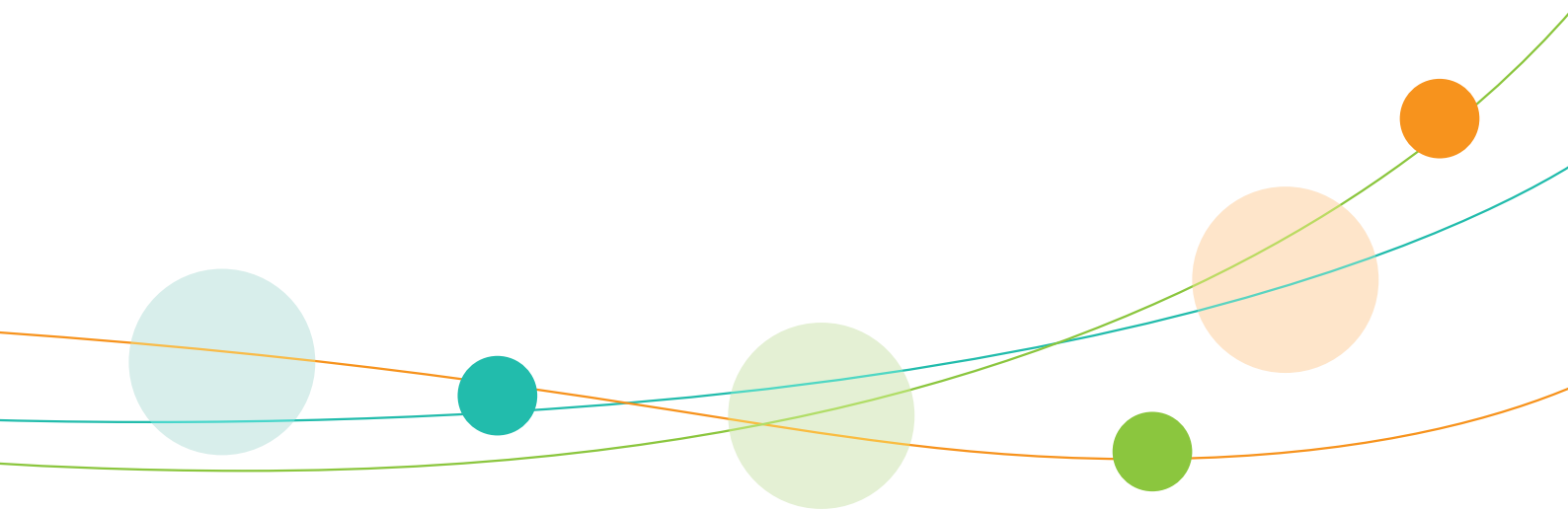


INTEGRATED REPORT 2020

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 2020

About House Foods Group

- 1 Group Philosophy
- 3 History of House Foods Group
- 5 House Foods Group Value Creation Process
- 7 At a Glance
- 9 Financial / Non-financial Highlights

Growth Strategies for Creating Value

- 11 Top Message
- 15 Summary and Progress of the Sixth Medium-Term Business Plan
- 17 Responsibility for Our Customers
- 19 Responsibility for Our Employees and Their Families
- 21 Responsibility for Society
- 23 Spice/Seasoning/Processed Food Business
- 25 Health Food Business
- 27 International Food Business
- 29 Restaurant Business
- 31 Other Food Related Business

Editorial policy

The House Foods Group Integrated Report 2020 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/>.

Philosophy concept of House Foods Group

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

The philosophy concept of House Foods Group is developed based on two key aspects of the Group. One is the Group philosophy, which defines the Group's role in the society and the significance of its existence as an individual entity existing in the society, and another is the House Ideals (Spirit), which is our corporate DNA and code of conduct serving as a vessel where employees gather.

Our founding philosophy incorporates the beliefs that remain unchanged, no matter how much the times change or how far the Group diversifies.

Strengthening the Foundations of Value Creation

- 32 Corporate Governance
- 38 Message from Newly Appointed Outside Director and Audit & Supervisory Board Members
- 39 Management Team

Target period

While the target period is mainly FY2019 (April 1, 2019 to March 31, 2020), this report provides the latest information at the time of publication where possible.

Data Section

- 41 FY2019 Review
- 43 11 Years' Selected Financial Data
- 45 Consolidated Balance Sheets
- 47 Consolidated Statements of Income and Comprehensive Income
- 48 Consolidated Statements of Cash Flows
- 49 House Foods Group Companies
- 52 Corporate Information

Notes to Forward-looking statements

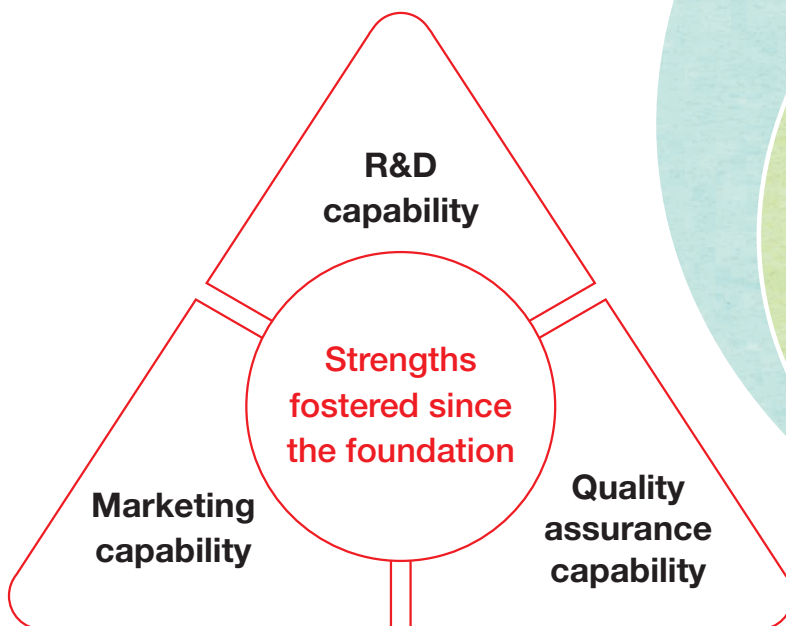
Result forecasts and forward-looking statements in this Integrated Report are derived from the judgment of the Company based on currently available information, and include latent risks, uncertainties and other factors. Therefore, actual results or developments may differ from such forecasts or forward-looking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

History of House Foods Group

House Foods Group Continues to Offer New Value While Honing Strengths

In the course of its history, House Foods Group has 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.



Expanding products

Product lineup that leverages our strengths

Curry roux



Spice



1913-

Foundation

From herbal medicines to the world of curry

The predecessor of House Foods is Urakami Shoten, an enterprise dealing in herbal medicines established in Osaka by Seisuke Urakami in 1913. In recognition of his earnest and hard-working attitude, Seisuke was entrusted with the task to bottle and sell curry powder in 1921. In 1926, he embarked on full-scale manufacturing and sales of curry.

1960-

Makes a pitch for richness of dining table along with Japan's economic growth

As the economy grew, instant food products became more common. In 1960, the company launched solid curry roux. The company leveraged that technology and “Vermont Curry” was born in 1963 based on the concept of a curry that adults and children can enjoy together. We continued responding to the diversifying needs of customers and grew into a marketing company.

Expanding value chain

Expansion of business fields where we can demonstrate our strengths

2013
Shift to a holding company system

2013
VOX
Strengthening of procurement field

2015
CoCo 老番屋
Strengthening of restaurant field

2016
GABAN
Strengthening of B to B in procurement

2017
MALONY
Strengthening of B to C

2017
Establishment of CVC
Accelerating open innovation

Expanding markets

Expansion to overseas markets utilizing strengths gained in Japan

USA
1983~
Tofu business



China
1997~
Curry business



Thailand
2012~
Functional drink business



Retort pouched products



Home desserts



Snacks



Stew roux



Packaged noodles



Hashed beef sauce roux



Vitamins



Lactic acid bacteria



Functional spices



1980-

Overseas expansion

Delivering the taste developed in Japan to customers around the world

House Foods Group's overseas foray began with the opening of the Los Angeles representative office in the United States in 1981. Currently, the Group positions the United States, China, and ASEAN region as key areas. The Group's business in each place has accomplished steadfast growth rooted firmly in the local food culture: the tofu business on the back of health trend in the United States, the curry business in China with the slogan of "making Japanese-style curry a people's food," and the functional drink business in Thailand in the ASEAN region.

2000-

Response to the maturing market

In 2003, we introduced the Medium-Term Business Plan as the customers' needs shifted from quantity to quality and the market matured. Based on the theme of selection and concentration, the Group disposed businesses which could not secure added value while setting forth health and overseas as the business domains to be nurtured. The seeds of business the Group planted at that time have become the source of growth.

2010-

To transform into a high quality company

We have entered into an era where the importance and diversity of food is being sought more than ever and the Group is working to strengthen its management structure to transform itself into a high quality company, which can spark innovation on its own and offer new value. In 2013, the company adopted the holding company system and changed its name to House Foods Group Inc. Subsequently, it has welcomed companies that have the ability to create values at both upstream and downstream of the value chain into the Group and has been significantly expanding its fields of business development.

House Foods Group Value Creation Process

Fulfill the “three responsibilities” with the value we create through the value chain

Ever since its foundation, House Foods Group has been upholding the policy of “contributing to happiness of households through food” and has been achieving its growth by responding to the needs of customers.

As the markets mature and the concept of food becomes diverse, it is necessary not only to respond to customer needs but also to transform ourselves into a company that creates new value (a high quality company).

With this idea, House Foods Group has welcomed companies that have the ability to create value at both upstream and downstream of the value chain into the Group and has been significantly expanding its value chain. We will create new value that contributes to the solutions to the challenges faced by society by accepting and respecting diverse cultures and individualities, and by mixing well like curry, so as to fulfill our responsibility as a corporate citizen.



Surrounding environment

Japan

Changes in the domestic market

- Maturing market
- Super aging society

Changes in employment and labor environments

- Decrease in working-age population
- Further social advancement of women and senior citizens
- Diversification of workstyles

Overseas

Increase in global population, growth in emerging economies

- Expansion of food markets
- Fluctuations in supply demand balance for food
- Intensifying global competition

Common

Increasing global environmental problems

- Global warming, climate change, water shortages

Disruptive innovation

- Evolution of AI, IoT

Changes in eating behaviors

- Increased health awareness

Changes are accelerating due to the post-Covid-19 paradigm shift

Capital

Financial capital

Stable financial base
A rating (R&I)

Manufacturing capital

Production bases close to consumption areas
19 bases in Japan, 10 bases overseas

Social capital

Relationships of trust with stakeholders
8.45 million participants (aggregate total since 1996) in “My First Time Cooking” workshops, which provide kindergarteners and nursery school children with hands-on food education opportunities to cook curry

Intellectual capital

R&D system that produces innovation
455 patents, 2,423 trademarks

Natural capital

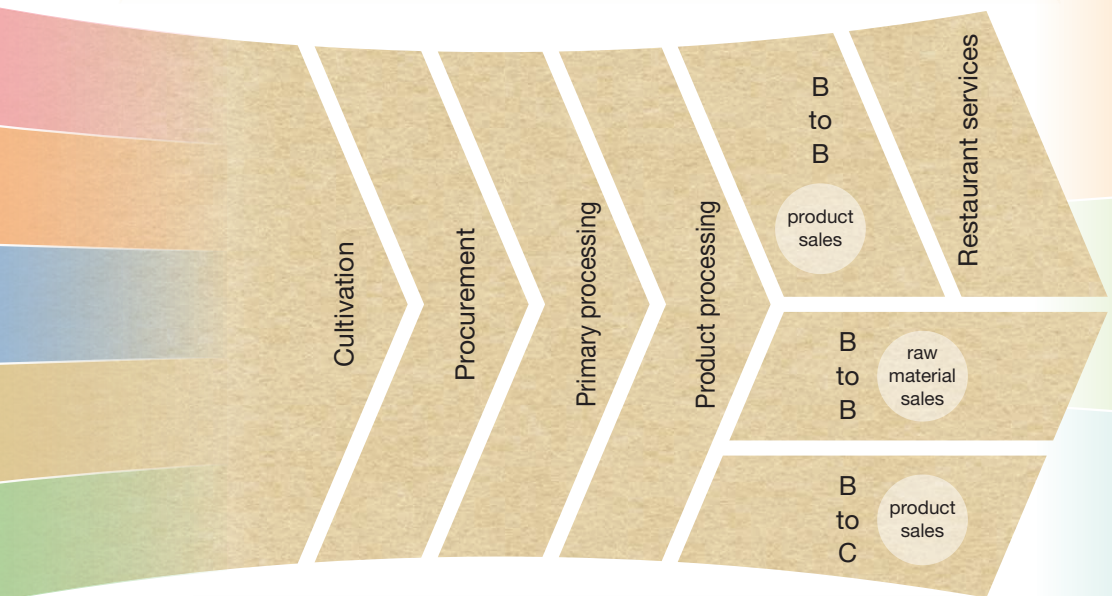
Various sustainable procurement-friendly raw materials
Switch to FSC® certified paper: 99+% complete (House Foods Corporation)

Human capital

Diverse human resources sharing the Group philosophy
6,122 employees

Build up the core of the value chain through creation of group synergies

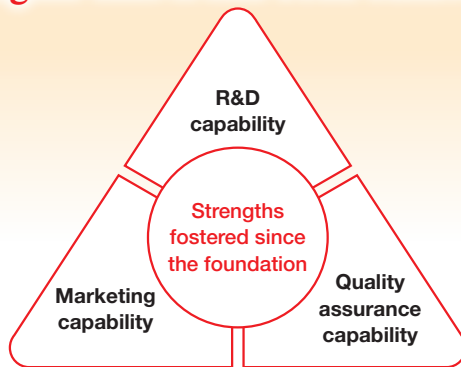
Companies that offer unique value



Three responsibilities

- Responsibility for Our Customers **P.17**
- Responsibility for Our Employees and Their Families **P.19**
- Responsibility for Society **P.21**

Enhance domains where the Group can deploy the strengths that it has been cultivating



Corporate Governance **P.32**

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

At a glance

Group Overview

Net sales (FY2019)

293.7 billion yen

Operating profit (FY2019)

19 billion yen

EBITDA* (FY2019)

32.3 billion yen

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

Number of companies in the Group
(as of March 31, 2020)

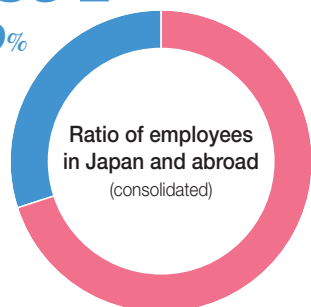
35 (14 in Japan, 21 overseas)

Number of employees (as of March 31, 2020)

6,122

Overseas

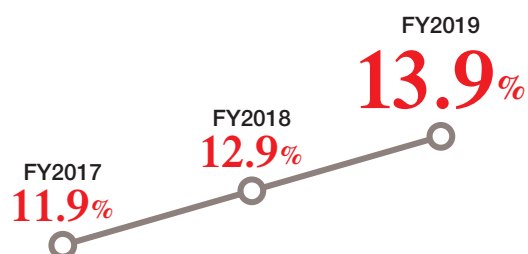
1,831
29.9%



Japan
4,291
70.1%

Overseas markets that will
be new growth areas

Overseas net sales



Growth rate of the International
Food Business (FY2015 to FY2019)

Five-year average growth
rate of net sales

12.5%

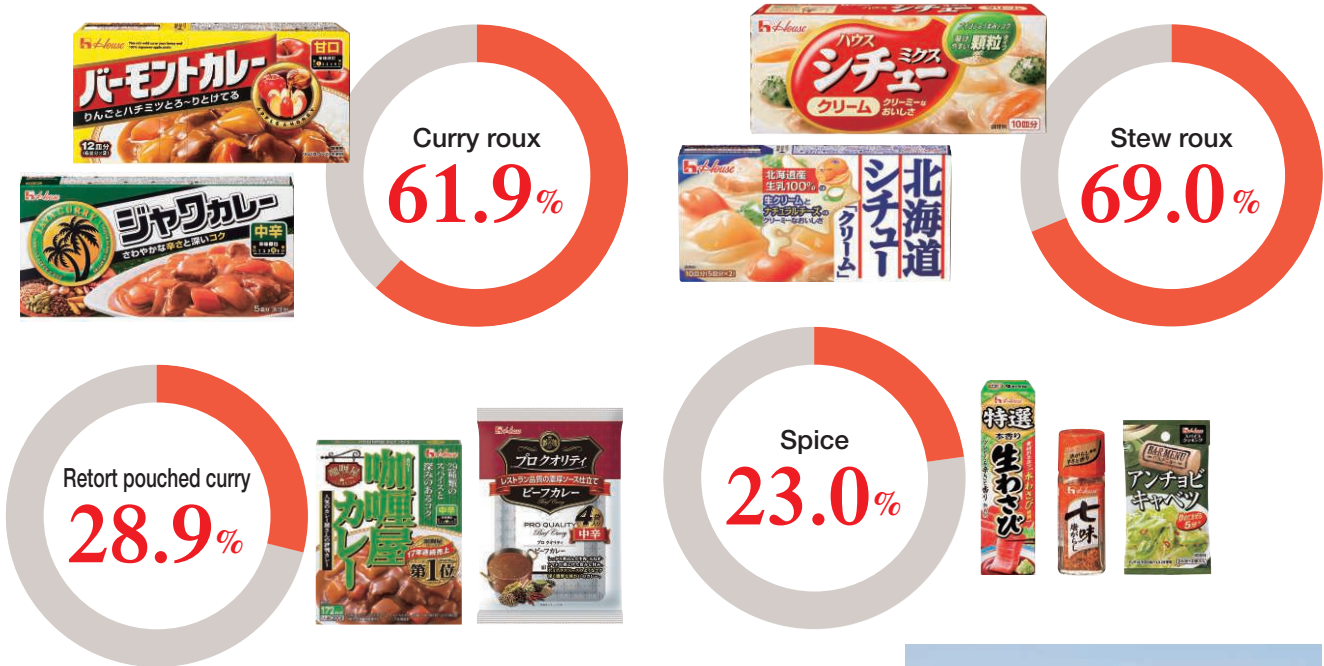
Five-year average growth
rate of operating profit

31.2%

High market share in Japan that forms profit base

Market shares of Japanese business (House Foods)

Source: Monthly SRI Data by INTAGE Inc. (April 2019 – March 2020)



Number of Ichibanya restaurants

(as of July 2020)

Japan **1,296** Overseas **185**



Business portfolio

Other Food Related
Business

15.4%

Restaurant Business

17.4%

International Food
Business

9.9%

Spice/Seasoning/
Processed Food
Business

48.1%

Health Food
Business

9.2%

FY2019
Proportion
of net sales

Changes in the composition of House Foods Corporation in consolidated net sales



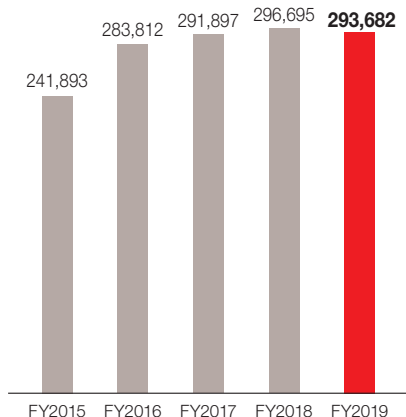
*Proportion of net sales represents a proportion before the elimination of inter-segment transactions

