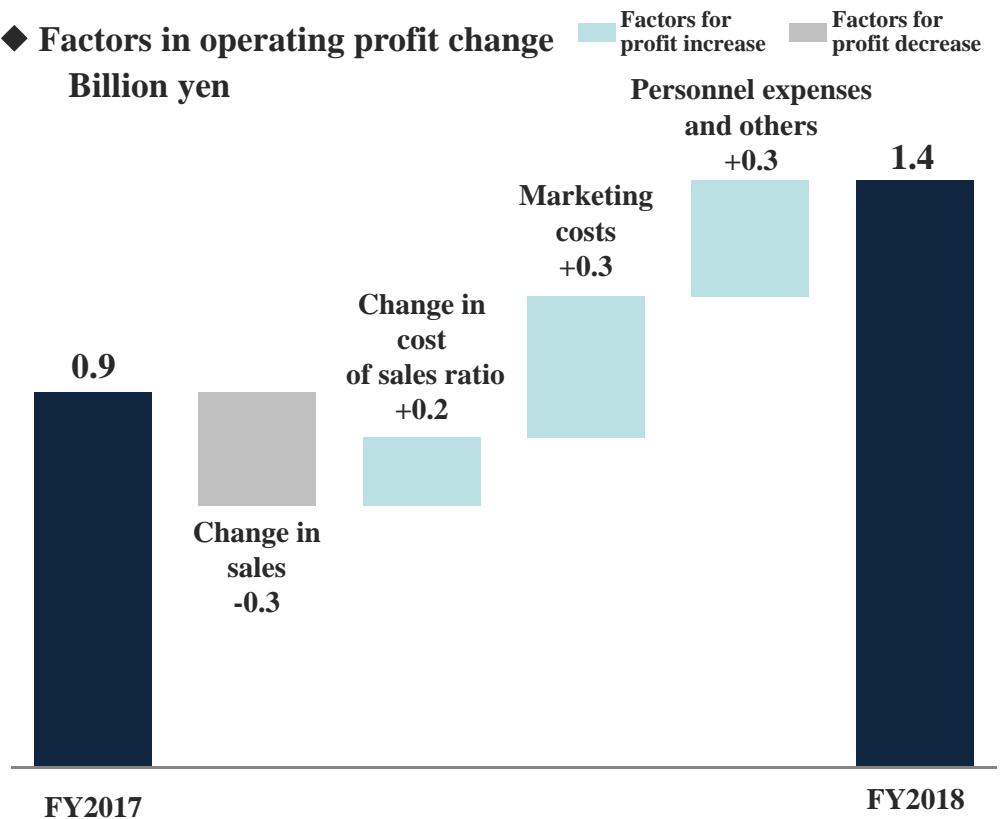
Billion yen	FY2018				
	Results	Year on year		Comparison with revised target	
Net sales	30.9	-0.7	-2.2%	-1.1	-3.4%
Operating profit	1.4	+0.5	+56.6%	-0.1	-5.2%
ROS	4.6%		+1.7Pt		-0.1Pt

◆ Breakdown of sales (main factors)

Functional spice	11.5	-1.2	-9.4%	-0.2	-2.1%
<i>Ukon No Chikara</i>	9.2	-1.2	-11.4%	-0.4	-4.1%
Vitamin	14.6	-0.1	-0.4%	-0.2	-1.4%
<i>C1000</i>	9.3	-0.9	-8.8%	-0.1	-1.0%
<i>Ichinichibun No Vitamin</i>	4.6	+0.8	+22.5%	-0.1	-2.7%
Lactobacillus business	1.1	+0.8	+236.2%	-1.3	-53.0%

◆ Factors in operating profit change

Billion yen



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

◇ Functional spice business

- *Ukon No Chikara*: 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.
- Curcumin & Bisacurone: Expanded health value mainly with *Ukon* essence as an axis.

◇ Vitamin business

- *C1000*: Earnings strength improved due to the full enforcement of cost control, although sales declined.
- *Ichinichibun No Vitamin*: Jelly products continued to drive growth.

◇ Strategic healthy ingredients business

- In the full-fledged start of the *Lactobacillus* business, an increase in product recognition and the understanding of customers about the effects are issues.
 - Launched foods with functional claims for the first time as a Group.
- Made overall efforts to realize a healthy and long-lived society.

Issue:

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



International Food Business



Billion yen	FY2018				Year on year in local currency
	Results	Year on year		Comparison with revised target	
Net sales	26.3	+3.5	+15.1%	+0.0 +0.1%	+18.0%
Operating profit	3.6	+0.7	+25.9%	+0.2 +5.4%	+28.7%
ROS	13.6%		+1.2Pt	+0.7Pt	

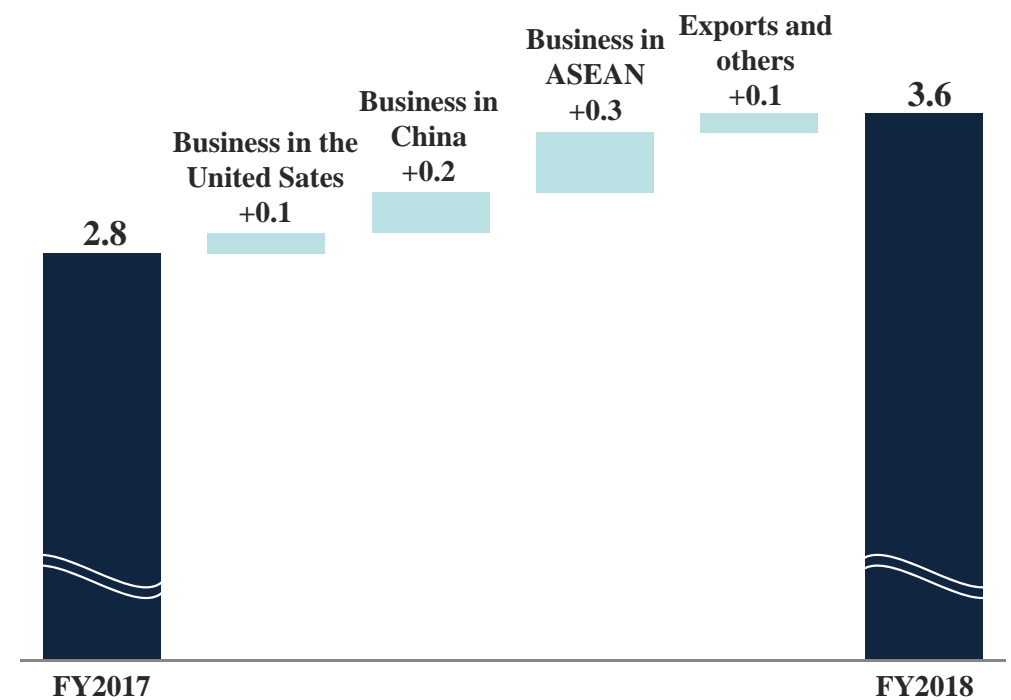
◆ Breakdown of sales by main area

Business in the United States	12.2	+0.9	+8.0%	+0.2 +2.0%	+10.6%
Tofu business	11.2	+0.8	+7.3%	+0.2 +2.1%	+9.8%
Business in China	5.8	+0.8	+15.2%	-0.4 -6.5%	+19.7%
Businesses in ASEAN	4.3	+1.6	+61.5%	+0.2 +5.7%	+63.8%
Thailand	4.1	+1.6	+62.4%	+0.2 +6.0%	+64.3%

◆ Factors in operating profit change

Billions yen

Legend: Factors for profit increase (light blue), Factors for profit decrease (dark blue)



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

◆ Tofu business in the United States

- Expansion of the U.S. market and food service products continued amid the firm performance of the Asian market.
- While demand was strong even following the price revision in July, cost burdens increased due to the impact of tight production capacity and factors in the labor environment.