Financial / Non-financial Highlights

Financial Highlights

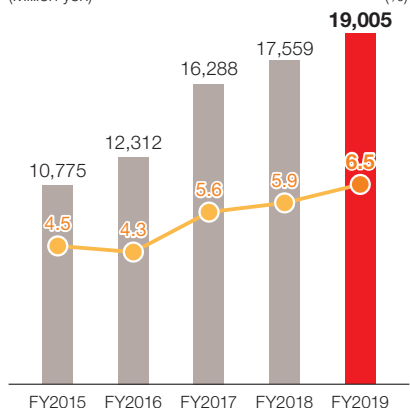
Net sales

(Million yen)



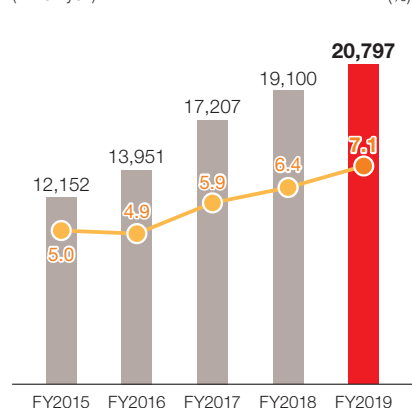
Operating profit / Ratio of operating profit to net sales

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



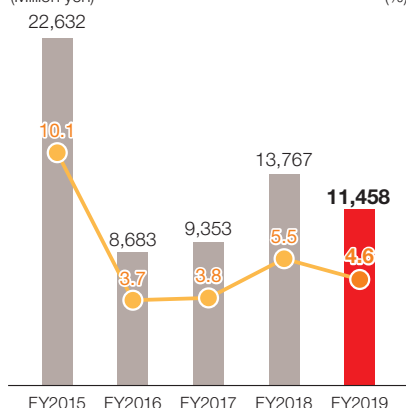
Ordinary profit / Ratio of ordinary profit to net sales

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



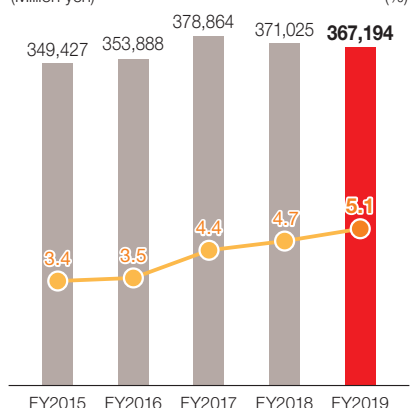
Profit attributable to owners of parent / ROE

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



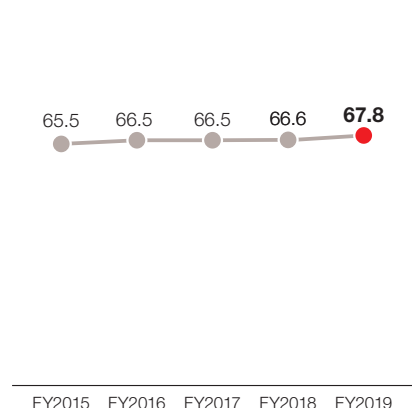
Total assets / ROA*

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



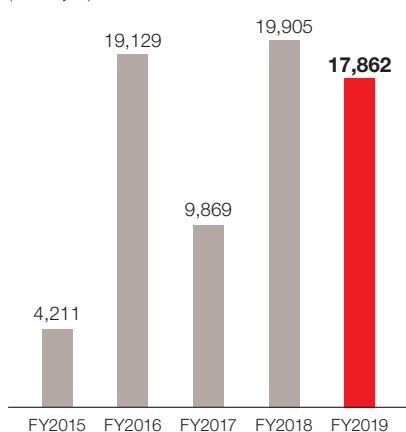
Equity ratio

(%)



Free cash flow*

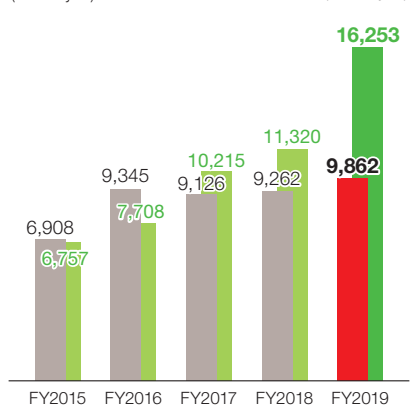
(Million yen)



*Operating cash flow + Investing cash flow

Depreciation / Capital investment

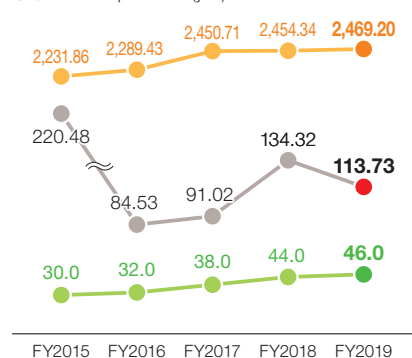
■ Depreciation (Million yen) ■ Capital investment (Million yen)



Profit per share /

Net assets per share / Dividend per share

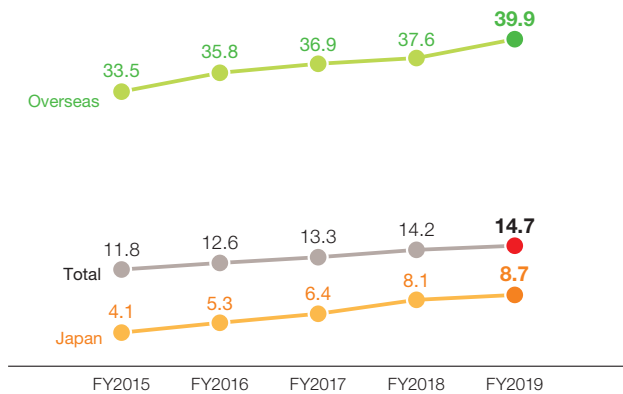
● Profit per share (yen)
● Net assets per share (yen)
● Dividend per share (yen)



Non-financial Highlights

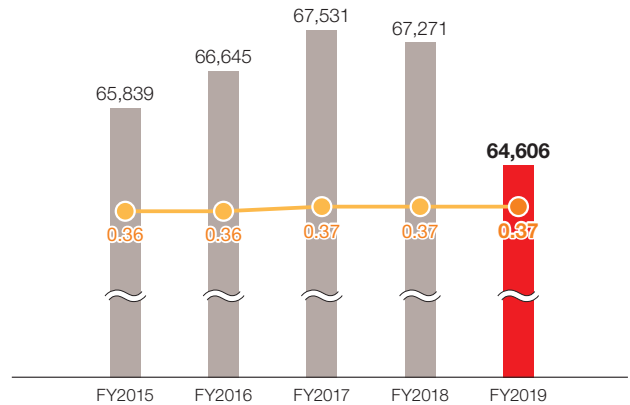
Percentage of female managers (consolidated)

(%)



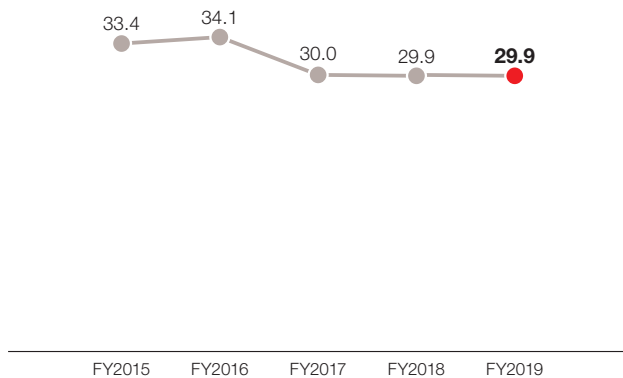
CO₂ emissions

■ Gross weight (tons) ● Per unit of production (tons/million yen)



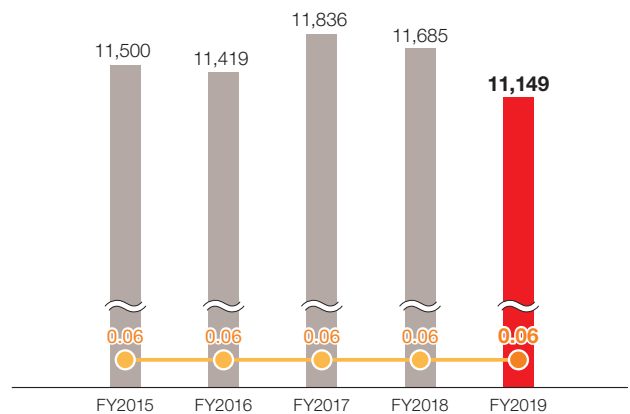
Percentage of overseas employees (consolidated)

(%)



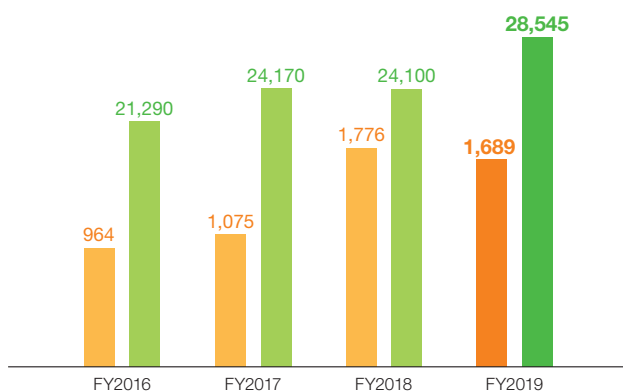
Amount of waste

■ Gross weight (tons) ● Per unit of production (tons/million yen)



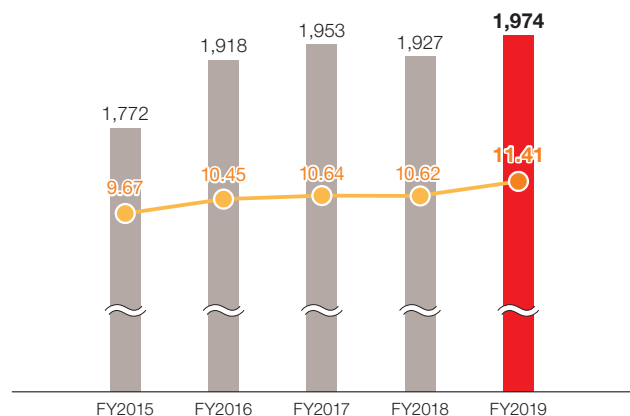
Study sessions held (organized by House Foods Group Inc.)

■ Number of people (persons) ■ Total hours (hours)



Water usage

■ Gross weight (thousand tons) ● Per unit of production (tons/million yen)



*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] CO₂ 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

We will achieve synergies in the Group and create new value for the new era.



House Foods Group Inc.
President
Hiroshi Urakami

Giving our full attention to the question, “What is CSR?”

Since its foundation as an enterprise dealing in herbal medicines in Osaka in 1913, House Foods Group has been supporting people’s happy daily life by offering the warm flavor of home cooking for more than a century. We have set forth the Group philosophy of “Through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives,” and are currently striving to achieve it.

We formulated this Group philosophy in 2013, the 100th anniversary of our foundation, and it encapsulates our desire to continue being a good partner, trusted and sought by various stakeholders, for many years to come. Upon formulation of the philosophy, we kept in mind the three responsibilities we must fulfill as a corporate citizen, which are responsibilities for our customers, for our employees and their families, and for society. The three responsibilities form the main pillar of the CSR Policy of House Foods Group.

Nowadays CSR, or corporate social responsibility, has become a commonly used term, and the idea that the aim of a business is not limited to the pursuit of profits has also become widespread. And, this is not a passing trend. To begin with, the concept of CSR itself is not entirely a brand new idea that was born recently.

Looking back, in Japan, we have had this saying “being good for three sides” from long ago. Seeking the satisfaction of the three parties, or “being good for the seller, the buyer, and the general public,” practiced by the Ohmi merchants has been passed on the present day. In the United States and Europe, Peter F. Drucker, known as the father of modern management, analyzed in *Concept of the Corporation* published in 1946 the purpose of a corporation from the three aspects of economic organization, social organization, and public organization.

When you think of it, connecting with the world as a member of the society and being of help to the public at large is an indispensable condition for a company to continue its existence transcending generations. So, how are we going to be of help to the society? There are many answers to that.

What is important is to give our full attention to the theme of CSR and keep pursuing answers that are of our own and not something imposed from outside. We believe that the realization of our Group philosophy will contribute to fulfilling our social responsibility as a company, and uniquely define CSR as “Creating Smiles & Relationships.” It is the expression of our determination to keep considering and discussing answers to the question as to what CSR is for House



Top Message

Foods Group, and translating that into actions. Otherwise, we would not be able to keep responding to the changes in the times.

Changing ourselves together with the times

We at House Foods Group have been changing and improving the ways we can be of help along with the changes of the times.

The first turning point was the introduction of *Vermont Curry* in 1963. The product became successful and popularized Japanese-style curry, which till then was a spicy food for adults, as a home-cooked dish for the family including children. As a company also, we grew from a cottage industry based in Osaka into a food manufacturer with a nationally recognized brand. Coincidentally, we rode the wave of rapid economic growth in Japan, and House Foods made a great leap forward as a marketing company.

The second turning point was when we made a drastic shift in management strategy after the Japanese economy entered the maturing phase. In particular, the impact of the Great East Japan Earthquake, which occurred in March 2011, was quite significant. The tendency for people to eat out or buy food to eat at home grew rapidly partly due to the enhancement in the variety of delicatessen dishes available at convenience stores, and we felt a sense of crisis so great that we, a company that had been preserving the taste of home food since its foundation, were forced to once again question our *raison d'être*. It may no

longer be good enough to just carry out marketing that captures the needs of the market. For us to continue to be required by the society, we have to transform ourselves into a company that creates new value through innovation. We changed the direction of our management with such strong determination, and we have been advancing various initiatives with the theme of “striving to become a high quality company that provides ‘Healthy Life Through Foods’” from the Fifth Medium-Term Business Plan launched in 2015.

To further propel this move, we set forth key themes for all of the three responsibilities in the ongoing Sixth Medium-Term Business Plan. Regarding responsibilities for our employees and their families, we aim to achieve diversity, for responsibilities for society, we are working on constructing a recycling-oriented model and achieving a society of healthy longevity, and for responsibilities for our customers, we are especially focusing on building up the core of the value chain. Originally, we built our brand as a home-use food product manufacturer. Going forward, we will expand our business domains from upstream to downstream, while increasing customer contact axes to include not only B to C but also B to B and B to B to C. By implementing these measures, we are trying to build a steady structure that would enable us to continuously offer value regardless of the direction the winds of change blow. To this end, we have welcomed reliable partners such as dedicated spice manufacturer Gaban Co., Ltd., food trading company Vox Trading Co., Ltd., and Japanese-style curry restaurant chain Ichibanya Co., Ltd. into the Group over the past several years.





Passion that has to be carried forward

The challenge before us is how to achieve synergy effects in the Group which has expanded widely in one sweep. When companies with diverse business models and values gather, we realize that things we were taking for granted till now were in fact not what we thought, and that will bring about new discoveries. We need to accept differences, understand each other deeply through thorough discussions, and create new value. It is not so easy, but I believe that this will become a strong advantage if we can bring out the potential of these diverse companies and combine them skillfully.

In 2020, the Covid-19 pandemic violently changed our business environment. The scale of this shock is reminiscent of the Great East Japan Earthquake that occurred nine years ago, which became a catalyst for us to change the course of our management towards becoming a high quality company. Even the timing is exactly the same in terms of our Medium-Term Business Plan – right before the completion of the second year of the plan and just about to start formulating the next plan.

Nonetheless, this coronavirus shock has also been an opportunity for us to once again feel pride and a sense of mission as a company dealing with food, which supports people's daily lives. Precisely because we are in such a tough environment, I would like each

business company to dream big as to what they can do while the world is changing in a significant way. I would like to see them steadily creating new value for the new era by leveraging their respective strengths. And, supporting that is the job of House Foods Group and we will continue to work on building a risk-resistant foundation by striving, without losing focus, to build up the core of the value chain.

No matter how much the times change, or how much the Group's diversity expands, we have ideals that we share. Our passion that went into the company name House is now conveyed as our founding philosophy – "In every happy home throughout Japan you will find the warm flavor of home cooking, House." The motto and mission statement, called the House Ideals (Spirit), formulated as the company grew significantly as a marketing company, even now serves as our code of conduct. This system of philosophies that we inherited has been compiled in Japanese, English, and Chinese in a book titled *The HOUSE WAY BOOK* and is distributed to employees in various countries.

The Group, instead of uniform management, carries out its operations by balancing its centripetal force and the centrifugal force while maintaining diversity so as to extract maximum synergy. If you compare it to the planets in the solar system, though following different orbits, we will aim for sustainable development as a single corporate entity on the back of the gravitational pull of our corporate philosophy.

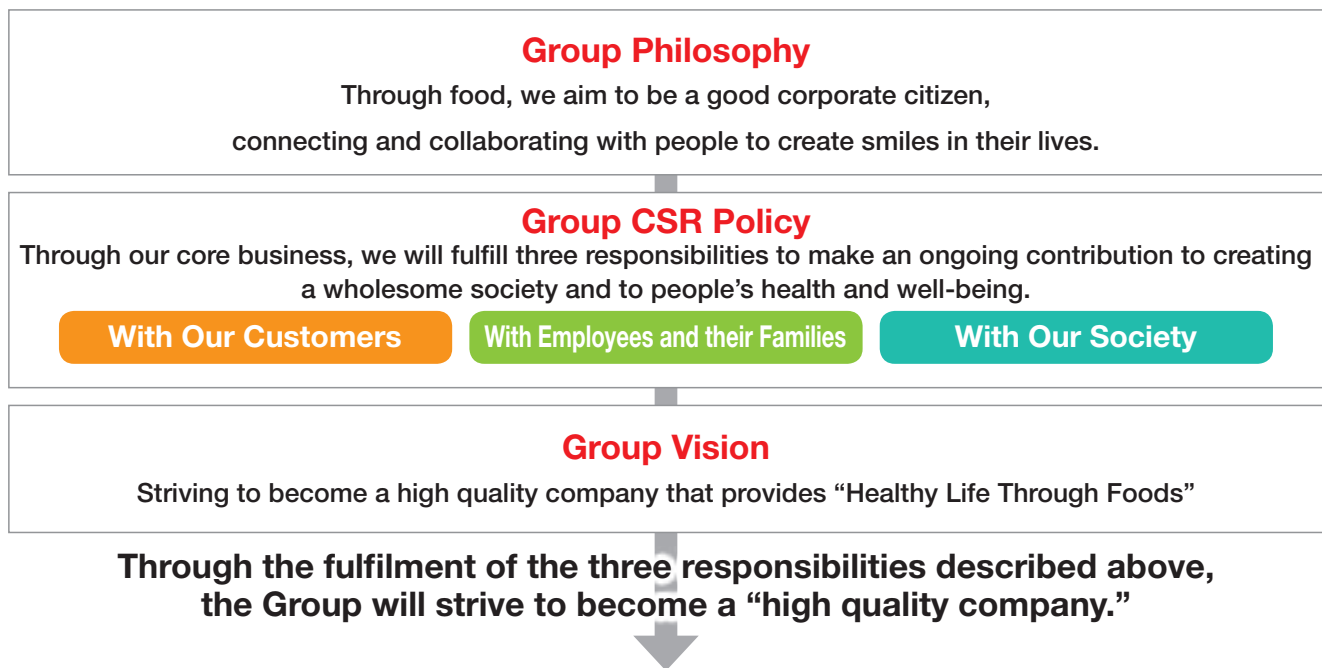
Summary and Progress of the Sixth Medium-Term Business Plan

House Foods Group positions its Medium-Term Business Plan as milestones upon realizing the Group philosophy.

Along with the changing times, the management environment surrounding the Group is transforming at an accelerating pace. We set forth “striving to become a high quality company that provides ‘Healthy Life Through Foods’” as our vision in order to achieve sustainable growth in such an environment.

In the Sixth Medium-Term Business Plan, we have set key themes for all the “three responsibilities” - for our customers, for our employees and their families, and for society – that we should carry out as a company, as we strive to become a “high quality company.”

Group Philosophy and Medium-Term Business Plan



Sixth Medium-Term Business Plan

<p style="text-align: center; font-weight: bold; margin: 0;">For our customers</p> <p style="font-size: small; margin: 5px 0;">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</p> <p style="text-align: center; font-weight: bold; margin: 0;">→ P17</p>	<p style="text-align: center; font-weight: bold; margin: 0;">For our employees and their families</p> <p style="text-align: center; font-weight: bold; margin: 10px 0;">Achievement of diversity</p> <p style="text-align: center; font-weight: bold; margin: 0;">→ P19</p>	<p style="text-align: center; font-weight: bold; margin: 0;">For society</p> <p style="font-size: small; margin: 5px 0;">Construction of the recycling- oriented model Achieving a society of healthy longevity</p> <p style="text-align: center; font-weight: bold; margin: 0;">→ P21</p>
---	---	--

Targets for the Sixth Medium-Term Business Plan (FY2018 to FY2020)

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

Final fiscal year targets The Group does not expect to reach the final fiscal year targets of the Sixth Medium-Term Business Plan owing to the severe impact of the Covid-19 pandemic
FY2020 Consolidated Forecasts **Net sales 290.0 billion yen** **Operating profit 15.5 billion yen**

Overview by Business Segment from p. p23 to p31 discusses the Group's business strategy in the age of Covid-19.

Five Key Indices

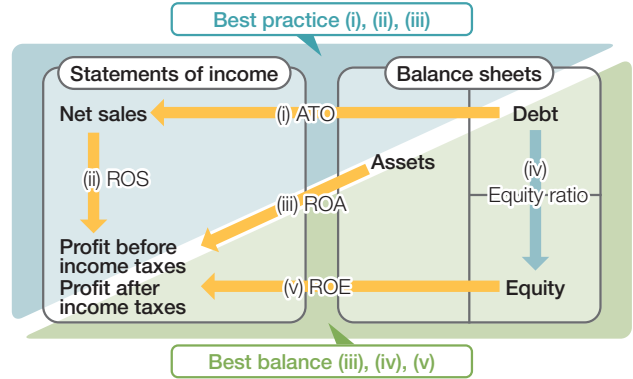
The Group places emphasis on the five key indices as important management benchmarks.

The five key indices connect the statements of income and balance sheets in a single stroke of the brush. The first indicator is total asset turnover (ATO), which links the top of both statements. The second is the ratio of operating profit to net sales (ROS). The third is the ratio of operating profit to total assets (ROA), which involves multiplication of the two, while the fourth indicator is equity ratio (E-ratio), a balance indicator, and the fifth is return on equity (ROE), which is the figure derived by multiplying ROA with the reciprocal of equity ratio and deducting the tax.

Of these, the first three (ATO, ROS, and ROA) are indicators which should be improved through our best practices, while the Group aims to achieve the best balance for its stakeholders with the latter three (ROA, E-ratio, and ROE).

<Ideal proportion>

Pursue best practice	ATO	1.0 times or above
	ROS	10% or above
	ROA	10% or above
Aim for best balance	ROE	Ensure 10%



- (i) **ATO (total asset turnover)**
Net sales ÷ Total assets
- (ii) **ROS (ratio of operating profit to net sales)**
Operating profit ÷ Net sales
- (iii) **ROA (ratio of operating profit to total assets)**
Operating profit ÷ Total assets = ATO × ROS
- (iv) **Equity ratio**
Equity ÷ Total assets
- (v) **ROE (ratio of profit to equity)**
Profit ÷ Equity = ROA (after tax adjustment) × Financial leverage($\frac{1}{\text{equity ratio}}$)

Efforts during FY2018 to FY2019 under the Sixth Medium-Term Business Plan

Three Responsibilities	Theme	Efforts in the two years
For our customers	Build-up of the core of the value chain	Three GOT themes*: Developed big picture from a Group optimization perspective <ul style="list-style-type: none"> ● Procurement GOT: Promoted concept of globally building up the value chain for spices ● Production GOT: Developed big picture for improvement of productivity ● B to B system establishment GOT: Discussed optimum structure for utilizing the strengths of House Foods and Gaban
	Build-up of R&D functions Creation of new business	Made progress in creating an organizational climate for the creation of innovation both in terms of tangibles and intangibles <ul style="list-style-type: none"> ● Renovated the research center in Chiba, which incorporated development capabilities of House Wellness Foods page 18 ● CVC: Invested in nine companies after the establishment of the fund, to acquire new knowledge the Group does not possess ● New businesses: Sought expansion of contact points with customers (kitchen car rental business, CUPRYPAN DAY (curry bread store), etc.)
	Expansion of growth and strengthening of foundation overseas	<ul style="list-style-type: none"> ● Production capacity increase progressed in all three priority areas, establishing a structure to absorb the market growth in various countries page 28
For our employees and their families	Achievement of diversity	<ul style="list-style-type: none"> ● Foster a corporate culture that would lead to productivity improvement through workstyle reform (i) Workstyle reform 5 workstyle reforms Expanded monthly planned work, introduced teleworking, reduced prescribed working hours, introduced objective management of working hours, abolished deemed working hours system for sales (ii) Climate of diverse organization climate Increased workplaces where people with diverse abilities work together, introduced 1 on 1 meeting page 20
		<ul style="list-style-type: none"> ● Utilized limited resources effectively (i) Formulated new environmental investment standards to encourage investments aimed at reducing environmental burden (ii) Incorporated SCOPE 3 concept and implanted initiatives to reduce CO2 across the entire value chain ● Implemented measures for sustainable procurement (i) Started procuring RSP0-certified palm oil (from FY2020) Gradually switching oil used in roux products and retort pouched products to certified palm oil
Business investment	Total amount in the Sixth Medium-Term Business Plan: ¥60 billion	<ul style="list-style-type: none"> ● Made capital investments focused on optimizing production and expanding overseas production structure page 42
Capital policy	Continuation of stable dividends	<ul style="list-style-type: none"> ● Increased dividends for the fourth consecutive year ● Flexibly acquired own shares (acquired 2 million shares and cancelled all of them in FY2018)

*GOT refers to a Group-wide initiative. Three key themes: Reforms of procurement of spices, production optimization, B to B system establishment

Responsibility for Our Customers

We believe that fulfilling “responsibility for our customers” means being of service to customers through the business as a company playing a role in economic activities. To this end, it is important that we keep growing as a business company and continue offering our unique value to the society.

At the moment, we uphold “striving to become a high quality company that provides ‘Healthy Life Through Foods’” as our management theme and aim to become a company that starts innovations and creates new value. We would like to simultaneously carry out marketing that corresponds to the needs of customers and achieve innovations that offer new value to them.

To realize this, we set the three key themes of “build-up of the core of the value chain,” “strengthening of R&D functions and creation of new business” and “expansion of growth and strengthening of foundation overseas” in the Sixth Medium-Term Business Plan.



Become a high quality company that provides ‘Healthy Life Through Foods’ by simultaneously carrying out marketing that corresponds to the needs of customers and achieve innovations that offer new value.

Hiroshi Urakami

President, House Foods Group Inc.

Build-up of the core of the value chain

A value chain is a series of linked values starting from the production of ingredients till the product reaches a customer's mouth.

House Foods Group has established a firm brand as a home-use food product manufacturer primarily in the B to C business in its history spanning more than 100 years. On the other hand, however, this strength is linked to the risk of limiting the axes of customer contacts and those of value chain. The tendency for people to eat out or buy food to eat at home suddenly gathered pace after the Great East Japan Earthquake in 2011. In light of this, the Group has been developing a structure that can keep offering value regardless of the direction the society takes by building up the core of value chain and by expanding customer contacts and business domains.

In particular, we have welcomed companies from different value chain fields into the Group and launched three Group-wide initiatives - spice procurement reform GOT, production optimization GOT, and B to B system establishment GOT - in an effort to create group synergies.

Strengthening of R&D function and creation of new businesses

We are promoting strengthening of R&D functions and creation of new businesses under the slogan “co-creation rather than competition” so as to further accelerate innovation as a high quality company. Since a highly homogeneous group tends to be trapped by fixed views, we aim to identify the walls surrounding us and go beyond them by having many contacts with the outside world.

In FY2019, the Group integrated the development capabilities of House Wellness Foods Corporation with the research center in Chiba, and it also completed the renovation works of the center. The move consolidated the Group's R&D functions, which is expected to accelerate co-creation within and beyond the Group, and we are developing a structure which will allow individual employees engaged in R&D to demonstrate their respective specialty in various fields of expanded value chain. Further, we established the House Foods Group Innovation Fund employing the corporate venture capital (CVC)* mechanism in October 2017, and have been investing in venture businesses outside the Group with which we can expect business synergies.

*An activity in which a business company invests in venture businesses outside of its group.

Expansion of growth and strengthening of foundation overseas

As a core business being nurtured, the Group is focusing on business growth and strengthening of the profit base in the three priority areas of the United States, China, and ASEAN region. Our efforts so far have started showing results and the businesses in these areas are entering the growth stage.

In general, improving the efficiency of global supply chain is given priority when expanding a business overseas. However, the food business has low unit price and

high logistics costs and is affected significantly by culture, and it rather requires business operation based on the idea of local production for local consumption. It is also partly the result of our steady efforts to develop the foundation, from hiring of human resources to procurement, production, sales, and consumption strongly based on the situation of each market, that helped the businesses in these areas to perform strongly: the tofu business on the back of health trend in the United States, the curry business in China, where the Group aims to popularize Japanese-style curry, and the functional drink business in Thailand led by C-vitt, which facilitates easy intake of vitamins.



Initiatives for fulfilling responsibilities



For starting innovations: Renovation of research center in Chiba completed

With the aim of transforming into a high quality company, the Group has been working on strengthening of R&D function and creation of new businesses from the Fifth Medium-Term Business Plan. The Group conventionally had focused on product processing and sales, but is currently continuously investing resources in the R&D functions to create new value and improve profitability by joining the functions in the upstream and downstream spread over the Group. As part of this effort, we renovated the research center in Chiba based on the five concepts below to create a place which allows each researcher to go beyond their existing specialties and get involved widely within and out-side the Group, and the renovation works were completed in December 2019.



(i)
Creating a forum encouraging contacts within and outside the Group

(ii)
Creating an environment for communication

(iii)
Developing facilities that promote technology fusion

(iv)
Developing free and researcher-friendly environment

(v)
Developing an environment for outside-the-box thinking

For example, the center now features spaces for working together with visitors including Group company employees and business partners as well as office and experiment spaces designed to ignite new chemical reactions by integrating the R&D functions of House Wellness Foods, which used to be located separately, and promoting exchange within the Group. Moreover, the center houses new spaces incorporating ideas from the researchers such as a dining area where people spontaneously gather, which leads to exchange of information.

The center is also simultaneously implementing initiatives seeking flexible thinking such as an introduction of One Day a Week (20% rule) to have the employees engage in operations other than what they are assigned to do one day a week to promote cross-divisional business creation.

The researchers will utilize the renovated research center to the maximum extent to further hone their specialties and promote co-creation and cooperation within and outside the center to bring about further evolution for starting innovation in the Group.

Changes in research and development expenses (consolidated basis)

	FY2015	FY2016	FY2017	FY2018	FY2019
Research and development expenses (Million yen)	3,510	3,787	3,955	4,212	4,465
Ratio of research and development expenses to net sales	1.45%	1.33%	1.35%	1.42%	1.52%

House Foods Group's Three Responsibilities

Responsibility for Our Employees and Their Families

Employees are our important stakeholders also in terms of the three responsibilities of the Group philosophy. That is because “People create the business of a company and people create the value of the company.”

Individual employees play roles in all sorts of corporate activities and a company would not function without these employees' active participation.

In other words, growth of employees directly affects the growth of a company, and we believe it is imperative that we fulfill our responsibility for the employees themselves as well as for their family members who support the employees' active participation.

Our idea of the responsibility for our employees and their families is not only about ensuring employment and paying salary and other compensation. For employees, work is a contact point with the society and an opportunity for self-fulfillment. In that sense, a company is a place where individuals achieve self-fulfillment through work and contribute to the society as well as grow through various experiences and build their respective careers autonomously. It is our responsibility to support employees widely and strongly so that they can lead fulfilling lives through work.



**A company cannot grow without employees' growth.
We aim to become a diverse organization where employees
can express their individuality and play an active part.**

Yoshiyuki Osawa

Director, House Foods Group Inc.
Responsible for Human Resources Development Division, Diversity Promotion Division, etc.

Realizing diversity

We uphold “Achievement of diversity” as a key theme of the Sixth Medium-Term Business Plan in order to fulfill that responsibility. Behind this is a sense of urgency that we would not be able to keep going if we continue to seek the source of growth in homogeneity and uniformity as we used to.

The productive-age population is significantly declining due to the dwindling birthrate and the aging population. The conventional Japanese-style working model has long collapsed and the society is seeking a balance with childrearing and nursing care as well as a workstyle reform. Lifetime employment and simultaneous employment of new graduates are no longer taken for granted and fluidity of human resources is accelerating. When we turn our eyes to House Foods Group, the business areas are expanding towards both upstream and downstream as well as globally and we are adding new companies with differing business characteristics and corporate culture to the Group under the policy of building up the core of the value chain.

Amid these changes, where do we seek the source of new growth? The answer is diversity. We believe that

diverse employees playing active roles by fully displaying their respective individualities will be the driving force for our future growth. To be sure, our idea of diversity is not limited to the difference in attributes such as age, gender, or nationality. We aim for a situation where diverse individual elements such as business characteristics and organizational values of each Group company as well as the experiences and relationships of individuals are displayed, generating synergies.

Realizing innovation and the growth of the Group by realizing diversity and improving productivity. For employees, it leads to personal growth and prosperous life. To enable such virtuous circle, employees need to recognize, respect, and accept each other's differences and play active roles by leveraging own individuality and the company needs to accept, leverage, and nurture diversity.

Implementing workstyle reform

One of the concrete measures for realizing it is the implementation of workstyle reform. In workstyle reform, we

have been promoting flexible ways to work such as complete flex time system, which does not have a core working time, and telecommuting. We are striving to reduce total actual working hours by shortening prescribed working hours per day to 7 hours and 45 minutes from 8 hours and setting numerical goals for reduction of overtime work and using paid leaves.

Also, review of operation itself is necessary in order to achieve flexible and efficient ways of work. Perform stock-taking of existing operations, identify necessity, and improve them (P). Implement the plan under appropriate time management (D), check the result (C), and work it into a fresh plan (A). To implement the PDCA cycle of the workstyle reform, we established an organization to promote the reform. It supports initiatives based on each division and implementation of initiatives throughout the Group companies.

At the same time, we are focusing on management reform. Centrifugal forces accelerate in an organization when diversity increases, and management is the centripetal force that consolidates the forces. Specifically, we have introduced one-on-one meetings. We are disseminating the message, "Let's start with setting aside time for subordinates once a month." We will promote the creation of a workplace where each and every employee can fully demonstrate their individualities by establishing communications within organizations and fostering relationships of trust between superiors and subordinates.

Acquisition of a wide variety of human resources and creation of opportunities

Another measure is the acquisition of a wide variety of human resources and creation of opportunities. We are actively recruiting a wide variety of human resources such as mid-career hires and foreign nationals. As for hiring of people with disabilities, we have people with disabilities

carrying out production activities along with those without disabilities at House Ai-Factory Corporation, which is a special subsidiary company in the Group, and we are expanding the expertise gained there to production and administrative divisions.

To ensure continued service despite various situations, we enhanced the Welcome Back System in April 2020 that enables employees to return to their original workplace and assignment if they are coming back within three years from leaving the job (it will be decided based on an interview if the period exceeds three years). With this revision, employees who gained experience outside the Group and those who have left for unavoidable reasons due to some life event can return if conditions permit. We are establishing systems to support employees proactively taking on challenges through measures such as the internal job posting system to be newly introduced, to create opportunities for employees to play active roles.

For the future

What we want to emphasize further is proactive career formation of employees. In the age of people living for 100 years, we want our employees to design their own career paths and strive by fully demonstrating their individualities, ultimately to live their respective fulfilling lives. We would spare no effort to support this.

In 2020, we were exposed to the fury of the Covid-19 pandemic, but that does not change our fundamental concepts. Rather, some initiatives were accelerated because of the crisis, such as the case with the quick transition to telecommuting. There are many cases where the presumptions changed and the original aims need to be reviewed. Why are we trying to achieve diversity? What are we going to create from it? We would like to continue steadily with our efforts to achieve higher goals without losing sight of the objective.



Initiatives for fulfilling responsibilities



Development of an organization that boosts centripetal force

Centrifugal forces accelerate in an organization when diversity increases, and an organization is required to have centripetal force. In the Sixth Medium-Term Business Plan, we have introduced one-on-one meetings as part of management transformation to support subordinates' review through dialogue focused on attentive listening and spend enough time for nurturing of subordinates. We are taking initiatives to increase the centripetal force by continuously devising ways to build relationships of trust between superiors and subordinates. To link it to further organizational development in the current fiscal year, each department is holding the Gachi (meaning: for real) Dialogue Workshop, which serves as an opportunity for employees to have frank discussions regardless of their positions to realize the ideal of the department. The workshop helps to prepare the team for transformation based on the result of the organization diagnosis carried out every year for mutual understanding in organizations, problem solving, and development of common recognition of the ideal form.



Responsibility for Society

As the phrase “corporate citizen” shows, a company has a role it must play as part of the society.

Just focusing on law-abiding business activities and fulfilling tax obligations is not sufficient to get the company accepted as something necessary for the society.

Fulfilling responsibility for society means to contribute to the solutions to various issues in the society by leveraging the company's unique strengths, and in doing so, a company may finally be able to become something that is required by the society.