Issue: Opportunity loss due to tight production capacity (expansion of the plant protein market on the back of growing health consciousness)

◆ Curry business in China

- The Zhejiang plant began operations in September and established a 13 billion yen business structure.
- Curry menus steadily penetrated into areas other than Japanese companies, and prices for food service roux products remained strong even after revisions.
- Cooperated with the Shanghai Soong Ching Ling Foundation to infiltrate curry culture through social contribution activities.

Issue: Response to rapid changes in the distribution and consumption structures and an increase in the depreciation of the Zhejiang plant

◆ Functional drinks business in Thailand

- Responded to need for vitamin intake by expanding the production capacity of Osotspa Co., Ltd., and both CVS and TT grew.

Issue: Response to the risk of the tax system revision

Impact of exchange rates:

Net sales: -700 million yen (U.S.: -300 million yen, China: -200 million yen, Thailand: -50 million yen, Taiwan: -100 million yen)

Operating profit: -100 million yen



Restaurant Business



Billion yen	FY2018			
	Results	Year on year		Comparison with revised target
Net sales	52.1	+0.1	+0.2%	-1.0 -1.9%
Operating profit	-0.6	-0.2	-	-0.3 -
ROS	-1.1%	-0.3Pt		-0.5Pt
(Excluding amortization of goodwill, etc.)	4.5	-0.2	-3.4%	-0.3 -5.5%
ROS	8.6%	-0.3Pt		-0.3Pt

◆ Breakdown of sales (main factors)

Ichibanya Co., Ltd. (consolidated)	50.2	+0.7	+1.5%	-1.1	-2.1%
Ichibanya Co., Ltd. (non-consolidated)	44.8	+0.5	+1.2%	-0.6	-1.3%
Overseas	5.4	+0.2	+4.1%	-0.5	-7.9%

◆ Changes in net sales at domestic stores (year on year)

All restaurants	Existing restaurants		
Net sales	Net sales	Number of customers	Average sales per customer
+2.2%	+2.1%	+1.0%	+1.1%

◆ Number of stores in Japan and overseas (as of the end of March 2019)

Japan (all business categories)	Overseas
1,305 (+6)	172 (+18)

◇ Japan

- Personnel expenses increased due to difficulty securing human resources for both production and stores. Profits declined due to the rising prices of personnel expenses, ingredients and mounting investments in plant renewal.
- Implementation of promotions to increase motivation for store visits: Injection of TVCM nationwide and lucky bags during the New Year's holidays

◇ Overseas

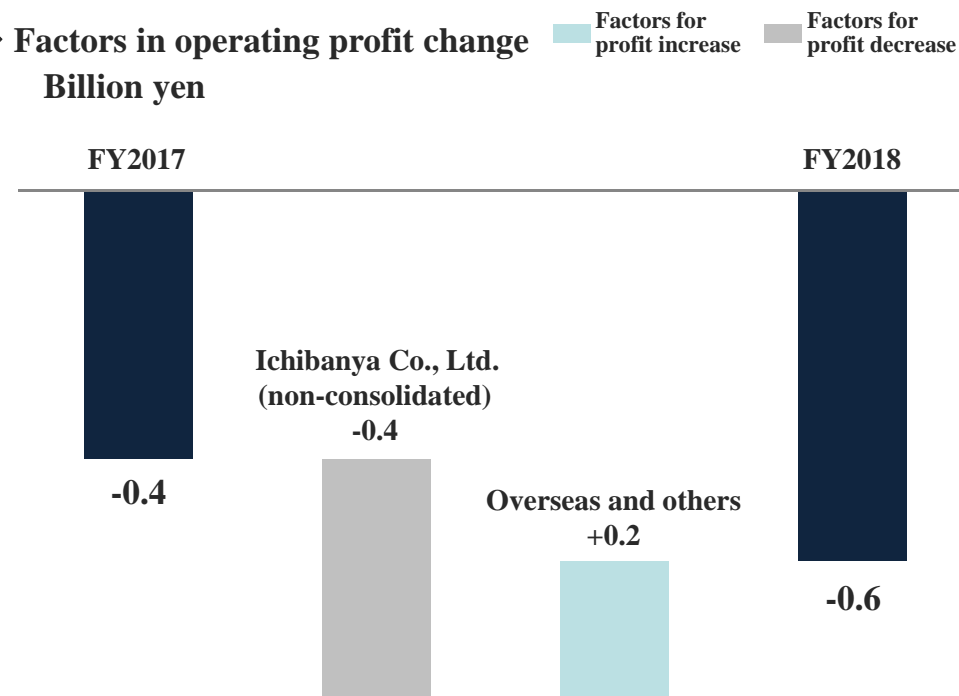
- New store openings in Vietnam and the U.K. started on a good note.
Impact of exchange rates: Net sales: -250 million yen (China: -100 million yen, Taiwan: -50 million yen, the U.S.: -50 million yen)

Issues:

- Response to the Restaurant Business that is becoming increasingly difficult (securing of human resources, consumption tax hike)
- Development of menus that will lead to the expansion of the customer base and implementation of price revisions from March.

◆ Factors in operating profit change

Billion yen



Advancement into the U.K.
Leicester Square Store
(Opened in December 2018)



Other Food Related Business

Billion yen	FY2018			
	Results	Year on year		Comparison with revised target
Net sales	61.9	+0.9	+1.4%	-1.0 -1.6%
Operating profit	2.0	+0.2	+9.6%	+0.0 +2.2%
ROS	3.3%		+0.2Pt	+0.1Pt

◆ Breakdown of sales (main factors)

House Logistics Service Corporation	19.7	-2.0	-9.3%	-0.3 -1.4%
Delica Chef Corporation	17.5	+0.5	+2.9%	+0.1 +0.4%
Vox Trading Co., Ltd. (Consolidated)	23.9	+2.5	+11.4%	-0.8 -3.1%



Frozen fruit

◆ House Logistics Service Corporation

- Promoted the disposal of unprofitable businesses in anticipation of the nation-wide development of F-LINE from April 2019.