House Foods Group has been implementing various initiatives, but social issues are extremely wide-ranged and contributions we should be making are becoming more and more sophisticated and complex. To this end, we set forth concrete themes starting with the Sixth Medium-Term Business Plan to enhance the driving force as a Group.

Currently, we set the “good health of people and the planet” as a theme, are sharing the “construction of the recycling-oriented model” and “achieving a society of healthy longevity” as the management's priority task and began making group-wide efforts.



Incorporate new technology and idea with the theme of the “good health of people and the planet” and contribute to solutions to social issues.

Kotaro Kawasaki

Director, House Foods Group Inc.

General Manager, Corporate Communication Headquarters; Responsible for New Business Planning & Development Division

Building recycling-oriented model

Most of the raw materials for the food business we engage in are blessings of nature. We can continue with stable business only when the global environment is conserved in a sustainable manner. For this reason, we aim to build a recycling-oriented model in which resources and energy are utilized without waste by thoroughly reducing the environmental burden in our business activities.

We have been engaged for long in energy and resource saving activities, especially at production sites. However, to achieve even higher goals in the future, we need to make drastic decisions from the management perspective and actively incorporate new technology and ideas in addition to the initiatives that are extension of current measures.

As one of such efforts, we, in 2019, newly set forth environmental investment standards. It clarified the criteria for introducing environmentally friendly facilities and enabled site managers to actively consider investment.

In addition to the production process, we are also focusing on initiatives covering the entire supply chain from procurement of raw materials to sales and consumption.

Regarding the procurement of raw materials in the upstream of the value chain, we became a member of the Roundtable on Sustainable Palm Oil (RSPO), and from 2020 we have switched the palm oil for roux* and retort pouch products produced at the Group's production bases to RSPO-certified palm oil. Similar efforts are being made regarding paper and almost all of paper used for House Foods products are certified by the Forest Stewardship Council (FSC®).

We also prepared CSR procurement guidelines for material procurement partners. We originally have been ensuring safety and security and environmental sensitivity as business requirements. The new guidelines broadly take into consideration social responsibilities such as human rights, labor, industrial safety and health, legal and social norm compliance, social contributions, and information security. As a first step, we conveyed what we are thinking to our partner companies. In the future, we will further enhance the partners' understanding and promote initiatives together to realize a sustainable society.

At the same time, in the downstream of the value chain, we are shifting to labeling of month and year of expiry date rather than day, month, and year in an initiative to reduce food waste and we are also donating products to food banks.

During the period in which the government requested people to refrain from going out to cope with the spread of Covid-19, we have been recommending, through TV commercials and the website, cooking curries using ingredients in the house including tofu, cucumber, or natto that are close to their expiry dates to enjoy cooking while reducing food waste.

*Excluding granules and pastes

Achieving a society of healthy longevity

To enjoy food, you need to be healthy. To begin with, House Foods Group is a gathering of companies that have expanded their businesses by addressing health issues with tasty and nurturing solutions. The origin of the Group's raison d'être is the common value of contributing to the society through realization of both taste and health, and we are confident that it will continue to be our mission. In this sense, achieving a society of healthy longevity where everyone is healthy and can live with a smile is an important management task. We therefore set forth "realization of healthy diet" and "offering of health solutions" as the themes and are working primarily on offering of health value and carrying out social contribution activities.

In social contribution activities, we are focusing on daily meals and offering experience-based dietary education programs. In My First Time Cooking workshops, which

started in 1996, kindergarteners and nursery school children cook curry together with teachers, and 500,000 children participate in it every year.

In 2019, we also began supporting children's cafeterias, in which local residents and municipalities support children and residents who cannot have sufficient meals due to financial and other reasons and we have offered our products to 100 such cafeterias mainly in Tokyo.

In terms of offering of health value, we are mainly offering low-sodium, low-calorie, and allergen-free products. In the next Medium-Term Business Plan, we plan to contribute to realization of a society of healthy longevity by responding to customers' health needs, which are expected to increase further, while promoting co-creation inside and outside the Group, and by delivering products and services that leverage our strengths.

For the future

The awareness of ordinary citizens changed significantly with the spread of Covid-19. In addition to the growing awareness regarding health and sanitation, we believe it provided an opportunity for many people to turn their eyes to social issues such as food waste and global environment. Along with once again realizing the significance of the themes we are working on, we believe that the responsibility to the society we should be fulfilling will become even more important.

We will continue to steadily work on these initiatives in concerted efforts of the Group. We will contribute to solving social issues by creating value unique to House Foods Group with a broad vision and flexible ideas without being shackled by existing frameworks.



Initiatives for fulfilling responsibilities



New findings from connecting with the society

My First Time Cooking workshop, which has been continuing since 1996, is a program that supports kindergarteners' and nursery school children's first experience of cooking as they cook curry together with teachers. So far a total of 8.45 million children have participated in the program, making it a dietary education program that represents the Group. Starting in 2016, the Group has been conducting a program participated by employees, in which employee volunteers visit about 10 kindergartens a year and interact with children.

The children's cafeteria support program started in 2019 is not limited to donation of products and has resulted in interactions between employee volunteers and children through letters and pictures.

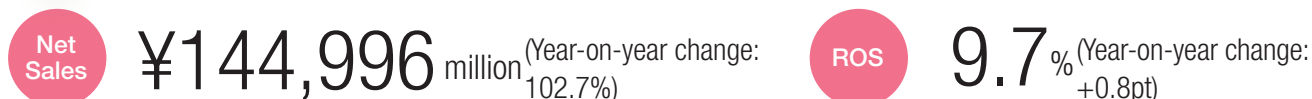
Participation in these activities has turned out to be an opportunity for the employees to confirm the significance of working and to boost their motivation, and these have been well received by the employees.



Overview by Business Segment

Spice/Seasoning/Processed Food Business

● Status for FY2019



Strive to capture medium- to long-term demand in both new and existing fields in the mature Japanese market.

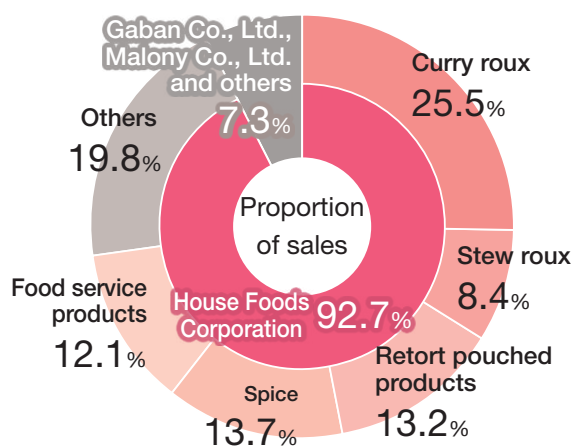
House Foods Corporation

- Retort pouched products whose production capacity has been enhanced, and spice pastes in large tubes that respond to cooking needs, grew.
- While the business was affected by the consumption tax increase, it secured profit growth partly due to a surge in demand for home-cooked meals toward the end of the fiscal year owing to the Covid-19 pandemic.

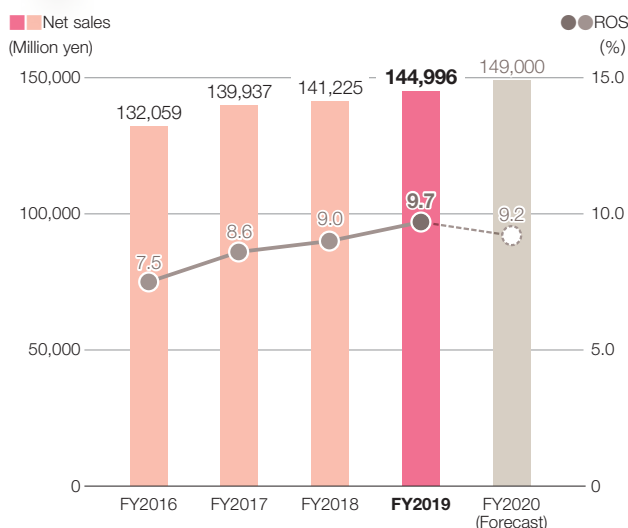
Malony Co., Ltd.

- Struggled reflecting sluggish demand for nabe (hot pot) cooking due partly to the mild winter.
- Started working on flattening the seasonal fluctuation of Malony and introduced instant cup products that combine the Malony brand with House Foods' knowhow in development and production (limited to some areas).

● Proportion of Sales for FY2019



● Results



Segment Issues

- Promote revenue structure reform in response to the progress in market maturation (growing tendency for people to eat out or buy food to eat at home).
- Respond to the changes in consumer awareness post Covid-19.



Business Strategy in the Age of Covid-19

In the Spice/Seasoning/Processed Food Business, demand for home-use products expanded, as people refrained from going out and households' stay-at-home consumption increased in reaction to the spread of the Covid-19 infection. From the second half of February to the first half of March, when the government began requesting people to refrain from going out, sales of products that are convenient and have a long shelf life such as retort pouched curry and packaged noodles in particular grew, followed by expansion in demand for categories such as products for cooking including curry and stew roux as well as spices and home-made desserts.

As a company engaged in the manufacture and sales of food products, we hurriedly stepped up production to fulfill our responsibility and supply products by ensuring hygiene control and infection prevention. I would like to express my heartfelt gratitude to our employees, especially in production and logistics divisions, for their efforts as well as all suppliers and other involved parties for their help and assistance.

We will pay close attention to the changes in customers' awareness and lifestyles and the impact of these changes on food and strive to be of more help to our customers.

In the market, we expect the basic changes such as the tendency for people to eat out or buy food to eat at home to continue. For example among curry products, the market for retort pouched products is expected to continue to expand in the medium to long term. In response to this trend, we are driving forward the optimization of our production structure including the utilization of the new manufacturing lines at the House Foods Kanto Plant, which began operations in the summer of 2019, and we will strive to further improve the product quality and enhance the product lineup.

At the same time, we believe that the increase in telecommuting due to the impact of the Covid-19 pandemic would increase opportunities to cook food at home and provide an opportunity to reconsider the value of products for cooking. As we get used to a lifestyle of refraining from going out, customers are likely to seek factors such as fun of cooking and economic performance in home cooking in addition to taste and convenience. We will continue to pursue taste perfection and value-added preparation and support our customers with products for cooking by strengthening promotional activities including simple product explanations and proposals for improvised recipes.

The market environment for products for food service use will continue to be difficult and we will work to strengthen and optimize each of procurement, production, and organizational structure to ensure business growth.

We will continuously aim to create new value by accurately capturing the changes for this new age of Covid-19 and combining customer-oriented ideas with research and development technology.

Masahiko Kudo

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



TOPICS

Progress in the reform of the revenue structure model: retort pouched product manufacturing lines started operation

The Spice/Seasoning/Processed Food Business has enunciated the reform of the revenue structure model in the Sixth Medium-Term Business Plan to respond to the growing tendency in matured markets to eat out or buy food to eat at home and has been striving to ensure sustained improvement in earning capability.

In August 2019, new retort pouched product manufacturing lines at the House Foods Kanto Plant began operation. We will work to strengthen our proposal capability and improve earning power to handle the increase in demand for retort pouched products.



*We reviewed the production lines for our mainstay curry roux in the fiscal year ended March 31, 2014, in which we reassessed the number of lines and built production systems close to consumption areas.

Overview by Business Segment

Health Food Business

Status for FY2019

Net Sales **¥27,890 million** (Year-on-year change: 90.3%)

ROS **1.9%** (Year-on-year change: -2.7pt)

Reform of the revenue structure progressed but there are issues with declining revenue of the mainstay brand and in nurturing the third source of earnings.

Functional spice business

- Ukon No Chikara: Opportunities for drinking at bars and restaurants have plummeted at the end of the fiscal year due to the spread of Covid-19.
- Food with functional claims Nerunoda: Met the needs of customers who wish to raise the quality of their sleep and the product is steadily spreading.

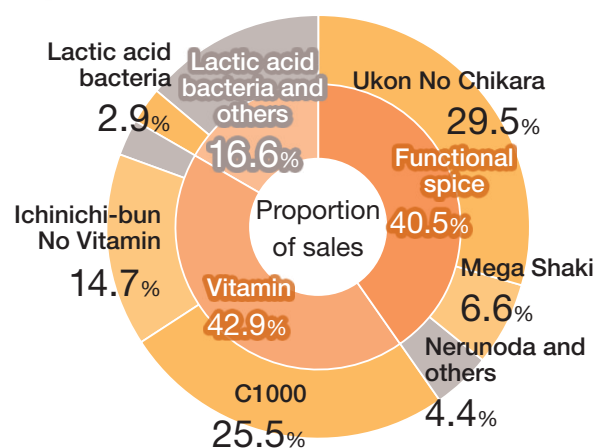
Vitamin business

- Promoted revenue structure reform (shifted jelly products and Ichinichibun No Vitamin drink to in-house production and downscaled the PET products business).

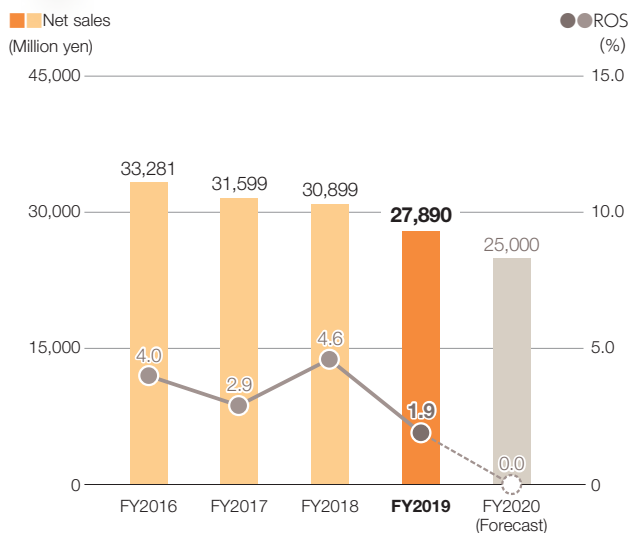
Lactic acid bacteria business

- Began operating a lactic acid bacteria culturing and manufacturing facility for building an efficient production system.

Proportion of Sales for FY2019



Results



Segment Issues

- Recover the brand power of the main brand and ensure earning capability.
- Identify the potential of strategic healthy ingredients such as the Group's proprietary *lactic acid bacterium L-137* and grow them into future revenue source.



Business Strategy in the Age of Covid-19

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 on business portfolio reforms such as down-scaling of the PET products business, in which it is difficult to maintain competitiveness, improvement of earning capability of existing products by shifting jelly products and *Ichinichibun No Vitamin* drink, positioned as growing business domains, to in-house production, and commercialization of *lactic acid bacterium L-137*.

However, the Health Food Business has been significantly affected by the Covid-19 pandemic. Its sales declined broadly led by the main brand *Ukon No Chikara* given the drastic shrinkage in the restaurant and broader drinking market. Further, many retailers primarily in urban areas are experiencing declines in both number of customers and sales, as people refrain from going out, telecommuting is encouraged, and flow of office workers declines. Our products are also affected significantly. Meanwhile, the customers’ awareness regarding health enhancement including their needs for nutrition, disease prevention, and immunity enhancement has been increasing without doubt. Globally, opportunities are emerging to expand the ingredient sales field of the lactic acid bacteria business primarily in the U.S., where companies can directly showcase the effect on immunity of such products, while in the case of vitamin drinks, the market has been greatly expanding mainly in the ASEAN region.

In response to the changes in the market, we will limit the impact of sales decline of *Ukon No Chikara* to the minimum by shifting our communications to reflect

the new ways of drinking in the near term, while expanding the scope of the product from a conventional hangover cure to a product offering health values such as daily vitality. The vitamin, lactic acid bacteria, and direct marketing businesses are in a favorable environment due to the changes in the markets and awareness of customers. We would like to reset the business domains so as to make this opportunity into a changing point to discontinuity in anticipation of further global expansion.

As for our views regarding the future of the market, we do not think that the market would get back to normal once Covid-19 subsides, but think that new needs and new market structures are already emerging. We will rebuild the positions of our businesses and brands in response to these changes and further drive forward portfolio reforms to expand the domains which offer value to our customers.

We aim to contribute to prolonging the healthy lifespan of people around the world and improve their quality of life, and will strive to fulfill our role in society as a corporate group that plays a role in the food value chain.



Yasukatsu Hiroura

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

TOPICS

Promoted revenue structure reform: Newly constructed a jelly product manufacturing line

In October 2019, House Wellness Foods Corporation newly established a manufacturing line for jelly products in spout pouch at the Itami Plant. The jelly market is expected to expand as people are using such products more often as breakfast substitutes and as light meals. We, therefore, position it as a growing area of the Health Food Business and are strengthening our initiatives in it.

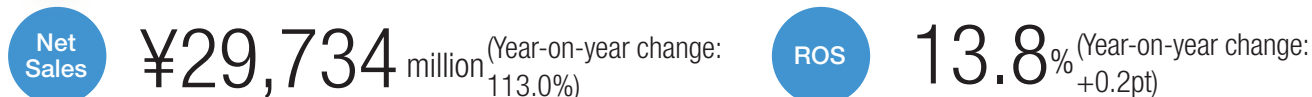
We plan to realize stable supply of the products with the construction of the new manufacturing line and will enhance cost competitiveness.



Overview by Business Segment

International Food Business

Status for FY2019



The Thai functional drink business realized strong growth, leading the segment.

Tofu business in the United States

- Strong demand for plant-based protein products continued and preparations are underway to enhance production capacity (a new line began operations in January 2020).
- Profit decreased due to rising labor costs associated with holiday and weekend operations and higher logistic costs.

Issues

Capture the expanding demand in the plant-based protein market and continue with growth investment to improve productivity.

Curry business in China

- Sales target was not met due to slower progress in implementation of the plan for enhancement and nurturing of sales personnel. (improve the structure from the three points of (i) strengthening of hiring, (ii) review of personnel evaluation system, and (iii) education.)
- Profit declined due to the depreciation burden of Zhejiang Plant, which began operation in the previous fiscal year.

Issues

Respond to sudden changes in the distribution and consumption structure and establish a personnel structure for realizing growth.

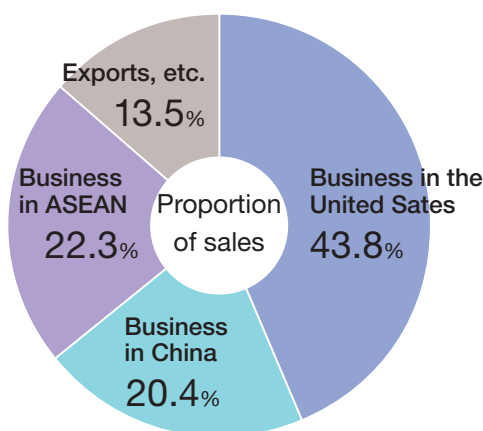
Thai functional drink business

- In addition to CVS, the products made headways into the traditional market and achieved substantial growth.
- Revised prices along with the VAT revision, and strong demand continued.