◆ Delica Chef Corporation

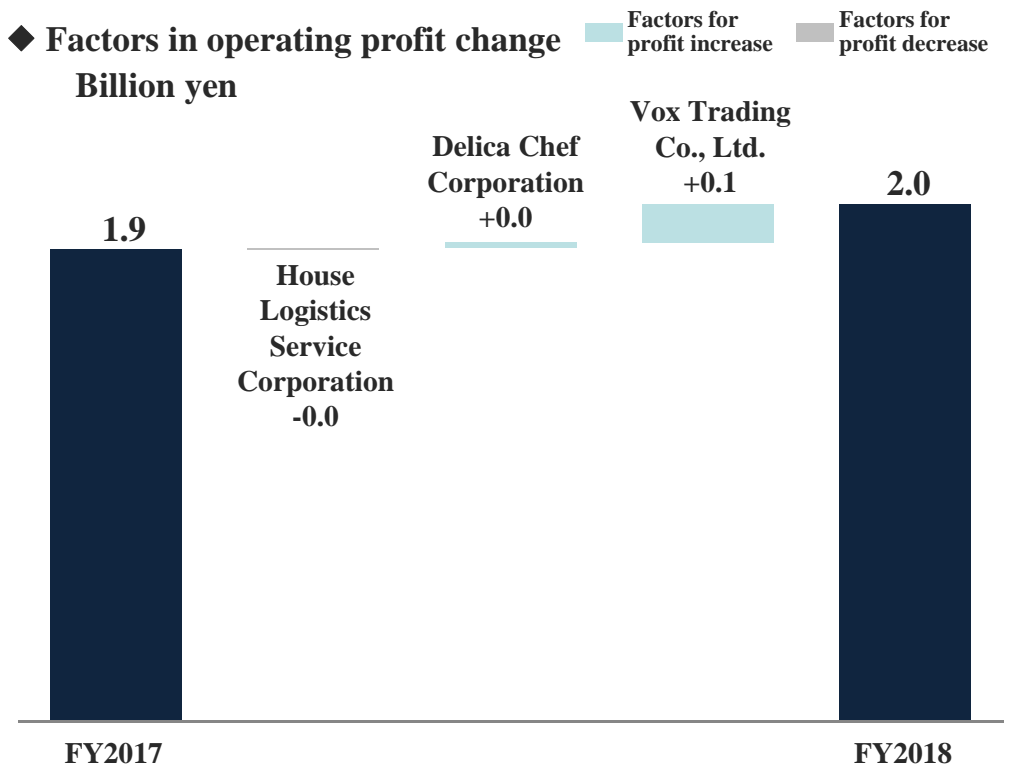
- Focus was placed on strengthening development capabilities and improving productivity amid an upward trend of labor costs associated with the labor shortage.
- Began using vegetables at plant factories (promoted production stability and environmental considerations)

◆ Vox Trading Co., Ltd.

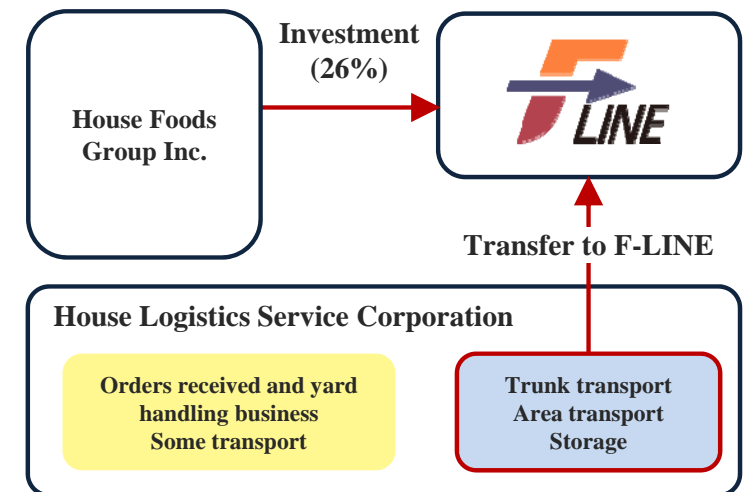
- Strengthened the earnings of the core business and promoted solution proposals for high-quality raw materials.