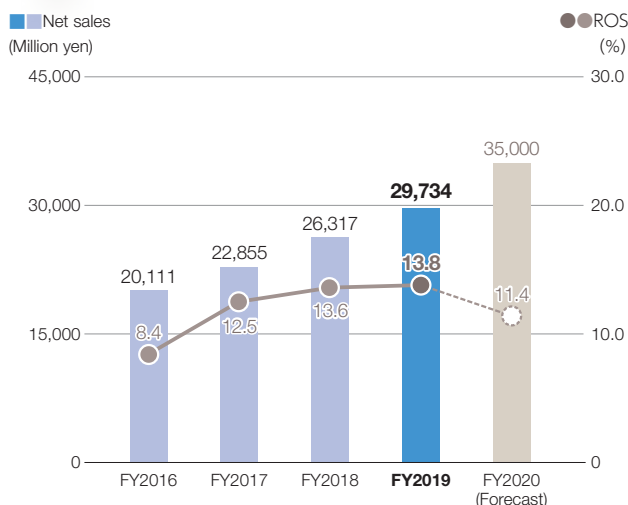
Issues

Strengthen collaboration with Osotspa Public Company Limited (increase production capacity and strengthen quality assurance capabilities) and establish a formidable brand.

Proportion of Sales for FY2019



Results



Business Strategy in the Age of Covid-19

Most of the countries where House Foods Group is operating issued lockdowns (curfew with penal rules), which were stricter than the request for refraining from going out in Japan, and the impact of Covid-19 on the International Food Business was significant. In particular, restaurants were banned from serving food at their outlets, which is having a major negative impact on our curry business in China and tofu business in the United States, as they had been focusing on the food service for stable revenue. Nevertheless, there are many phenomena that are likely to make positive contributions, and how accurately we can capture such opportunities will decide the success of the business in this age of Covid-19. In China, demand for at-home consumption called “stay-at-home economy” rapidly grew with the Covid-19 pandemic, and in the world of food, opportunities for home-cooked meals are being created in a large scale. Our mainstay product *Vermont Curry* used to face difficulties in acquiring new customers in regional cities, but its scope expanded widely with the Covid-19 pandemic. In addition, the base for the demand of our retort pouched *Weidudu Curry* has begun expanding after struggling due to low recognition of the technology and misunderstanding regarding its long-term preservability. It is believed that the increasing preference for single complete dishes, from the perspective of epidemic prevention, instead of the Chinese dining habit of sharing large dishes is behind these changes, and we aim to straightaway accelerate popularizing Japanese curry given this opportunity. In the United States, the Covid-19 pandemic created problems in the meat supply, further driving up the growth in the already booming plant-based protein products. In

this trend, tofu, which used to be a niche market of Asian traditional food, is on the cusp of expanding and transforming into the American mainstream market as a high quality protein product that can replace meat. Unification of various standards was being pursued around the world till now in the name of global standards, and this was a positive for the business environment. However, balance of power between countries has crumbled due to Covid-19, which is giving rise to nationalism. We are anticipating greater difficulties in steering the International Food Business as it will be necessary to meticulously monitor the politics and economics of concerned countries and respond to regulations. It is indispensable to strengthen our local ability to respond to these issues and we will enhance our management foundations with greater urgency.



Tatsumi Yamaguchi

Director and General Manager,
Global Headquarters, House
Foods Group Inc.

TOPICS

Growing tofu business in the United States: Expanded the Los Angeles Plant

The plant-based protein market has been expanding rapidly in recent years in the United States on the back of growing health consciousness. House Foods America Corporation began expanding the tofu product manufacturing lines at its Los Angeles Plant and new manufacturing lines began operation in January 2020.

The main feature of the added lines is the raised production capacity and manpower saving with automation. The plant used to make soft tofu and firm tofu at separate lines but the new high-capacity, high-speed lines enabled production of the two types of tofu on one line.

Tofu production requires subtle adjustments for various factors such as quality of soy beans and temperature and quality of water, but the advanced automation realized more efficient production.



Overview by Business Segment

Restaurant Business

Status for FY2019

Net Sales **¥52,498 million** (Year-on-year change: 100.8%)

ROS **0.4%** (Year-on-year change: +1.5pt)
 ROS (excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.) **9.9%**
 (Year-on-year change: +1.4pt)

The business posted a profit, as revenue improvement at Ichibanya Co., Ltd. more than offset the impact of the amortization of goodwill, etc.

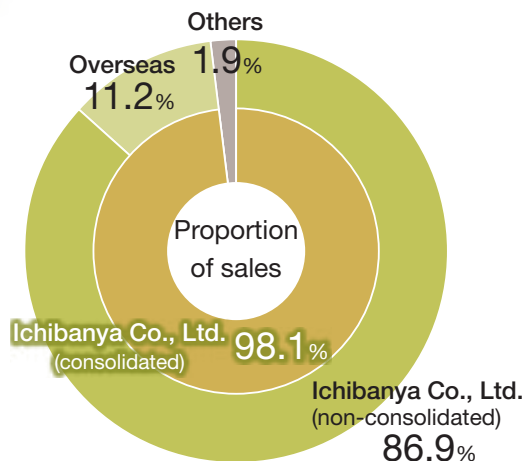
Japan

- Profitability improved as price revisions introduced in March 2019 led to increased revenue from products for directly managed restaurants and franchises.
- Decline in customers due to the consumption tax hike and introduction of the reduced tax rate was no greater than anticipated.

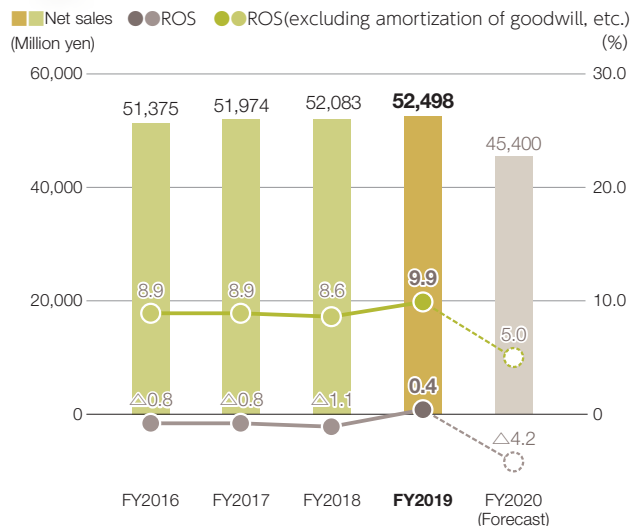
Overseas

- Increased new restaurant openings, mainly in East Asia. Sought to improve profitability through price revisions, cost review and other measures.

Proportion of Sales for FY2019



Results



Segment Issues

- Realize synergies by connecting value chains.
- Constantly improve QSC to create attractive restaurants.

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

(Million yen)

	Amortization period	Amount of amortization	FY2019	FY2020	FY2021	FY2022
Goodwill	5 years	17,083	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
Total		72,744	5,018	4,164	1,601	1,601

*Amortization began in the fourth quarter of FY2015.

Business Strategy in the Age of Covid-19

There has been an enormous impact on the restaurant industry with people refraining from going out and because of the request for shortened operating hours due to Covid-19 and due to evaporation of inbound tourism consumption. Sales of Ichibanya Co., Ltd. also significantly fell, but have since followed a recovery trend after the lifting of the state of emergency and are gradually looking up.

The Ichibanya chain has a history of developing together with the franchise restaurants, so we implemented various support measures with strong determination so that we would not let the franchisees, who operate most of the Ichibanya restaurants in Japan, give up on the restaurant due to sales decline caused by Covid-19. Fortunately, the situation had not deteriorated as much as we worried. Nevertheless, the second and third waves of infection are anticipated and we will continue to closely observe and respond to the situation.

As we start the age of Covid-19, the key for our future development is whether we can review the existing rules of thumbs from scratch and imagine a restaurant that suits the new lifestyle, and we need to keep evolving in response to customers' needs.

For example, new demands were unearthed as a result of the restrictions on dining at restaurants and the spread of telecommuting because of the Covid-19 pandemic, and a great number of new customers used delivery service and bought takeaways. We will keep actively responding to these customers by continuously following them up using social media and new sales channels and making our

restaurants more convenient by setting up drive-through counters at new outlets.

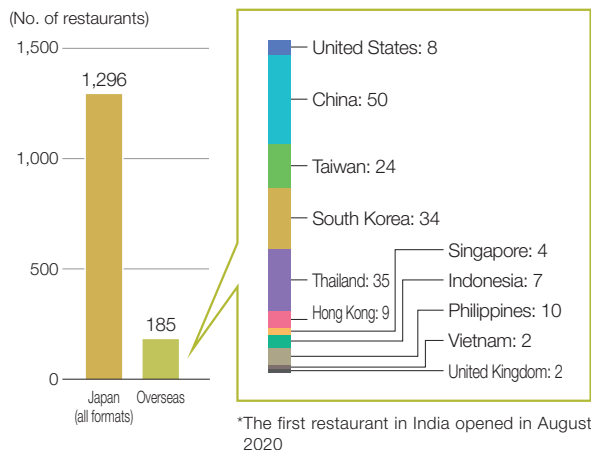
Moreover, in response to the requirement for restaurant operation style that gives consideration to the safety of customers and employees, we are considering taking measures such as separating the counter seats from the kitchen and reviewing the position of the cashier and the place to hand over products to customers. As for the operating hours of restaurants, we have started test operations to address customers' needs in the new lifestyle by closing the restaurants earlier than before in late night operations while opening them earlier than before.

An "ultra" customer first policy has been our bedrock right from the company's inception. We will firmly identify what we need to retain and what we need to change in response to the new lifestyle, and all franchisees and the headquarters will work together to create new value.



Mamoru Kuzuhara
President and Representative
Director, Ichibanya Co., Ltd.

Number of Ichibanya restaurants in Japan and abroad (as of July 2020)



TOPICS

India's first "CoCoIchi" restaurant opens

In August 2020, we opened the first CURRY HOUSE CoCo ICHIBANAYA restaurant in India, the home of curry. In this mega curry market of 1.3 billion people, we aim to establish and popularize our brand so that Japanese style curry will be accepted as one of the options.



The CyberHub outlet, India

Overview by Business Segment

Other Food Related Business

Status for FY2019

Net Sales **¥46,296 million** (Year-on-year change: 74.8%)

ROS **3.9%** (Year-on-year change: +0.6pt)

Both sales and profit of the Other Food Related Business declined as House Logistics Service Corporation spun off its main business to F-LINE Corporation (a joint logistics company of six food companies), but remaining businesses strengthened profitability.

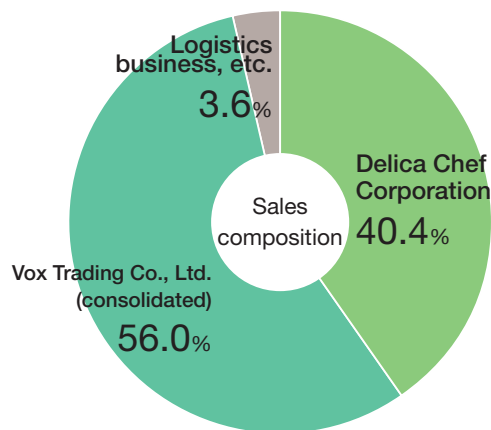
Delica Chef Corporation (the business of producing prepared food for CVS)

- While hiring environment continued to be severe, the business secured higher profit by strengthening development capability of prepared foods and desserts.
- The impact of the Point Reward Project for Consumers using Cashless Payment following the consumption tax increase also contributed to the business results.

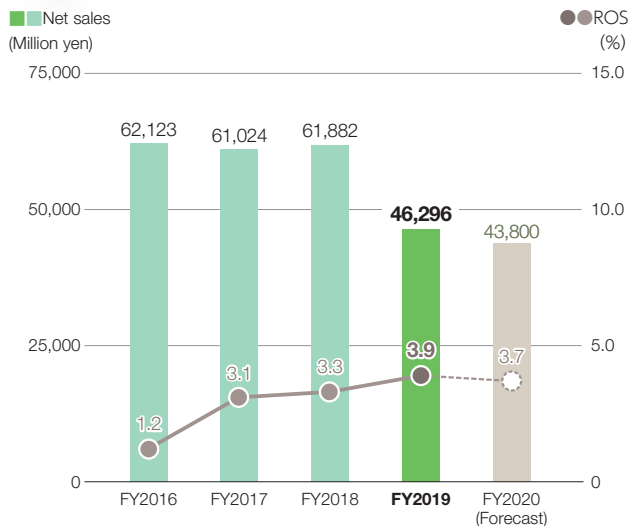
Vox Trading Co., Ltd. (the business of import and sales of foodstuff)

- Profit increased as the company focused on sales expansion of high value-added products and businesses with major restaurant operators grew.

Proportion of Sales for FY2019



Results



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 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 Company’s President, Hiroshi Urakami, and consists of ten Directors (of whom two are Independent 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	Kyuzo Saito, Independent Outside Director
Committee Members	Hiroshi Urakami, President Keiji Matsumoto, Representative Senior Managing Director Junsuke Fujii, Independent Outside Director Hiroyuki Kamano, Independent Outside Audit & Supervisory Board Member
Held	Three times a year in principle

Audit system

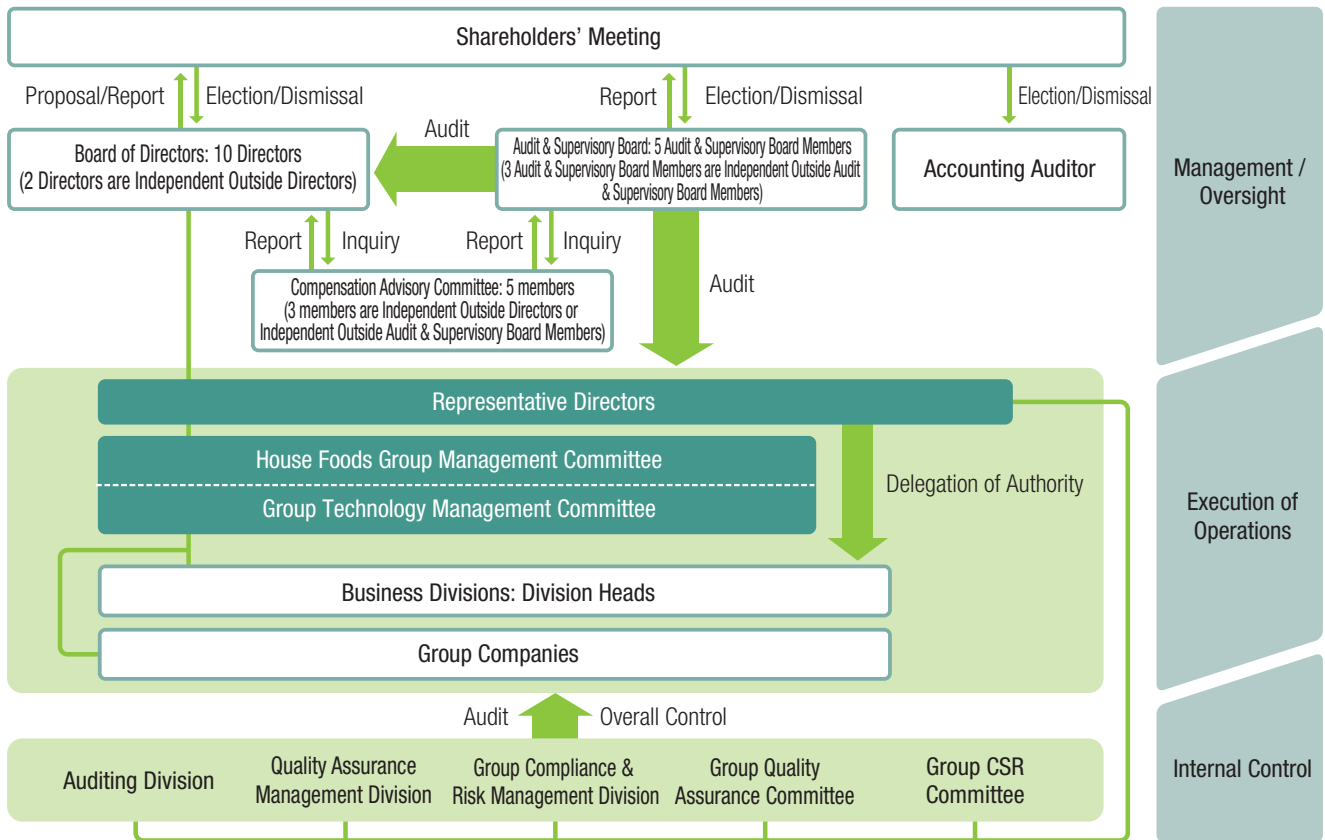
The Audit & Supervisory Board, which is chaired by the Standing Audit & Supervisory Board Member Masao Taguchi, consists of five Audit & Supervisory Board Members (of whom three are Independent Outside Audit & Supervisory Board Members). Audit & Supervisory Board Members attend the Board of Directors 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.

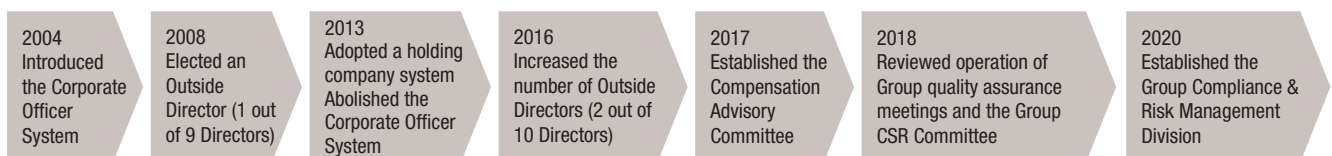
Audits by the Accounting Auditor are performed by Deloitte Touche Tohmatsu LLC. We have an audit agreement with this firm to perform audits under the Companies Act, and those under the Financial Instruments and Exchange Act.

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 (as of July 2020)



Initiatives to strengthen corporate governance



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

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

as the candidates, and then brought to the Shareholders' Meeting for discussion.

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.

Outside executives

The Outside Directors and Outside Audit & Supervisory Board Members are as follows (as of July 2020).

Name	Term of office	Independent director	Rate of attendance in FY2018 (times)		Reasons for election	Status of significant concurrent positions	Compensation Advisory Committee meetings
			Board of Directors meetings	Audit & Supervisory Board meetings			
Outside Directors							
Kyuzo Saito	4 years	○	14/14	—	Mr. Saito has a deep understanding of the food business and the food industry gained during his long involvement in the food administration.		✓ Chair
Junsuke Fujii New appointment	—	○	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.	Special advisor, The Japan Research Institute, Ltd. Auditor (outside), Sumitomo Dainippon Pharma Co., Ltd.	✓

*Mr. Saito was appointed the Chair of the Compensation Advisory Committee on June 25, 2020.

*Mr. Fujii had been serving as Outside Audit & Supervisory Board Member of the Company since June 2016. He was appointed an Outside Director of the Company on June 25, 2020, and selected as a member of the Compensation Advisory Committee.

Outside Audit & Supervisory Board Members							
Hiroyuki Kamano	5 years	○	14/14	12/12	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. Director (outside), Spancrete Corporation	✓
Tamotsu Iwamoto	3 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.	Director (outside), SHIMIZU CORPORATION	—
Atsuko Okajima New appointment	—	○	—	—	Ms. Okajima has abundant experience from her long service in administration as well as broad insight into the food and other industries.		—

*Independence criteria for Independent Outside Directors and Auditors

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 Outside Directors or Independent Outside Auditors.

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		
		Single-year		Medium- to long-term
		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 (Status for FY2019)

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)	294	223	71	8
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	40	40	—	2
Outside Executives	70	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, 2020.
 *3. Bonuses for Directors are performance-linked compensation.

Internal Audit System

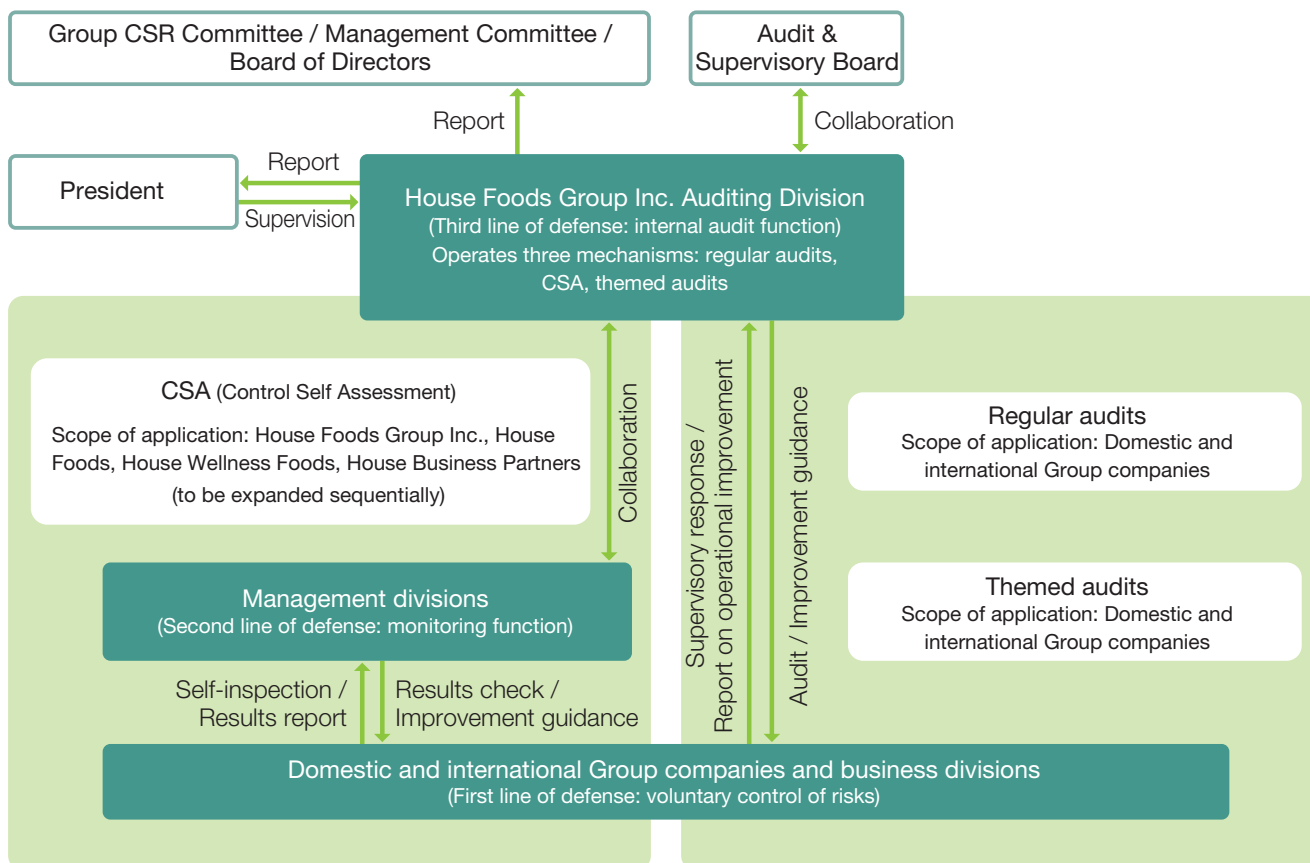
The Auditing Division reporting directly to the President conducts audits of operations, including those of the Group companies, in accordance with the audit plan.

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



See here for "Business and Other Risks."



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

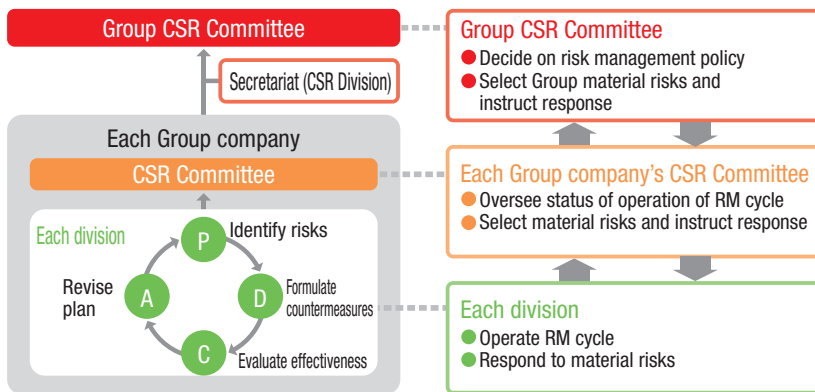
At the Group, verification of risk management activities of the entire Group and voluntary control of risks by the Group companies constitute the two pillars of risk management.

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 CSR 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 CSR Committee determines the response policy and a division responsible for addressing such risks, and gives instructions from an optimal standpoint of the entire Group.

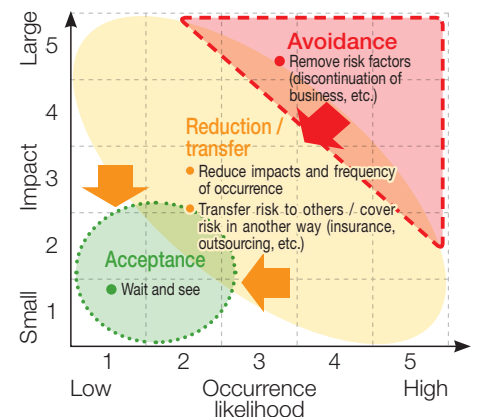
The Group formulates and implements a business continuity plan (BCP) to fulfill its social responsibility and maintain trust when the businesses of Group companies face the risk of suspension due to some factors such as natural disasters. For the purpose of enhancing the effectiveness of the BCP, we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



Risk management study sessions in the U.S. (Los Angeles and New Jersey)

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.

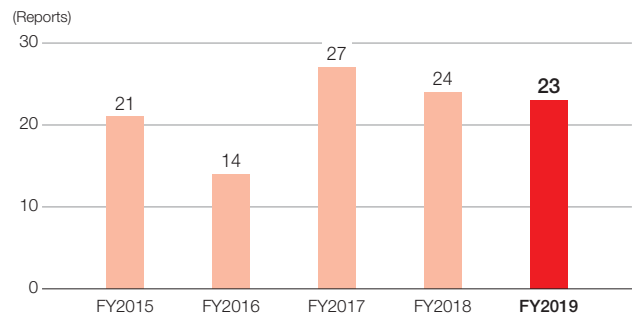
Important matters for management are reported to the Group CSR Committee, which then makes reports and recommendations on such matters to the Group Management Committee and the Board of Directors.

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.

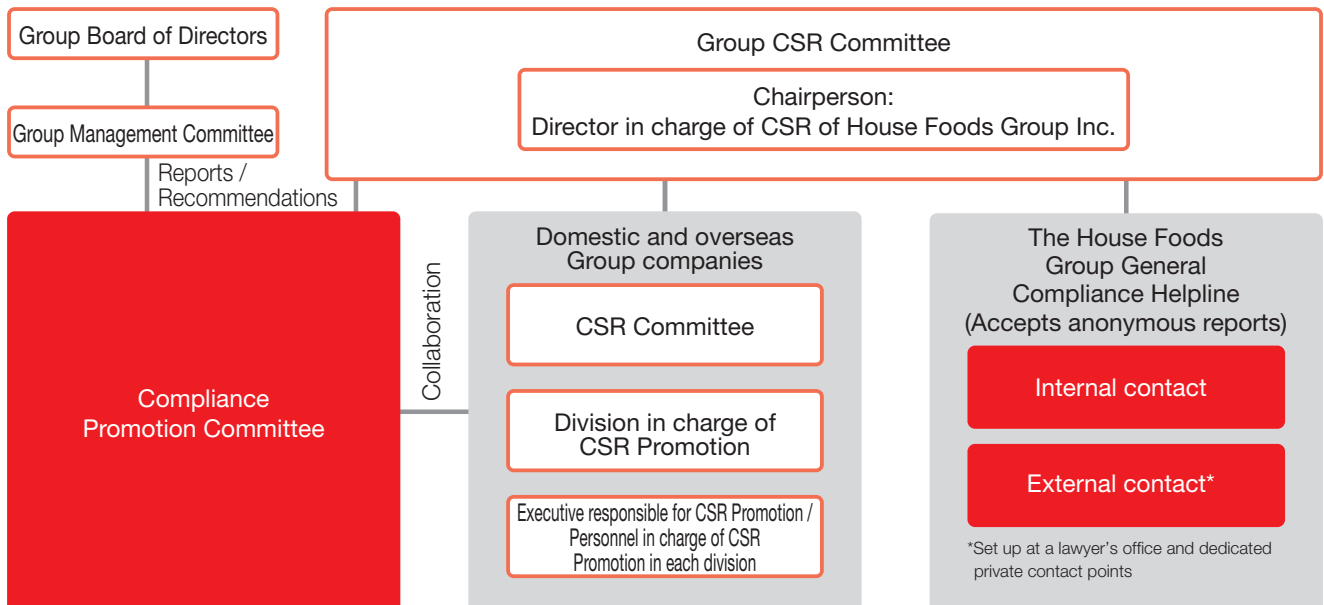
In addition, a compliance survey is conducted with all Group employees each year to investigate the awareness and status of understanding toward compliance. The survey results are fed back to the president and the director in charge of compliance promotion of each Group company to take appropriate measures. Along with this, each Group company holds study sessions on compliance and seeks to cultivate a workplace culture that focuses on compliance.

The Company also established the Group Compliance & Risk Management Division in April 2020 to strengthen compliance and risk management of the Group as a whole.

Number of reports received by the House Foods Group General Compliance Helpline



Compliance promotion structure



Message from Newly Appointed Outside Director and Audit & Supervisory Board Members



Junsuke Fujii

Outside Director

About half of my 40 years of corporate employee life was spent in human resource-related work. Human resources, who are the constituent members of a company or an organization, are in fact the real assets of any entities. How to develop an environment that can bring out the unlimited potential and ability of human resources, and allow them to demonstrate it, I believe, is of extreme importance for an organization to achieve independent and sustained growth.

As one of its “three responsibilities,” the House Foods Group advocates creation of jobs along with provision of a place/opportunity to help individual employees and their families grow. I have observed the Group companies for four years as an Outside Audit & Supervisory Board Member, and I feel that the Group’s strong brand power, nurtured by its history and firm track record, the founding philosophy that has been maintained without break, and the highly loyal, sincere, and diligent employees are its tremendous assets.

At the same time, however, the business domains of the House Foods Group have been expanding rapidly in terms of types and volume of products as well as sales areas both in Japan and abroad. Its scale, in other words the companies, organizations, and employees that make up the Group, cannot be compared with what it was 10 years ago. How should we build mutual communication means so as to increase the sense of unity as a group and generate synergies? How should we strengthen the coordination and check functions so as to improve the performance of the Group as a whole? Further, how should we make prompt and decisive investment judgment at crucial points in the medium- to long-term vision? In the drastically changing operating environment, the Group needs to move up a gear and brush up the measures it has been implementing till now.

I will strive to improve the corporate value of the House Foods Group and strengthen its corporate governance by actively listening to the voices of both the management and employees in the field, while aiming to realize a topspin approach, in which the efforts of each and every employee are linked to the improvement in the business performance of the entire Group, which in turn will fuel the growth of the employees.

As a civil servant, I have been engaged in the administration of various fields including food distribution, food safety, municipalities, gender equality, and information disclosure. Administration is something that is carried out impartially based on laws and regulations, but it is also constantly innovating towards better directions, as it responds to the changes and needs in the economic society and incorporates various opinions. In doing so, it goes without saying that information disclosure and accountability are important. In the context of governance, administration and business management which aims at creating values and improving corporate values share something in common.

For a food company engaged in food, which is fundamental for humans to live, the most important thing is to offer safe and reliable food products to consumers and customers. To this end, it is necessary to ensure safety and take environmental measures at every level in the globalized value chain starting from procurement of ingredients to offering of products and services.

Further, the situation around dining table is changing significantly due to factors such as dwindling birth rate and aging population as well as an increase in the number of single-person households. We also need to respond to the occurrence of unexpected situations such as a sudden change in international affairs or the novel coronavirus pandemic. Expectations on businesses, such as taking environmentally responsible actions and contributing to sustainable global development, are also increasing and diversifying.

Promotion of diversity is important to increase corporate value by responding to these changes and expectations. In other words, it is important to develop a system and atmosphere that enables each and every employee, irrespective of gender, nationality, disability, and workstyle, to increase their sensitivity and work to create value by demonstrating their abilities.

I have been familiar with House products including its curries, desserts, and barley tea since my childhood. They remind me of the warmth surrounding a happy dining table. I would like to contribute to the Company as an Outside Audit & Supervisory Board Member to improve the corporate value of the House Foods Group in response to the expectations of a great number of stakeholders by cherishing such trust and affection.



Atsuko Okajima

Outside Audit & Supervisory
Board Member

Executives (as of July 2020)

- 1** President
Hiroshi Urakami Responsible for Corporate Planning Division
- 2** Representative Senior Managing Director
Keiji Matsumoto Responsible for Domestic Affiliated Companies Planning Support Division, Finance & Accounting Division, Spice Value Chain Project
- 3** Senior Managing Director
Yasukatsu Hiroura Representative Director and President, House Wellness Foods Corporation
- 4** Senior Managing Director
Masahiko Kudo Representative Director and President, House Foods Corporation
- 5** Director
Yoshiyuki Osawa Responsible for General Affairs Division, Legal Division, Secretariat Division, Human Resources Development Division, Diversity Promotion Division, Group Compliance & Risk Management Division
- 6** Director
Yoshiyuki Miyaoku General Manager, Research & Development Headquarters Responsible for Quality Assurance Management Division, Purchasing Division, Digital Transformation Planning Division
- 7** Director
Tatsumi Yamaguchi General Manager, Global Headquarters
- 8** Director
Kotaro Kawasaki General Manager, Corporate Communication Headquarters Responsible for New Business Planning & Development Division



9 Director (Outside)
Kyuzo Saito

10 Director (Outside)
Junsuke Fujii

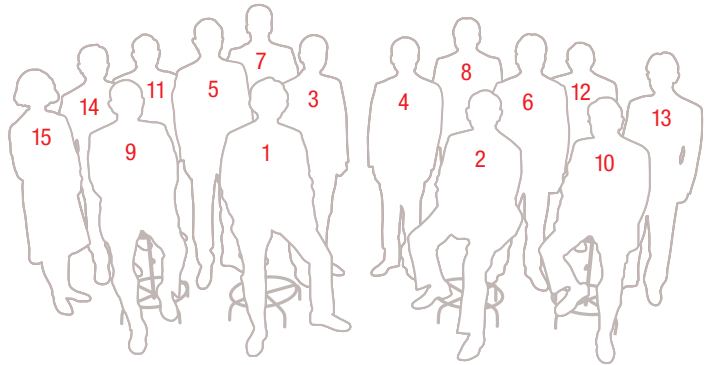
11 Standing Audit &
Supervisory Board Member
Masao Taguchi

12 Standing Audit &
Supervisory Board Member
Akira Koike

13 Audit & Supervisory Board
Member (Outside)
Hiroyuki Kamano

14 Audit & Supervisory Board
Member (Outside)
Tamotsu Iwamoto

15 Audit & Supervisory Board
Member (Outside)
Atsuko Okajima



FY2019 Review

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. In the current fiscal year, the second year of the business plan, the Group took 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”

<p style="text-align: center;">For our customers</p> <p style="text-align: center;">Creating innovation in the mature market in Japan and accelerating business development in overseas growth markets</p> <p style="text-align: center;">(Value chain innovation, R&D innovation, the expansion of growth in overseas businesses and the strengthening of business base)</p>	<p style="text-align: center;">For our employees and their families</p> <p style="text-align: center;">Achieving diversity and improving productivity</p> <p style="text-align: center;">(Implementing workstyle reforms, recruiting diverse human resources and creating a workplace where they can take an active role)</p>	<p style="text-align: center;">For society</p> <p style="text-align: center;">Constructing a recycling-oriented model and achieving a society of healthy longevity through the CSR* activities the Group conceives.</p> <p style="text-align: center;">*CSR: Creating Smiles & Relationships</p>
--	--	---

In business operations, the Group, on the theme of “For our customers,” worked to strengthen the profitability and value creation capability of existing businesses, including expanding the retort pouched product manufacturing lines of House Foods Corporation, strengthening the production capacity of the tofu business in the United States, and strengthening R&D capabilities by integrating the development capabilities of House Wellness Foods Corporation into the research center in Chiba. On the theme of “For our employees and their families,” the Group focused on creating an organizational climate which will help improve productivity through “workstyle reform,” while on the theme of “For society,” the Group established environmental investment standards for the establishment of a recycling-oriented model.

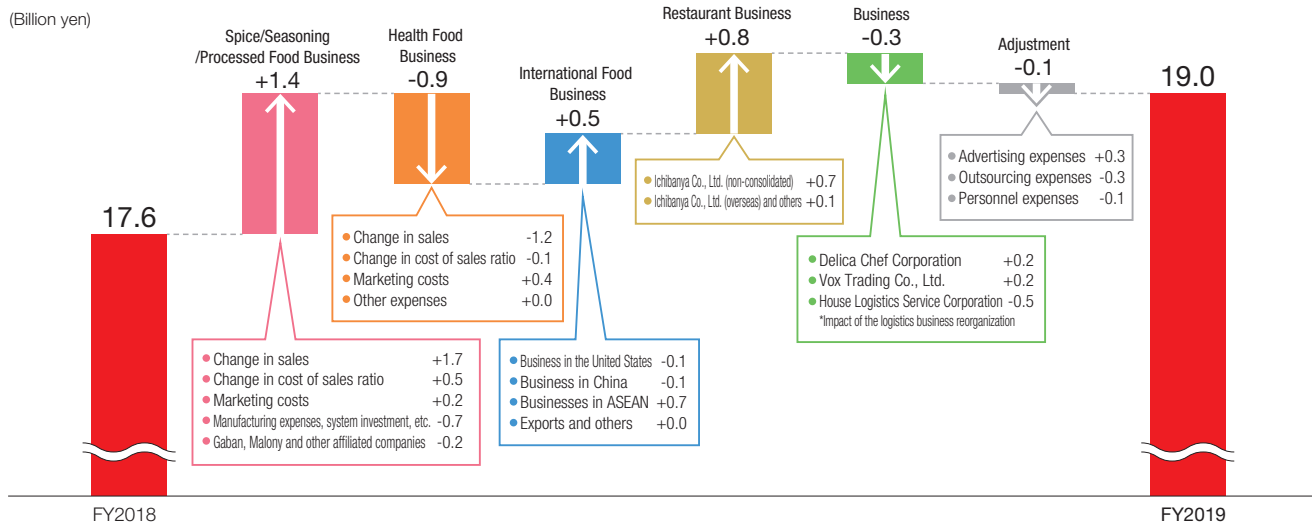
Net sales

The Spice/Seasoning/Processed Food Business and the Restaurant Business showed a stronger performance than a year earlier, in addition to the expansion of the business scale of the International Food Business, primarily in Thailand. However, net sales of the Group decreased 1.0% year on year, to 293.7 billion yen, principally because of difficulties experienced by the Health Food Business and the impact of the spin-off of the major logistics business to F-LINE Corporation in the Other Food Related Business.