◆ Factors in operating profit change

Billion yen



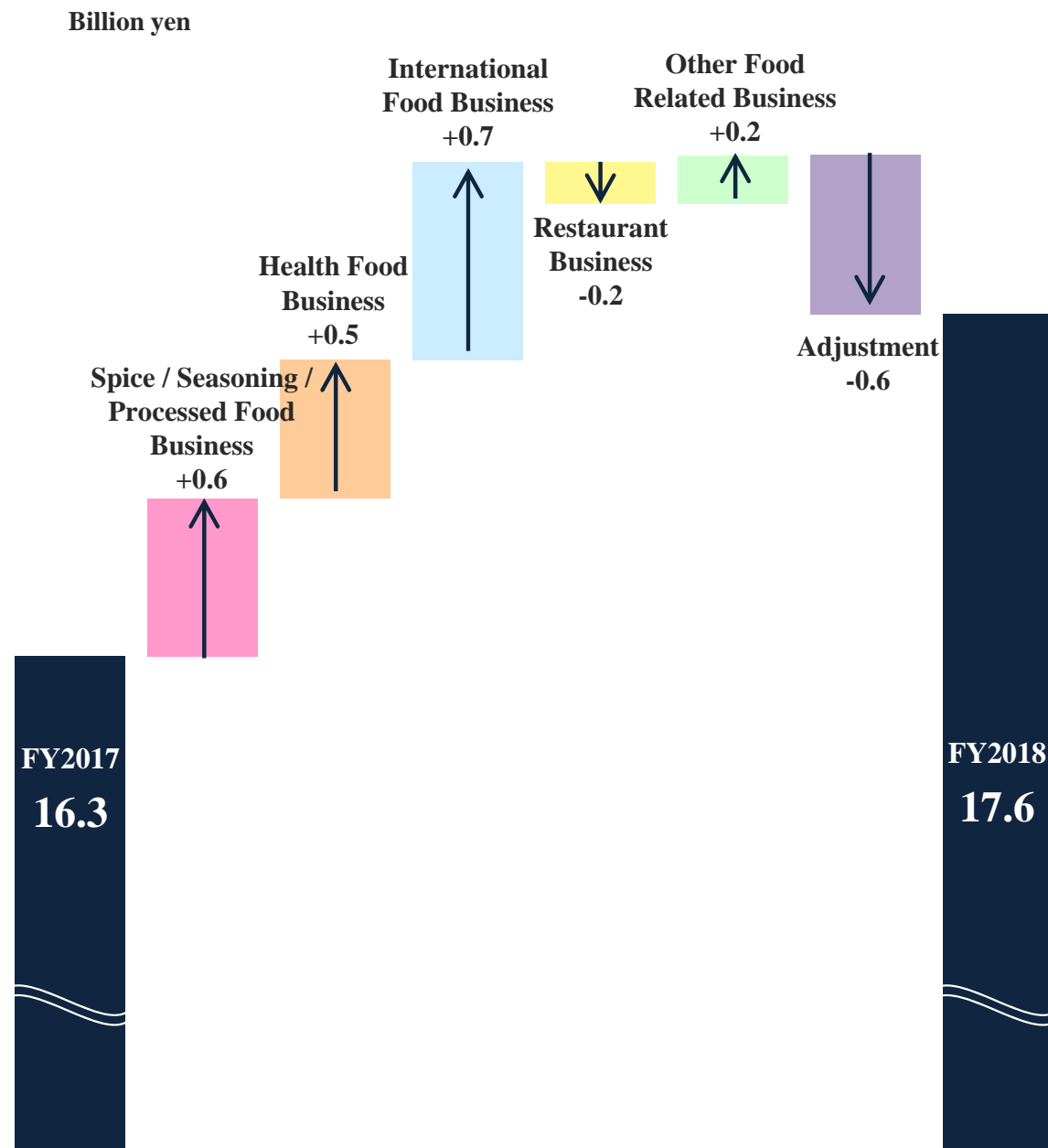
◆ Business transfer to F-LINE





Operating Profit Change Analysis

◆ Factors of changes by business segment



	Billion yen
	Amount of change
Spice / Seasoning / Processed Food Business	+0.59
- Change in sales	+0.3
- Change in cost of sales ratio	+0.0
- Marketing costs	+0.2
- Personnel expenses and other expenses	-0.0
- Gaban, Malony and other affiliated companies	+0.1
Health Food Business	+0.51
- Change in sales	-0.3
- Change in cost of sales ratio	+0.2
- Marketing costs	+0.3
- Personnel expenses and other expenses	+0.3
International Food Business	+0.74
- Business in the United Sates	+0.1
- Business in China	+0.2
- Businesses in ASEAN	+0.3
- Exports and others	+0.1
Restaurant Business	-0.16
- Ichibanya Co., Ltd. (non-consolidated)	-0.4
- Ichibanya Co., Ltd. (overseas) and others	+0.2
Other Food Related Business	+0.18
- House Logistics Service Corporation	-0.0
- Delica Chef Corporation	+0.0
- Vox Trading Co., Ltd. (consolidated)	+0.1
Adjustment	-0.59
Changes in operating profit	+1.27

Sixth Medium-Term Business Plan Efforts in the First Year



Three Responsibilities	Key Themes	Efforts in the First Year	
For Customers	Build-up of the core of the value chain	Production optimization GOT	- Investment in retort pouched products at the House Foods Kanto Plant
		Spice B to B system establishment GOT	- Start-up of a project beyond boundaries within the Group (Development function of House Foods × Proposal capability of Gaban)
	Build-up of R&D functions Creation of new business	- Full launch of the <i>Lactobacillus</i> business - New effort (One Day a Week) to create innovations	
	Expansion of growth and strengthening of foundation overseas	United States	- Promoted the expansion of the LA Plant (scheduled for operation in 1Q of FY2020)
		China	- Operated the Zhejiang Plant (since September 2019)
For Employees and Their Families	Achievement of diversity	- Development of a pleasant working environment through work-style reform Expansion of monthly planned work, the introduction of teleworking and the reduction of the prescribed working hours - Promotion of the creation of a diverse environment Increase in the number of women in managerial positions and the expansion of the workplace where people with diverse abilities work together	
For Society	Construction of the recycling-oriented model	- Embarked on the examination of environmental investment standards to achieve the environmental targets for 2030	
	Achievement of a society of healthy longevity	- Began proposing health benefits unique to a food company, utilizing the Group's own healthy ingredients (lactic acid bacteria and foods with functional claims)	
Business investment	Total amount in the sixth medium-term business plan: 60 billion yen	- Made investments for production optimization - Focused on the utilization of CVC and the enhancement of foundation for the International Business	
Capital policy	Continuation of stable dividends Flexible share buybacks	- Increased dividends for the third consecutive year - Acquired own shares (2 million shares) and cancelled all of them	
Governance	- Examined the pros and cons of the continuation of takeover defense measures		

Full-Year Plan for FY2019

- **We will sow seeds for growth and increase the cost competitiveness of each business segment to achieve the targets in the sixth medium-term business plan in an environment where uncertainties are increasing in Japan and overseas.**
- **We will abolish takeover defense measures in light of changes in the business and the market environments.**
We will further strengthen our corporate governance system with the aim of realizing the Group philosophy.

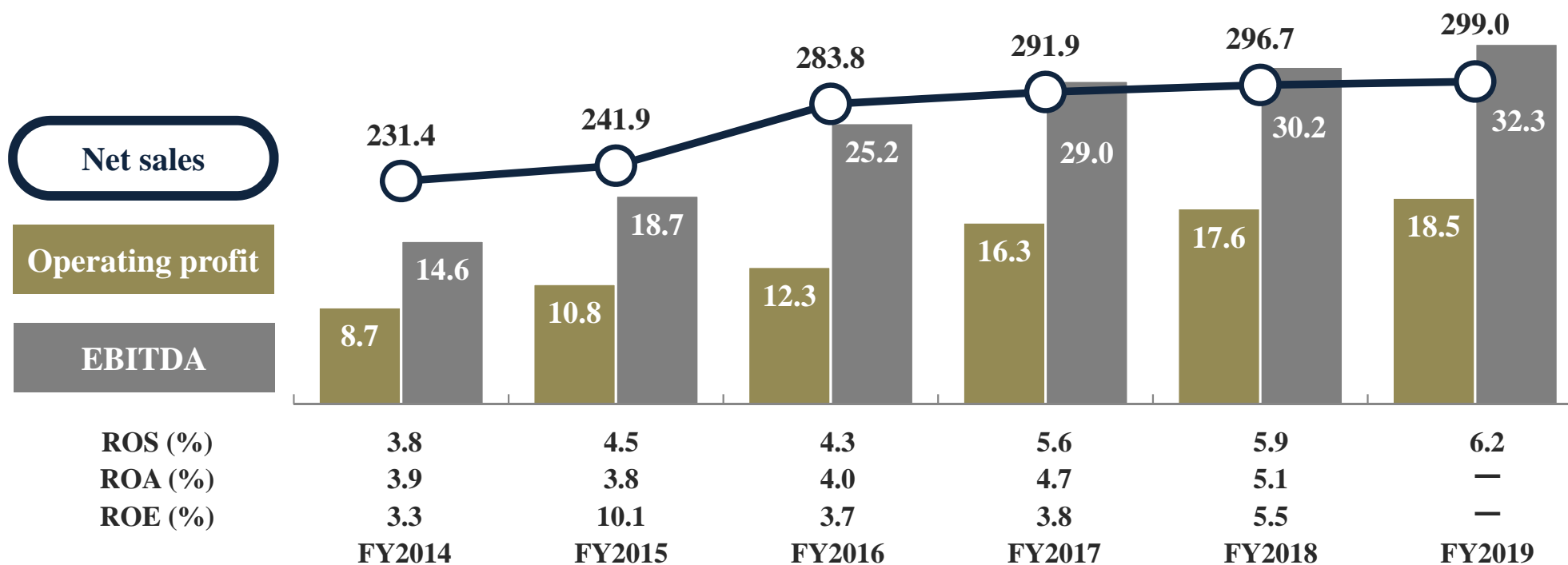


Targets for Consolidated Income (Loss)