Profit

Operating profit rose 8.2% year on year to 19.0 billion yen and ordinary profit increased 8.9% year on year to 20.8 billion yen, due to the increased contribution of the Spice/Seasoning/Processed Food Business, the International Food Business and the Restaurant Business to consolidated results, despite difficulties in the Health Food Business and the impact of the spin-off of the logistics business. Profit attributable to owners of parent declined 16.8% year on year to 11.5 billion yen, mainly due to the absence of a gain on sales of investment securities recorded in the previous fiscal year.

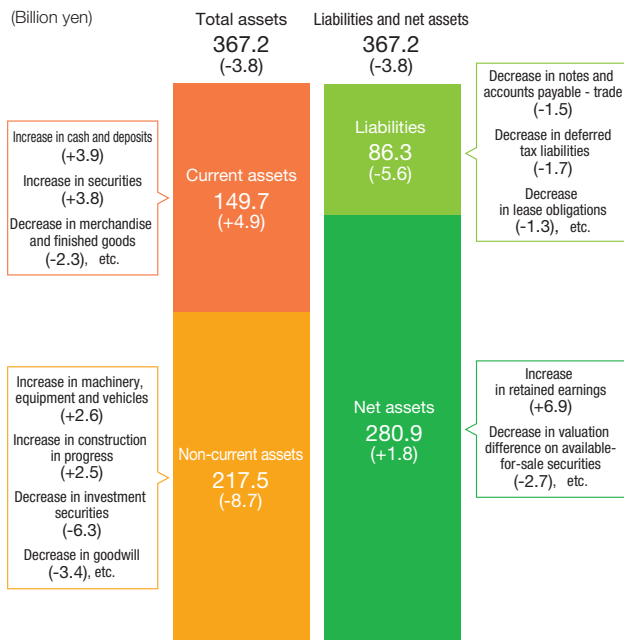
Operating profit change analysis



Analysis of Financial Position

In the Sixth Medium-Term Business Plan, House Foods Group is working to improve the quality of its balance sheet and investment return through distribution of management resources to growth fields by generating synergies in Group-wide efforts. In the current fiscal year, the second year of the Medium-Term Business Plan, the Group has been investing management resources into growth fields in Japan and abroad through initiatives such as expanding the retort pouched product manufacturing lines of House Foods Corporation and strengthening the production capacity of the tofu business in the United States.

As a result, the financial position as of the end of the fiscal year under review was as follows.

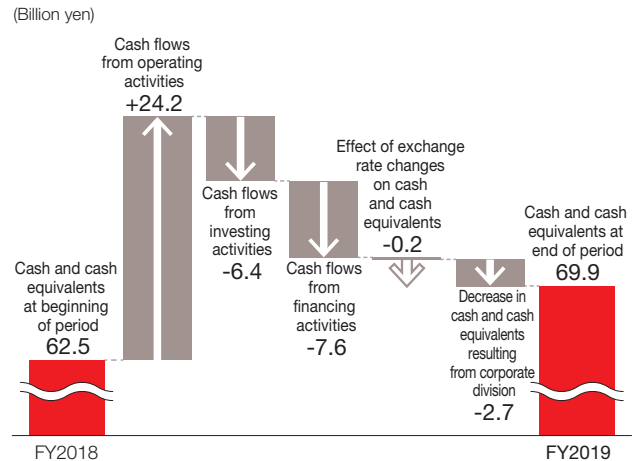


Status of Cash Flows

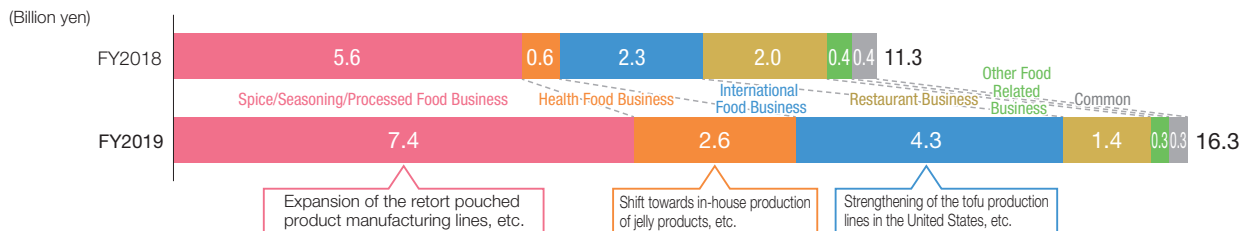
During the period of the Sixth Medium-Term Business Plan, the Group plans to actively make business investment worth 60 billion yen in total to stimulate growth.

Cash provided by operating activities during the consolidated fiscal year under review was 24.2 billion yen, an increase of 3.3 billion yen from the previous consolidated fiscal year, reflecting 20.7 billion yen in profit before income taxes. Cash used by investing activities during the consolidated fiscal year under review was 6.4 billion yen, an increase of 5.3 billion yen from the previous consolidated fiscal year, owing primarily to the purchase of property, plant and equipment despite sale of investment securities. Cash used by financing activities during the consolidated fiscal year under review was 7.6 billion yen, a decrease of 9.8 billion yen from the previous consolidated fiscal year, mainly due to the impact of the acquisition and cancellation of treasury shares carried out in the previous fiscal year.

As a result, cash and cash equivalents at the end of the consolidated fiscal year under review stood at 69.9 billion yen, an increase of 7.4 billion yen compared with the balance at the beginning of the fiscal year.



[Reference] Amount of capital investment by segment



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.

For FY2019, the Group decided to pay an annual dividend of 46.00 yen per share, which is an increase of 2.00 yen from the previous fiscal year.

As a result, the consolidated dividend payout ratio was 40.4%, and the dividend payout ratio based on the basic policy on the payment of dividends was 31.6% on a consolidated basis. In terms of internal reserves, the Group will use such reserves to fund investment in manufacturing equipment, research and development, and new businesses development, to prepare for future business.

11 Years' Selected Financial Data

Years Ended March 31		2010	2011	2012	2013
Net sales	(Million yen)	220,622	216,713	214,317	209,784
Operating profit	(Million yen)	10,964	12,069	14,053	11,441
Ordinary profit	(Million yen)	12,187	13,031	15,502	13,445
Profit attributable to owners of parent	(Million yen)	4,820	5,252	7,928	8,254
Depreciation	(Million yen)	6,102	5,704	5,356	5,020
Capital investment	(Million yen)	4,734	2,825	4,889	5,684
EBITDA (Operating profit (before amortization of goodwill) + Depreciation)	(Million yen)	21,187	21,894	20,770	17,167
Cash flows from operating activities	(Million yen)	15,813	18,568	17,098	12,884
Cash flows from investing activities	(Million yen)	(10,129)	(10,228)	(19,069)	(1,841)
Cash flows from financing activities	(Million yen)	(2,771)	(6,466)	(2,836)	(4,943)
Cash and cash equivalents at end of fiscal year	(Million yen)	44,570	46,091	41,190	47,715
Total assets	(Million yen)	231,927	228,810	240,092	250,780
Net assets	(Million yen)	182,628	181,298	189,242	199,328
Shareholders' equity	(Million yen)	182,275	180,922	188,785	198,731
Profit per share	(yen)	43.91	48.40	74.26	77.78
Net assets per share	(yen)	1,660.57	1,694.59	1,768.27	1,879.06
Dividend per share	(yen)	22.0	22.0	28.0	30.0

<Five Key Indicators>

Years Ended March 31		2010	2011	2012	2013
ATO (Asset Turnover)	(Times)	0.96	0.94	0.91	0.85
ROS (Ratio of operating profit to net sales)	(%)	5.0	5.6	6.6	5.5
ROA (Ratio of operating profit to total assets)	(%)	4.8	5.2	6.0	4.7
Equity ratio	(%)	78.59	79.10	78.60	79.20
ROE (Ratio of profit to equity)	(%)	2.7	2.9	4.3	4.3

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

	2014	2015	2016	2017	2018	2019	2020
	232,610	231,448	241,893	283,812	291,897	296,695	293,682
	9,589	8,686	10,775	12,312	16,288	17,559	19,005
	10,962	10,957	12,152	13,951	17,207	19,100	20,797
	8,792	6,971	22,632	8,683	9,353	13,767	11,458
	5,056	5,789	6,908	9,345	9,126	9,262	9,862
	11,115	9,588	6,757	7,708	10,215	11,320	16,253
	14,815	14,642	18,699	25,235	28,978	30,242	32,284
	8,818	8,428	12,518	21,298	23,608	20,913	24,218
	(7,471)	(4,679)	(8,308)	(2,169)	(13,739)	(1,008)	(6,356)
	(68)	(10,588)	(3,743)	(7,388)	(5,317)	(17,317)	(7,567)
	49,586	43,832	44,156	55,594	60,202	62,495	69,870
	273,368	286,149	349,427	353,888	378,864	371,025	367,194
	210,097	221,456	260,329	266,615	283,719	279,144	280,930
	208,801	219,927	228,812	235,246	251,814	247,275	248,770
	83.13	67.61	220.48	84.53	91.02	134.32	113.73
	1,974.31	2,140.27	2,231.86	2,289.43	2,450.71	2,454.34	2,469.20
	35.0	30.0	30.0	32.0	38.0	44.0	46.0

	2014	2015	2016	2017	2018	2019	2020
	0.89	0.83	0.76	0.81	0.80	0.79	0.80
	4.1	3.8	4.5	4.3	5.6	5.9	6.5
	3.7	3.1	3.4	3.5	4.4	4.7	5.1
	76.40	76.90	65.50	66.47	66.47	66.65	67.75
	4.3	3.3	10.1	3.7	3.8	5.5	4.6

Consolidated Financial Statements

Consolidated Balance Sheets

(Million yen)

As of March 31	2016	2017	2018	2019	2020
Assets					
Current assets	118,947	135,612	141,245	144,755	149,653
Cash and deposits	44,128	57,583	60,630	62,484	66,424
Notes and accounts receivable - trade	43,140	45,370	48,575	48,601	47,774
Securities	10,009	7,436	8,654	7,082	10,893
Merchandise and finished goods	9,628	10,020	10,828	13,645	11,390
Work in process	1,563	2,008	1,963	1,935	1,979
Raw materials and supplies	3,723	4,563	4,740	4,706	5,128
Deferred tax assets	2,397	2,682	—	—	—
Other	4,499	6,185	6,049	6,315	6,181
Allowance for doubtful accounts	(141)	(234)	(194)	(12)	(115)
Non-current assets	230,480	218,275	237,619	226,269	217,541
Property, plant and equipment	77,223	79,162	83,182	85,943	90,239
Buildings and structures, net	28,848	29,491	30,211	31,528	32,327
Machinery, equipment and vehicles, net	11,722	12,723	12,794	14,598	17,229
Land	28,851	30,394	32,322	32,212	31,865
Leased assets, net	4,400	3,942	3,554	3,278	1,861
Construction in progress	1,140	585	2,428	2,111	4,589
Other, net	2,261	2,028	1,872	2,216	2,368
Intangible assets	74,799	69,949	64,441	59,238	54,476
Goodwill	16,542	12,964	9,400	5,980	2,562
Trademark right	26,570	25,933	25,296	24,660	24,024
Software	2,109	2,142	1,701	1,474	1,549
Contract-related intangible assets	28,753	27,787	26,820	25,854	24,887
Software in progress	89	29	164	310	731
Other	736	1,094	1,059	960	722
Investments and other assets	78,458	69,164	89,996	81,088	72,825
Investment securities	68,800	61,870	76,841	66,472	60,182
Long-term loans receivable	360	356	349	329	3
Deferred tax assets	2,247	1,223	2,008	1,609	1,837
Long-term time deposits	2,500	500	1,000	1,000	1,000
Retirement benefit asset	285	358	3,981	4,823	3,162
Claims provable in bankruptcy, claims provable in rehabilitation and other	719	683	712	788	659
Long-term deposits	—	—	—	—	1,088
Other	4,441	5,049	6,009	7,038	6,825
Allowance for doubtful accounts	(893)	(874)	(903)	(971)	(1,931)
Total assets	349,427	353,888	378,864	371,025	367,194

(Million yen)

As of March 31	2016	2017	2018	2019	2020
Liabilities					
Current liabilities	50,814	51,492	56,648	55,308	53,138
Notes and accounts payable - trade	18,749	19,584	20,877	21,178	19,706
Electronically recorded obligations - operating	1,540	1,294	1,465	1,562	1,553
Short-term borrowings	6,849	5,711	5,858	3,749	3,340
Current portion of bonds	—	—	26	26	26
Lease obligations	733	655	620	584	491
Accounts payable - other	13,887	14,872	16,601	16,657	17,435
Income taxes payable	2,810	2,680	4,331	3,504	4,232
Provision for bonuses	129	317	409	431	636
Provision for bonuses for directors (and other officers)	68	75	95	98	85
Provision for shareholder benefit program	75	87	90	90	86
Other provisions	—	124	15	—	—
Asset retirement obligations	3	3	4	1	3
Other	5,971	6,090	6,256	7,427	5,543
Non-current liabilities	38,284	35,781	38,496	36,573	33,126
Bonds payable	—	—	52	26	—
Long-term borrowings	824	550	573	392	98
Lease obligations	3,745	3,390	3,018	2,770	1,451
Long-term accounts payable - other	319	298	254	219	250
Deferred tax liabilities	25,330	24,296	26,570	24,234	22,518
Provision for loss on guarantees	6	3	2	2	—
Provision for retirement benefits for directors (and other officers)	—	—	296	—	—
Retirement benefit liability	4,668	2,720	1,728	1,814	1,987
Asset retirement obligations	711	719	843	845	723
Long-term guarantee deposits	—	3,508	4,643	5,777	5,698
Other	2,681	295	517	495	400
Total liabilities	89,098	87,273	95,145	91,881	86,264
Net assets					
Shareholders' equity	210,257	215,545	221,296	221,975	228,616
Share capital	9,948	9,948	9,948	9,948	9,948
Capital surplus	23,927	23,107	23,107	23,107	22,829
Retained earnings	176,898	182,501	188,258	188,920	195,844
Treasury shares	(516)	(12)	(17)	(1)	(6)
Other accumulated comprehensive income	18,555	19,702	30,518	25,300	20,154
Valuation difference on available-for-sale securities	18,294	18,297	25,614	21,327	18,650
Deferred gains or losses on hedges	(19)	188	(5)	5	14
Foreign currency translation adjustment	2,410	1,566	1,763	756	292
Remeasurements of defined benefit plans	(2,128)	(350)	3,147	3,213	1,198
Non-controlling interests	31,517	31,369	31,905	31,869	32,160
Total net assets	260,329	266,615	283,719	279,144	280,930
Total liabilities and net assets	349,427	353,888	378,864	371,025	367,194

Consolidated Financial Statements

Consolidated Statements of Income and Comprehensive Income

(Million yen)

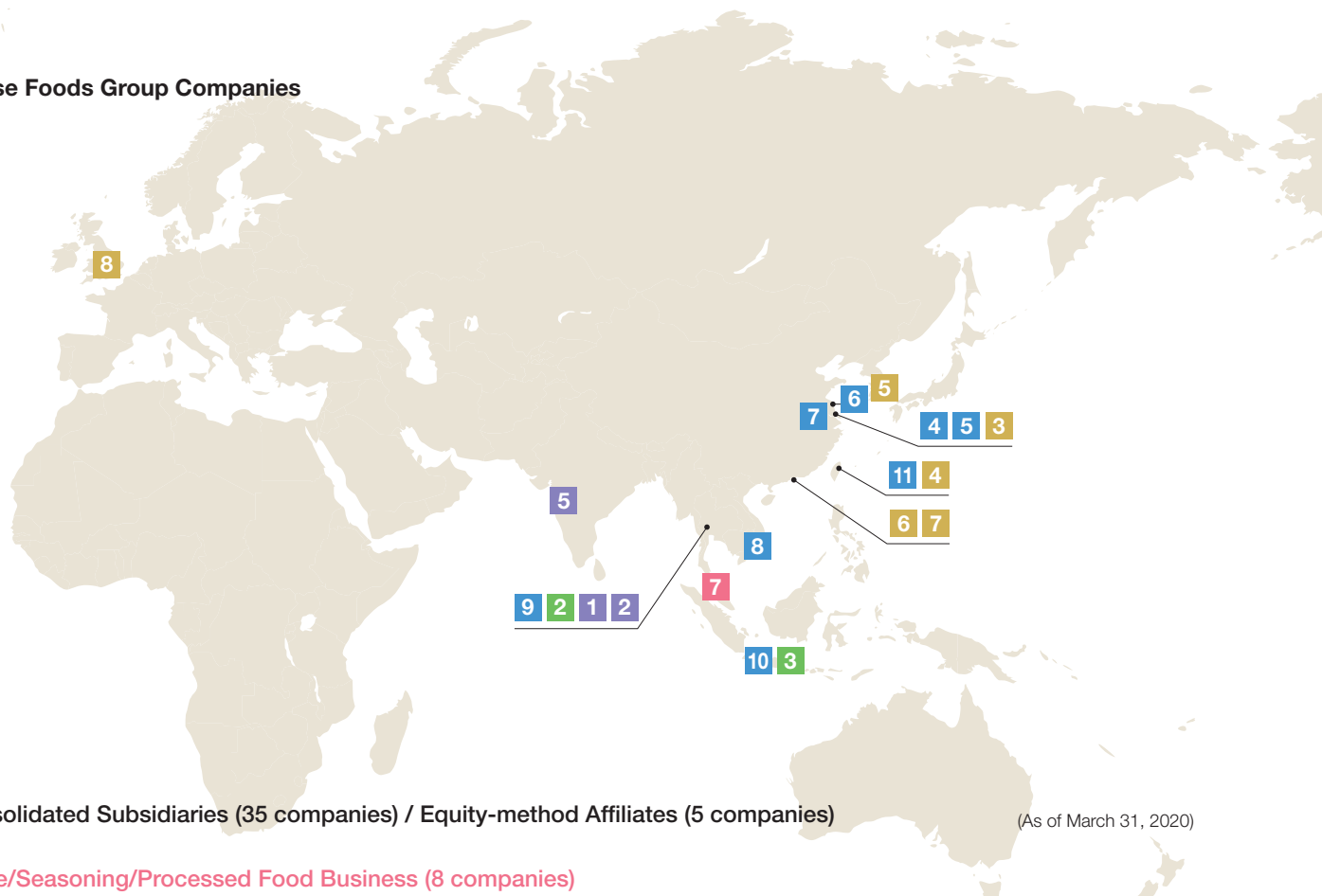
Years Ended March 31	2016	2017	2018	2019	2020
Net sales	241,893	283,812	291,897	296,695	293,682
Cost of sales	138,371	159,624	162,497	165,068	159,910
Gross profit	103,522	124,187	129,400	131,628	133,772
Selling, general and administrative expenses	92,746	111,875	113,112	114,068	114,767
Advertising expenses	9,822	9,869	9,879	9,739	9,436
Transportation and storage costs	7,248	9,519	9,919	10,278	11,635
Sales commission	2,342	2,455	2,480	1,669	1,691
Promotion expenses	29,741	30,607	31,234	32,571	32,589
Salaries, allowances and bonuses	16,961	22,359	22,666	23,103	22,974
Depreciation	1,996	3,838	3,627	3,531	3,555
Amortization of goodwill	1,016	3,578	3,564	3,420	3,417
Rental expenses	3,006	4,231	4,213	4,038	3,915
Research and development expenses	3,510	3,787	3,955	4,212	4,465
Other	17,105	21,634	21,575	21,506	21,090
Operating profit	10,775	12,312	16,288	17,559	19,005
Non-operating income	2,177	2,607	2,296	2,566	2,918
Interest income	478	395	328	329	353
Dividend income	609	762	656	679	658
Share of profit of entities accounted for using equity method	584	70	99	51	645
Rental income from buildings	176	758	762	757	806
Foreign exchange gains	—	238	—	154	—
Other	330	384	451	597	457
Non-operating expenses	801	969	1,376	1,026	1,127
Interest expenses	93	87	90	80	62
Rental expenses	148	631	616	618	671
Foreign exchange losses	174	—	380	—	143
Other	385	251	291	327	251
Ordinary profit	12,152	13,951	17,207	19,100	20,797
Extraordinary income	17,013	2,008	993	4,470	2,359
Gain on sales of non-current assets	7	178	13	6	198
Gain on sales of investment securities	3,135	147	765	4,284	2,100
Gain on sales of restaurants	19	147	144	129	61
Gain on negative goodwill	—	1,018	57	—	—
Profit from acquiring stairs	13,851	448	—	—	—
Other	1	70	13	52	0
Extraordinary losses	1,062	1,488	1,186	1,273	2,474
Loss on sales of non-current assets	0	10	19	23	9
Loss on retirement of non-current assets	273	279	222	630	552
Loss on sales of investment securities	—	—	0	—	11
Loss on valuation of investment securities	16	0	5	2	145
Loss on sales of membership	2	—	—	—	—
Loss on valuation of membership	3	11	0	7	—
Impairment loss	718	1,138	774	579	387
Loss on change in equity	—	—	—	—	212
Loss on sale of businesses	—	—	—	—	42
Provision of allowance for doubtful accounts	—	—	—	—	1,088
Other	51	50	166	32	28
Profit before income taxes	28,102	14,470	17,014	22,297	20,682
Income taxes - current	4,875	5,531	7,098	7,384	7,482
Income taxes - deferred	36	(1,237)	(676)	(153)	28
Total income taxes	4,911	4,294	6,421	7,231	7,510
Profit	23,191	10,176	10,593	15,067	13,172
Profit attributable to					
Profit attributable to owners of parent	22,632	8,683	9,353	13,767	11,458
Profit attributable to non-controlling interests	559	1,493	1,240	1,300	1,714
Other comprehensive income	(10,404)	1,069	10,954	(5,313)	(5,191)
Valuation difference on available-for-sale securities	(2,071)	115	7,383	(4,298)	(2,770)
Deferred gains or losses on hedges	(157)	139	(188)	3	13
Foreign currency translation adjustment	(493)	(920)	226	(1,092)	(428)
Remeasurements of defined benefit plans, net of tax	(7,584)	1,747	3,505	73	(2,034)
Share of other comprehensive income of entities accounted for using equity method	(98)	(11)	28	(0)	28
Comprehensive income	12,787	11,245	21,547	9,754	7,981
Comprehensive income attributable to					
Comprehensive income attributable to owners of parent	12,411	9,829	20,169	8,549	6,311
Comprehensive income attributable to non-controlling interests	376	1,416	1,377	1,205	1,669

Consolidated Statements of Cash Flows

(Million yen)

Years Ended March 31	2016	2017	2018	2019	2020
Cash flows from operating activities					
Profit before income taxes	28,102	14,470	17,014	22,297	20,682
Depreciation	6,908	9,345	9,126	9,262	9,862
Amortization of goodwill	1,016	3,578	3,564	3,420	3,417
Impairment loss	718	1,138	774	579	387
Share of loss (profit) of entities accounted for using equity method	(584)	(70)	(99)	(51)	(645)
Loss (gain) on step acquisitions	(13,851)	(448)	—	—	—
Loss (gain) on valuation of investment securities	16	0	5	2	145
Loss on valuation of membership	3	11	0	7	—
Increase (decrease) in allowance for doubtful accounts	211	64	(14)	(114)	1,063
Gain on bargain purchase	—	(1,018)	(57)	—	—
Increase (decrease) in provision for retirement benefits for directors (and other officers)	—	—	10	(296)	—
Increase (decrease) in provision for bonuses for directors (and other officers)	3	7	18	3	(13)
Increase (decrease) in provision for shareholder benefit program	(21)	12	3	(1)	(3)
Increase (decrease) in provision for loss on guarantees	(1)	(2)	(1)	(0)	(2)
Increase (decrease) in other provisions	—	124	(109)	(15)	—
Increase (decrease) in retirement benefit liability	(1,072)	347	355	(596)	(142)
Interest and dividend income	(1,088)	(1,157)	(984)	(1,007)	(1,011)
Interest expenses	93	87	90	80	62
Foreign exchange losses (gains)	296	10	60	(137)	131
Loss (gain) on sales of investment securities	(3,133)	(147)	(765)	(4,284)	(2,089)
Loss (gain) on sales of non-current assets	(6)	(168)	6	16	(189)
Loss on retirement of non-current assets	273	279	222	630	552
Loss (gain) on change in equity	—	—	—	—	212
Loss (gain) on sale of businesses	—	—	—	—	42
Loss (gain) on sales of restaurants	(19)	(147)	(144)	(128)	(59)
Decrease (increase) in trade receivables	76	(439)	(2,891)	(137)	824
Decrease (increase) in inventories	758	587	(566)	(2,831)	1,736
Increase (decrease) in trade payables	(1,409)	576	1,264	277	(1,347)
Increase (decrease) in accounts payable - bonuses	(120)	143	92	22	205
Decrease (increase) in other assets	(1,838)	(1,504)	(950)	(1,330)	(2,438)
Increase (decrease) in other liabilities	573	464	1,945	2,486	(1,420)
Subtotal	15,903	26,143	27,966	28,156	29,962
Interest and dividends received	1,365	1,062	1,128	1,060	1,066
Interest paid	(102)	(84)	(90)	(82)	(63)
Income taxes paid	(4,648)	(5,822)	(5,395)	(8,221)	(6,746)
Net cash provided by (used in) operating activities	12,518	21,298	23,608	20,913	24,218
Cash flows from investing activities					
Payments into time deposits	(929)	(5,280)	(2,208)	(729)	(1,865)
Proceeds from withdrawal of time deposits	803	5,639	3,314	853	1,847
Purchase of securities	(3,424)	(1,000)	(5,000)	(1,000)	(2,000)
Proceeds from sales of securities	18,498	10,500	8,336	8,578	8,549
Purchase of property, plant and equipment	(5,501)	(6,972)	(10,153)	(9,543)	(14,916)
Proceeds from sales of property, plant and equipment	7	310	78	42	262
Gain on sales of restaurants	29	444	415	322	185
Purchase of intangible assets	(522)	(735)	(408)	(800)	(983)
Purchase of investment securities	(6,501)	(2,114)	(8,484)	(6,095)	(3,162)
Proceeds from sales of investment securities	5,788	1,469	1,636	7,358	5,991
Purchase of investments in capital of subsidiaries	—	—	—	—	(13)
Proceeds from sales of shares of subsidiaries and associates	—	—	—	—	99
Proceeds from sales of membership	—	—	0	—	7
Proceeds from sale of businesses	—	—	—	—	10
Payments for investments in capital	(30)	(3)	—	—	(390)
Proceeds from divestment	11	—	—	6	22
Payments of loans receivable	(1)	—	—	—	—
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 liquidation of subsidiaries	—	30	1	—	—
Net cash provided by (used in) investing activities	(8,308)	(2,169)	(13,739)	(1,008)	(6,356)
Cash flows from financing activities					
Repayments of short-term borrowings	(75,269)	(67,258)	(60,717)	(61,574)	(35,382)
Proceeds from short-term borrowings	75,360	65,877	60,793	59,348	34,846
Repayments of lease obligations	(592)	(836)	(735)	(681)	(620)
Proceeds from long-term borrowings	284	300	170	—	—
Repayments of long-term borrowings	(235)	(298)	(340)	(50)	(200)
Redemption of bonds	—	—	(13)	(26)	(26)
Purchase of treasury shares	(4)	(3)	(5)	(8,773)	(4)
Purchase of treasury shares of subsidiaries	—	(902)	(0)	—	(0)
Proceeds from sales of shares of parent held by subsidiaries	471	1,009	—	—	—
Dividends paid	(3,076)	(3,076)	(3,596)	(4,316)	(4,532)
Dividends paid to non-controlling interests	(662)	(1,175)	(872)	(1,245)	(1,248)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(20)	(114)	(2)	—	(400)
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	(3,743)	(7,388)	(5,317)	(17,317)	(7,567)
Effect of exchange rate change on cash and cash equivalents	(144)	(302)	56	(295)	(192)
Net increase (decrease) in cash and cash equivalents	323	11,438	4,608	2,293	10,104
Cash and cash equivalents at beginning of period	43,832	44,156	55,594	60,202	62,495
Decrease in cash and cash equivalents resulting from corporate division	—	—	—	—	(2,729)
Cash and cash equivalents at end of period	44,156	55,594	60,202	62,495	69,870

House Foods Group Companies



Consolidated Subsidiaries (35 companies) / Equity-method Affiliates (5 companies)

(As of March 31, 2020)

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	99.89
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

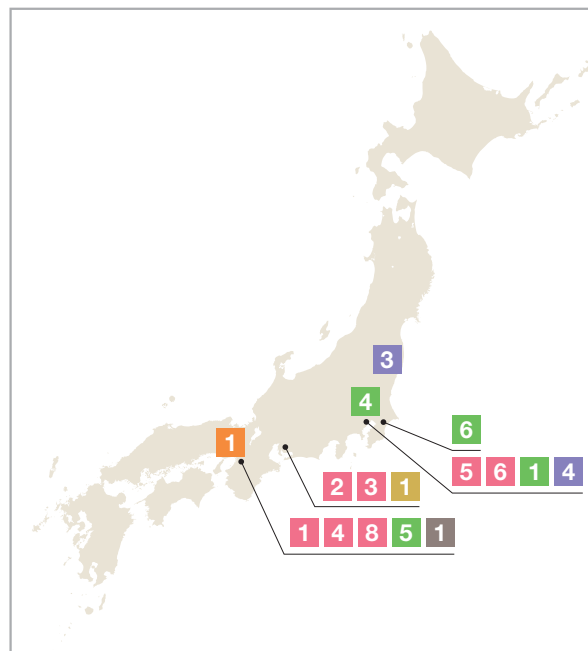
Health Food Business (1 company)

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. 27.9 billion	99.53
11 House Foods Taiwan Corporation	Import sales of Group products	Taipei-city, Taiwan	NT\$29 million	100.00

1 2 3 2



Restaurant Business (8 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 Taiwan Ichibanya Inc.	Planning and operation of restaurants	New Taipei City, Taiwan	NT\$107 million	40.80
5 Curry House Korea Corporation	Planning and operation of restaurants	Anyang-city, Korea	₩2,500 million	70.20
6 Ichibanya International Hong Kong Limited	Restaurant operation guidance and trading services	Kowloon, Hong Kong, China	HK\$7.5 million	51.00
7 Ichibanya Hong Kong Limited	Planning and operation of restaurants	Kowloon, Hong Kong, China	HK\$26.375 million	58.37
8 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	86.28
2 Tim Food Co., Ltd.	Production and sales of frozen vegetables, mustard essential oil and processed foods, etc.	Bangkok, Thailand	Baht 185 million	81.32
3 PT. Java Agritech	Agricultural management and processing and sales of agricultural products, etc.	Semarang, Middle Java, Indonesia	Rp.21.2 billion	82.90
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

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

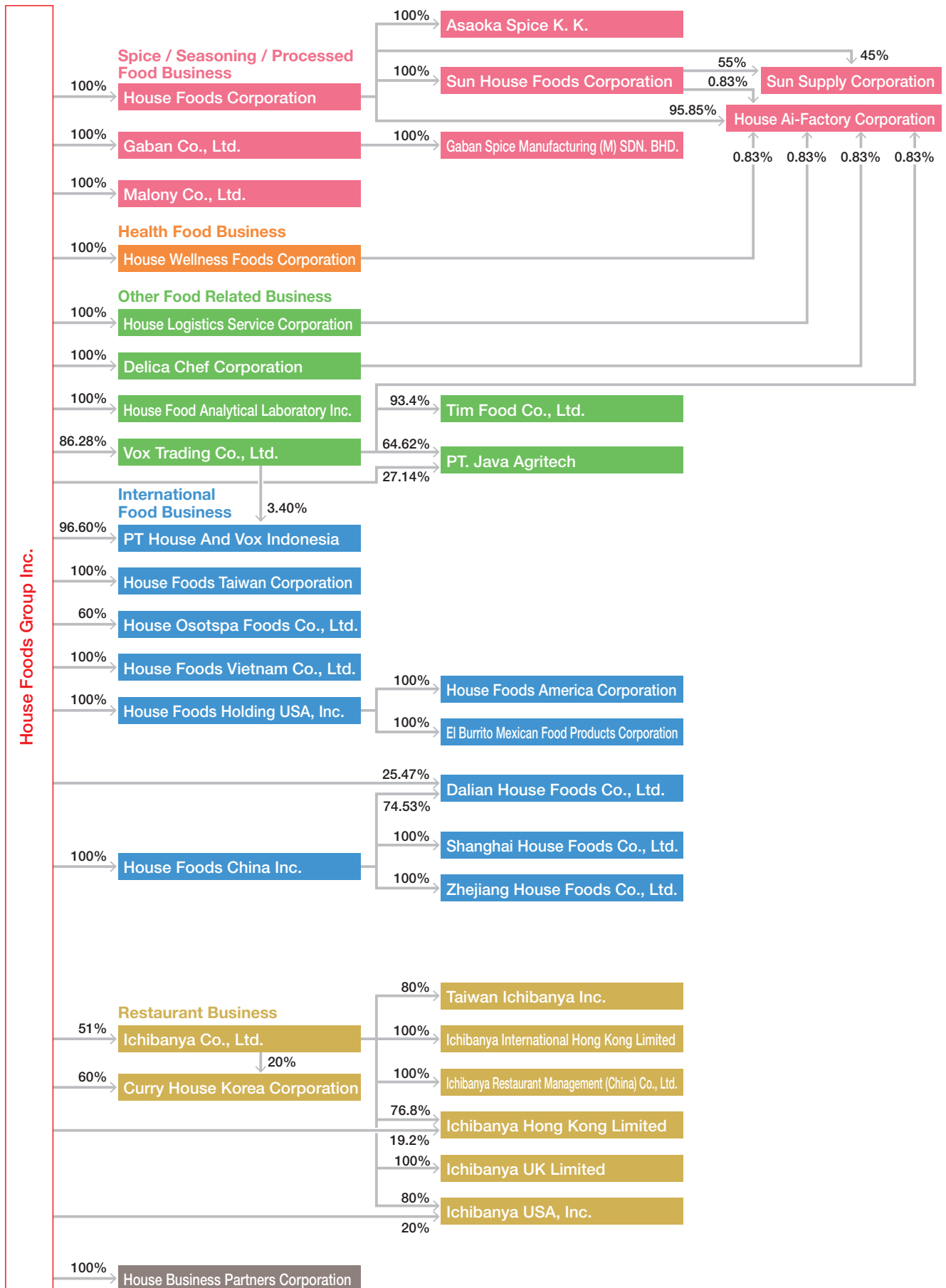
Equity-method Affiliates (5 companies)

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	42.28
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¥2,480 million	26.08
5 Himadri Foods Limited	Production and sales of spice products	Mumbai, Maharashtra, India	INR 174 million	49.46

House Foods Group Companies

Capital Relationship Diagram (ownership ratio of voting rights)

(As of March 31, 2020)



Corporate Information

Company Overview (As of March 31, 2020)

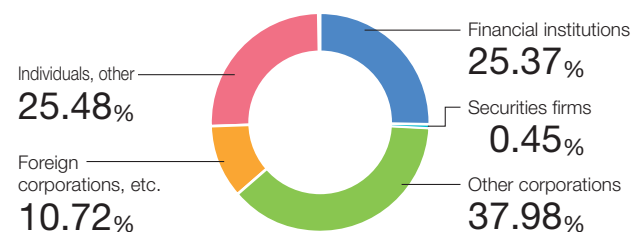
Name	House Foods Group Inc.
Founded	November 11, 1913
Established	June 7, 1947
Capital	¥9,948,323,523
Business lines	To propose Group strategies, provide management support for business companies (domestic and overseas), and to supervise the International Business
Number of employees	302 (6,122 on a consolidated basis)

Stock Information (As of March 31, 2020)

Stock summary

Number of Shares Issued	100,750,620 shares
Number of Shares Authorized.....	391,500,000 shares
Number of Shareholders.....	62,696
Number of Shares per Trading Unit.....	100 shares

Breakdown of shares by type of shareholder



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

Principal shareholders

	Number of Shares Held (shares)	Percentage of Total Shares Outstanding (%)
House Kosan Co., Ltd.	12,585,616	12.49
HKL Co., Ltd.	6,700,000	6.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,846,300	4.81
Japan Trustee Services Bank, Ltd. (Trust Account)	3,299,900	3.28
Urakami Foundation for Food and Food Culture Promotion	2,900,218	2.88
Sumitomo Mitsui Banking Corporation	2,751,027	2.73
House Koushinkai	2,151,201	2.14
Setsuko Urakami	2,006,569	1.99
Nippon Life Insurance Company	1,844,810	1.83
Sumitomo Mitsui Trust Bank, Limited	1,750,000	1.74

Note: Percentage of total shares outstanding is calculated by excluding the number of treasury shares (1,367 shares).

External evaluations

(As of the end of July, 2020)

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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.



Information for investors

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

A decorative graphic consisting of several overlapping circles in shades of green, teal, orange, and light blue, connected by thin lines that curve across the page.

House Foods Group Inc.

● **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

● **Contact for inquiries about this report**

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

<https://housefoods-group.com>