Billion yen	FY2019				
	Target	Comparison with net sales	Year on year		
Net sales	299.0	—	+2.3	+0.8%	
Operating profit	18.5	6.2%	+0.9	+5.4%	
Ordinary profit	19.6	6.6%	+0.5	+2.6%	
Profit attributable to owners of parent	10.9	3.6%	-2.9	-20.8%	
EBITDA	*1	32.3	10.8%	+2.1	+6.8%

Final year of the sixth medium-term business plan (FY2020)	
Target	Gap
310.0	-11.0
22.0	-3.5

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





Targets in the Full Year by Segment

Billion yen	Net sales				Operating profit							
	FY2019			Final year of the sixth medium-term business plan (FY2020)		FY2019				Final year of the sixth medium-term business plan (FY2020)		
	Target	Year on year		Target	Gap	Target	ROS	Year on year		Target	ROS	Gap
Total	299.0	+2.3	+0.8%	310.0	-11.0	18.5	6.2%	+0.9	+5.4%	22.0	7.1%	-3.5
Spice / Seasoning / Processed Food Business	146.2	+5.0	+3.5%	154.0	-7.8	13.3	9.1%	+0.6	+5.0%	14.0	9.1%	-0.7
Health Food Business	31.0	+0.1	+0.3%	36.0	-5.0	1.6	5.2%	+0.2	+12.6%	2.0	5.6%	-0.4
International Food Business	29.6	+3.3	+12.5%	34.0	-4.4	3.6	12.2%	+0.0	+0.4%	4.6	13.5%	-1.0
Restaurant Business <small>(Excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.)</small>	53.1	+1.0	+2.0%	56.0	-2.9	-0.4	-0.8%	+0.2	-	1.1	2.0%	-1.5
Other Food Related Business	46.4	-15.5	-25.0%	43.0	+3.4	1.8	3.9%	-0.2	-12.0%	1.8	4.2%	+0.0
Adjustment (elimination)	-7.3	+8.4	-	-13.0	+5.7	-1.4	-	+0.2	-	-1.5	-	+0.1

Spice / Seasoning / Processed Food Business	<ul style="list-style-type: none"> - Promote reform of the revenue structure model: Production lines of retort pouched products will operate at the Kanto Plant (September). - Strengthen readiness for changes in consumer behavior: Further enhance value provided by menus and brands, and build a development model in the mature market. - Pursue cost competitiveness (improvement in productivity and the control of promotion expenses).
Health Food Business	<ul style="list-style-type: none"> - Implement business portfolio reforms (in-house production of jelly and lactic acid bacteria, the strategic contraction of the PET business). - Cultivation of new pillars to lead business (lactic acid bacteria, foods with functional claims, R&D).
International Food Business	<p>United States: One year of patience until the expansion of the new LA Plant in 1Q of FY2020.</p> <p>China: Response to rapid changes in the distribution structure and consumer behavior. An increase in the depreciation of the Zhejiang Plant will be offset by growth in the top line. Products for household use: Focus on contact points with EC channels. Products for food service: Increase new customers by accelerating the speed of menu proposals.</p> <p>Thailand: Strengthen the brand position by injecting marketing costs in preparation for the introduction of commodity tax.</p>
Restaurant Business	<p>Domestic: Revised prices in March. Execute strategies to secure the number of customers even after the consumption tax hike when headwind is expected.</p> <p>Overseas: Strengthen the brand power of Curry House Coco Ichibanya in the areas of advancement, and prepare for store openings in new areas.</p>
Other Food Related Business	<p>Logistics: The transport and warehousing businesses will be transferred to F-LINE, while the orders receiving business and the on-premise cargo handling business of the Group will remain in House Logistics Service Corporation.</p> <p>Amount of impact of transfer to F-LINE: Net sales: -10.4 billion yen (Other food-related businesses: -18.7 billion yen, Adjustment (elimination): +8.2 billion yen), Operating profit: -0.5 billion yen</p>



Detailed Targets in the Full Year by Segment

Billion yen		FY2019			Breakdown of sales (main factors)	FY2019		
		Target	Year on year			Target	Year on year	
Spice / Seasoning / Processed Food Business	Net sales	146.2	+5.0	+3.5%	House Foods Corp.	135.1	+4.9	+3.7%
	Operating profit	13.3	+0.6	+5.0%	Curry roux	36.1	-0.2	-0.7%
Health Food Business	Net sales	31.0	+0.1	+0.3%	Stew roux	12.6	+0.2	+1.9%
	Operating profit	1.6	+0.2	+12.6%	Spice	21.4	+2.5	+13.4%
International Food Business	Net sales	29.6	+3.3	+12.5%	Total of retort pouched products*	19.1	+0.9	+5.1%
	Operating profit	3.6	+0.0	+0.4%	Food service products	18.2	+0.8	+4.4%
Restaurant Business	Net sales	53.1	+1.0	+2.0%	Gaban Co., Ltd.	10.2	+0.3	+3.1%
	Operating profit	-0.4	+0.2	—	Malony Co., Ltd.	2.9	-0.1	-3.1%
Other Food Related Business	Net sales	46.4	-15.5	-25.0%	Ukon No Chikara	9.0	-0.2	-2.4%
	Operating profit	1.8	-0.2	-12.0%	C1000	7.5	-1.9	-19.9%
					Ichinichibun No Vitamin	4.9	+0.4	+8.0%
					Lactobacillus business	2.5	+1.4	+121.6%
					Business in the United States	12.6	+0.4	+3.0%
					Business in China	7.0	+1.2	+20.4%
					Business in ASEAN	5.8	+1.6	+37.0%
					Ichibanya Co., Ltd. (consolidated)	51.3	+1.1	+2.2%
					Ichibanya Co., Ltd. (non-consolidated)	45.2	+0.5	+1.1%
					Overseas	6.1	+0.6	+11.3%
					House Logistics Service Corporation	1.0	-18.7	-94.8%
					Delica Chef Corporation	17.5	-0.0	-0.1%
					Vox Trading Co., Ltd.	27.2	+3.3	+13.8%

<Impact of exchange rates (year on year)>

Net sales: -¥660 million (International Food Business: -¥460 million;

Restaurant Business: -¥200 million)

Operating profit: -¥50 million (International Food Business: -¥50 million)

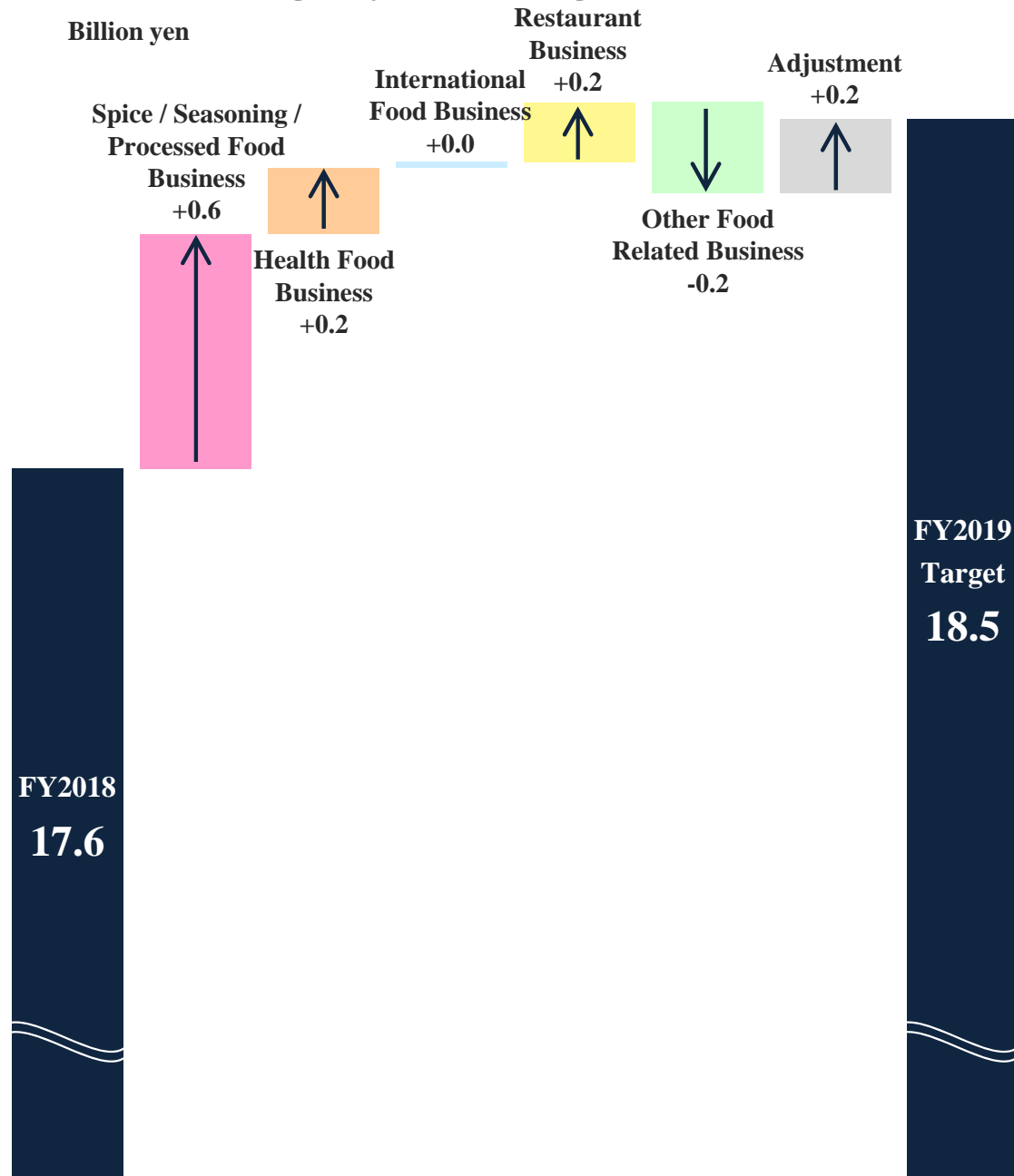
* Total of retort pouched curry, retort pouched hashed beef sauce and retort pouched stew

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



Operating Profit Change Analysis

◆ Factors of changes by business segment



	Billion yen
	Amount of change
Spice / Seasoning / Processed Food Business	+0.63
- Change in sales	+2.0
- Change in cost of sales ratio	-0.4
- Marketing costs	+0.3
- Personnel expenses and other expenses (incl. subsidiaries and associates)	-1.3
Health Food Business	+0.18
- Change in sales	+0.6
- Change in cost of sales ratio	-0.3
- Marketing costs	+0.1
- Personnel expenses and other expenses	-0.2
International Food Business	+0.02
- Business in the United States	-0.1
- Business in China	+0.0
- Business in ASEAN	+0.1
Restaurant Business	+0.16
- Ichibanya Co., Ltd. (non-consolidated)	+0.1
- Overseas and others	+0.1
Other Food Related Business	-0.24
- House Logistics Service Corporation	-0.5
- Delica Chef Corporation	+0.1
- Vox Trading Co., Ltd.	+0.2
Adjustment	+0.20
Changes in operating profit	+0.94

Capital and Business Alliance with Yamami Company

Capital and Business Alliance with Yamami Company



Aim to create new businesses and propose value in Japan utilizing technologies and knowhow cultivated in the U.S. to realize a “Healthy Life Through Foods.”

◇ Purposes

- ① Co-create products with new value in the tofu business and its peripheral markets in Japan.
- ② Create new businesses in tofu peripheral markets (establishment of JV).

◇ Overview of capital alliance

Date of contract: May 13, 2019
 Number of shares to acquire: 242,800 (3.5% of total number of outstanding shares)

◇ Content of alliance

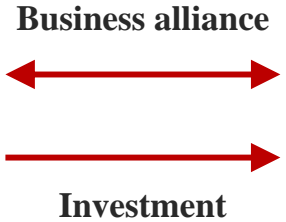
① Creation of added value in tofu and its peripheral domains

Strengths:

- R&D knowhow in tofu and soybean products
- R&D knowhow in processed seasoning foods
- Healthy ingredients of the Group
- Food analysis and quality assurance capabilities

Strengths:

- Excellent production efficiency based on fully automated lines
- Nationwide production bases and logistics network
- Overwhelming distribution capability mainly in the Chugoku and Kinki areas



② Creation of businesses in tofu peripheral domains

United States
tofu business



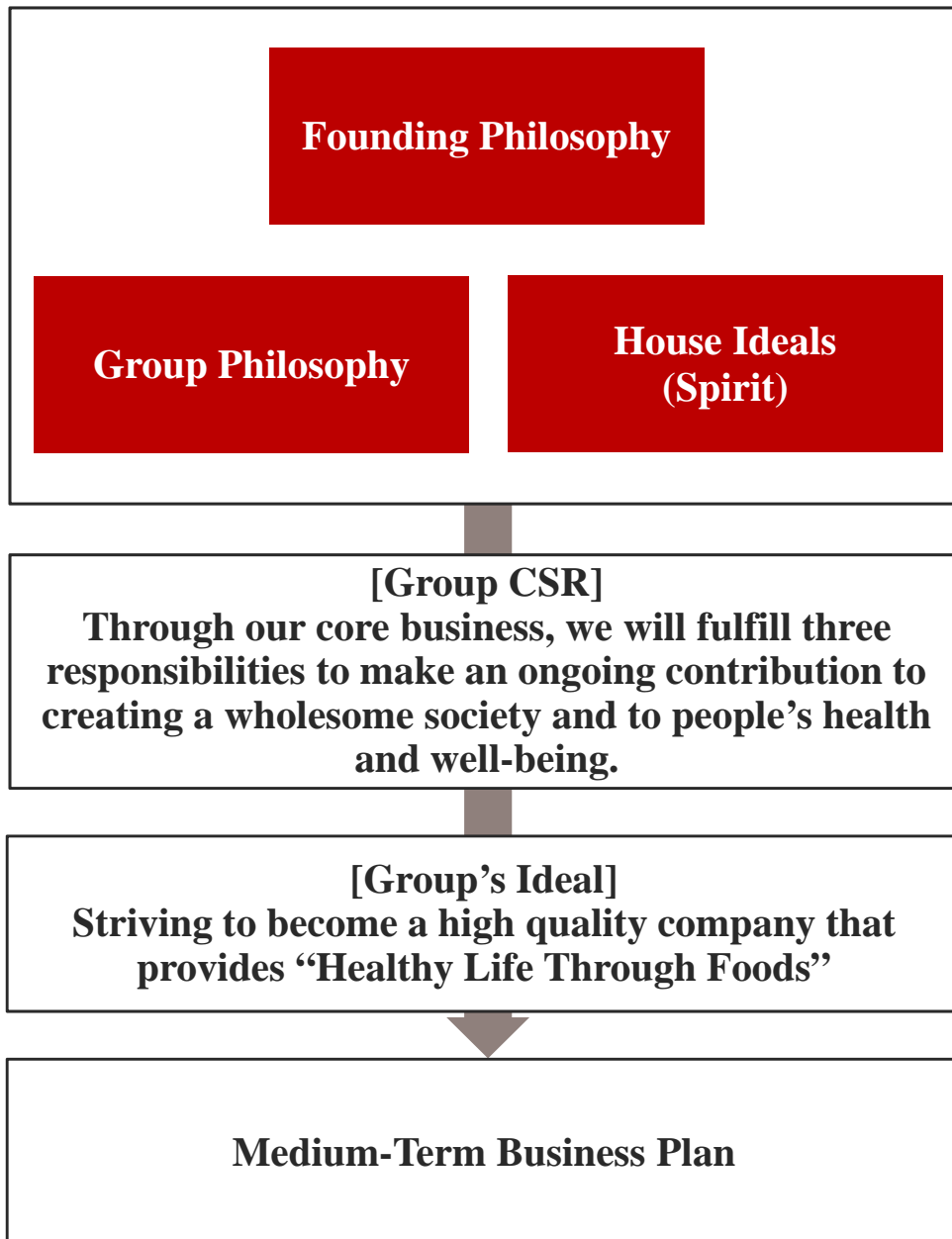
New JV company



◇ Overview of Yamami Company

Head office	Mihara, Hiroshima
Established	January 1975
Capital	1,215.55 million yen
Operating results	FY2018/6 Net sales: 10,499 million yen Operating profit: 983 million yen
Business	Manufacture and sale in tofu and its peripheral domains

Supplementary Description



◇ **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)**

The Company's motto

Sincerity, Originality and Enthusiasm

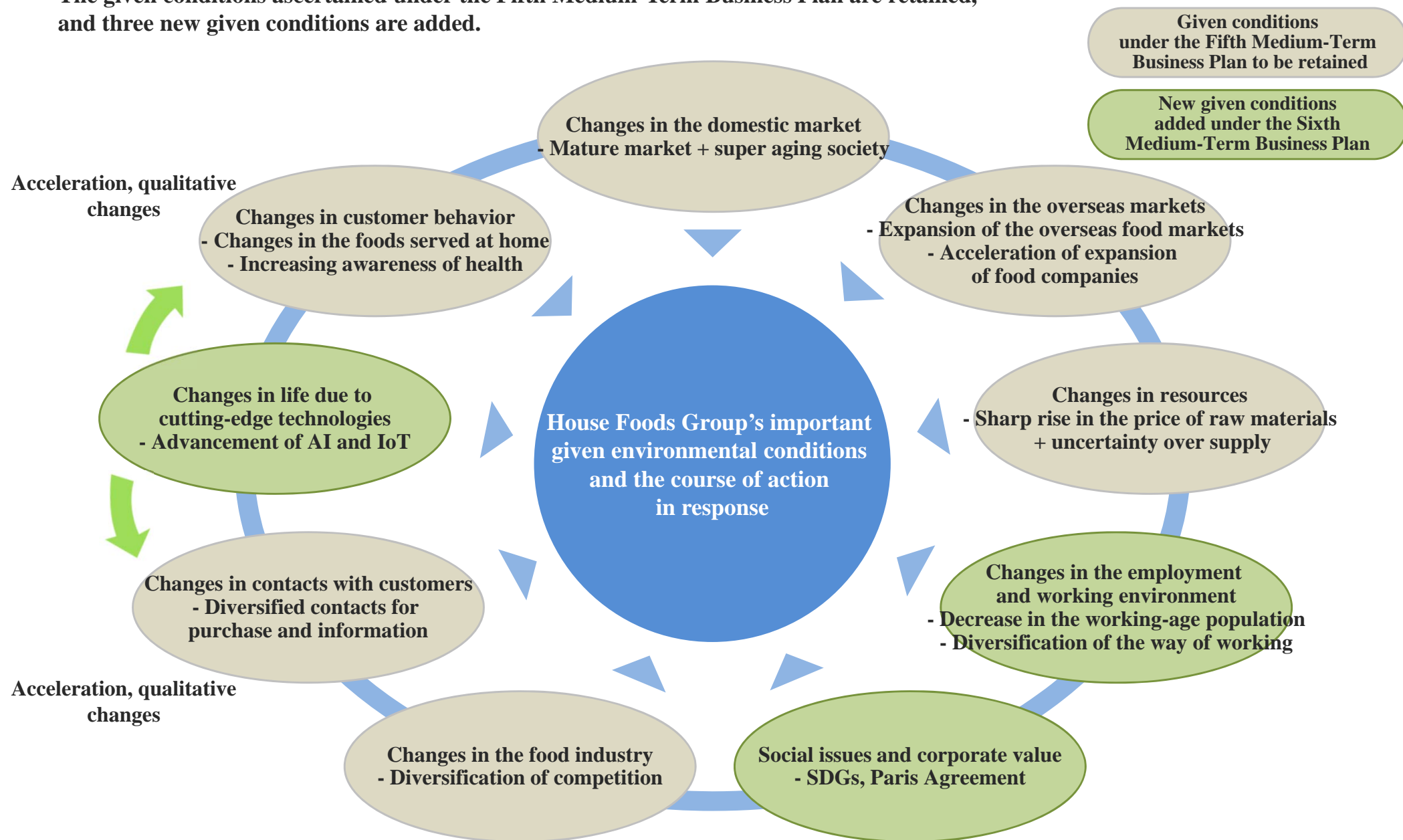
The 10 House Values

- Know yourself
- Be humble in your self-confidence and pride
- Creative work brings dignity
- The advancement of House depends on the personal development of each individual
- House's strength is the strength of all of us combined
- A salary is compensation for doing useful things for society
- Being useful to society as employees and as a company
- A useful employee is a strong partner for achieving business goals
- Profits are necessary for a company to be useful to society
- The dedicated passion each one of us feels for the company is the secret to success for House

Sixth Medium-Term Business Plan, given environmental conditions



The given conditions ascertained under the Fifth Medium-Term Business Plan are retained, and three new given conditions are added.



Meaning of existence in society

Review of the past business

Given environmental conditions

Ideal of the 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
**Employees and Their
Families**

Achievement of diversity

For
Customers

Domestic mature market and
overseas growth market

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

Establishment of
the recycling-oriented model

Contribution to a society of
healthy longevity

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

Sixth Medium-Term Business Plan (~ Seventh Medium-Term Business Plan)

◆ Targets on a consolidated basis

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

	ATO	ROS	ROA	ROE
(Targets under the Sixth Medium-Term Business Plan)	0.87 times	7.1%	6.2%	5.4%
(Change from the Fifth Medium-Term Business Plan)	+0.07Pt	+1.5Pt	+1.5Pt	+1.6Pt

Policy for business investment

◆ From “addition” to “multiplication”

Focus on investment for the optimization of the systems within the Group to strengthen the revenue base and investment in new/overseas growing business

◆ Focus areas

Production optimization (GOT-related investment)	30.0 billion yen
Business investment (including CVC)	20.0 billion yen
Overseas growth investment	10.0 billion yen

Policy for return to shareholders

◆ Policy for distribution of profits

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 combinations and the amortization of goodwill as standard.

◆ Acquisition of treasury shares

To conduct the acquisition of treasury shares flexibly in light of the qualitative improvement of the balance sheet and demand for funds.

Major business developments (in Japan)

1913	Urakami Shoten, an enterprise dealing in herbal medicines, founded
1926	Launch of powder curry start
1964	Launch of home dessert
1966	Launch of instant stew
1970	Launch of retort pouched products
1973	Launch of packaged noodles
1971	Listed on the Tokyo Stock Exchange and Osaka Securities Exchange
1977	Launch of snacks
1983	Launch of mineral water
1997	Entry into the health foods market
2006	House Wellness Foods Corporation established
2013	100th anniversary; switch to a holding company system
2015	Ichibanya Co., Ltd. made into a consolidated subsidiary
2016	Gaban Co., Ltd. made into a consolidated subsidiary
2017	Malony Co., Ltd. made into a consolidated subsidiary
2018	Complete launch of the Lactobacillus business

Major events overseas

1981	Entry into USA
1983	Start of tofu business and restaurant business in the United States
1997	Entry into China (Restaurants)
2000	Entry into Taiwan (Restaurants)
2005	Start of curry roux sales in China
2007	Entry into South Korea (Restaurants)
2011	Entry into Thailand (functional drinks)
2012	Entry into Vietnam (home dessert)
2016	Entry into Indonesia (Halal curry for commercial use)
2017	Restructuring of restaurant business in Asia (Ichibanya taking the lead)
2018	Advancement into the U.K. (restaurant: Ichibanya)

Years when major products were launched

Vermont Curry



Launched in 1963

Stew Mix



Launched in 1966

Kukure Curry



Launched in 1971

C1000



Launched in 1990

Ukon No Chikara



Launched in 2004

tofu (USA)



Launched in 1983

Vermont Curry (China)



Launched in 2005

Business Development: Major Products by Segment



Spice / Seasoning / Processed Food Business

House Foods Corp.

Gaban Co., Ltd. Malony Co., Ltd.

Curry roux

Stew roux

Retort pouched curry

Spice

Other products



Health Food Business

House Wellness Foods Corporation

Functional spice

Vitamin

Lactobacillus



International Food Business

Restaurant Business

United Sates

China

ASEAN

Ichibanya Co., Ltd.



Major New Products and Varieties for Spring and Summer 2019



◆ New product

Category	Product	Suggested retail price (reference price)	On-shelf date
Spice	Ajitsuke Curry Powder Vermont Curry Taste	(¥298)	Feb. 11
Curry roux	Oniku-o Yakudake-de Oishi Curry-no Moto (Torikuni-de Tsukuru Chu-kara, Butaniku-de Tsukuru Chu-kara)	(¥200)	Feb. 11
Hashed beef sauce roux	Kanjuku Tomoto-no Hayashi Rice Sauce, Toma-kara Hayashi	(¥278)	Feb. 11
Instant stew	Hinyari Torohri Mug Cup Stew (cream, corn cream)	(¥188)	Feb. 11
Spice	Oroshi Nama Wasabi, Neri Karashi, Oroshi Nama Shoga, Oroshi Nama Ninniku	(¥325)	Feb. 11
Spice	Wasa Sansho, Mala Jiang	(¥170)	Feb. 11
Paste for frying	Ethnic Garden Thai-style Cooking Paste (Tomyam Mix, Nampla Mix)	(¥300)	Feb. 11
Mabo tofu seasoning	Sugoaji Mabo Tofu no Moto (Kaori-no Sichuan-style, Koku-to Umami-no Canton-style)	(¥200)	Feb. 11
Retort pouched curry	Ginuma Beef Curry (Kokujitate, Kaorijitate)	(¥314)	Feb. 11
Wellness drinks	Curcumin & Bisacurone Drink	(¥190)	Feb. 18
Wellness food	Curcumin & Bisacurone Tablets <for 20 days>	(¥2,100)	Feb. 18
Wellness drinks	Nerunoda	(¥238)	Mar. 4
Wellness food	Nerunoda Tablet Type	1 bag (¥160) 10 bags (¥1,480)	Mar. 4
Wellness drinks	C1000 Green Lemonade	¥140	Mar. 4



◆ Variety

Retort pouched curry	Curry-ya Tomato Chili Curry	¥132	Feb. 11
Retort pouched curry	Erabareshi Ninkiten Hojun Chicken Curry	(¥314)	Feb. 11
Desserts	Fruiche (Kanjuku Pine, Noko Blueberry and Grape, Noko Mango)	¥194	Jan. 21



* There are other variety and renewed products.