

FY2016

Results Briefing

House Foods Group Inc.



May 15, 2017
<http://housefoods-group.com>

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FY2016 Results

- **Ichibanya Co., Ltd. and Gaban Co., Ltd. became Group companies, which raised sales significantly.
(Commencement of consolidation) Ichibanya: Q4 FY2015; Gaban: Q2 FY2016**
- **The results were adversely affected by amortization of goodwill, etc. for Ichibanya and an increase in retirement benefit expenses. Meanwhile, the Group built a leaner business structure through thorough cost control, primarily in the core domestic businesses.**
- **Profit attributable to owners of parent was affected by a reactionary fall from the extraordinary income associated with the consolidation of Ichibanya in the previous fiscal year.**

Consolidated Performance

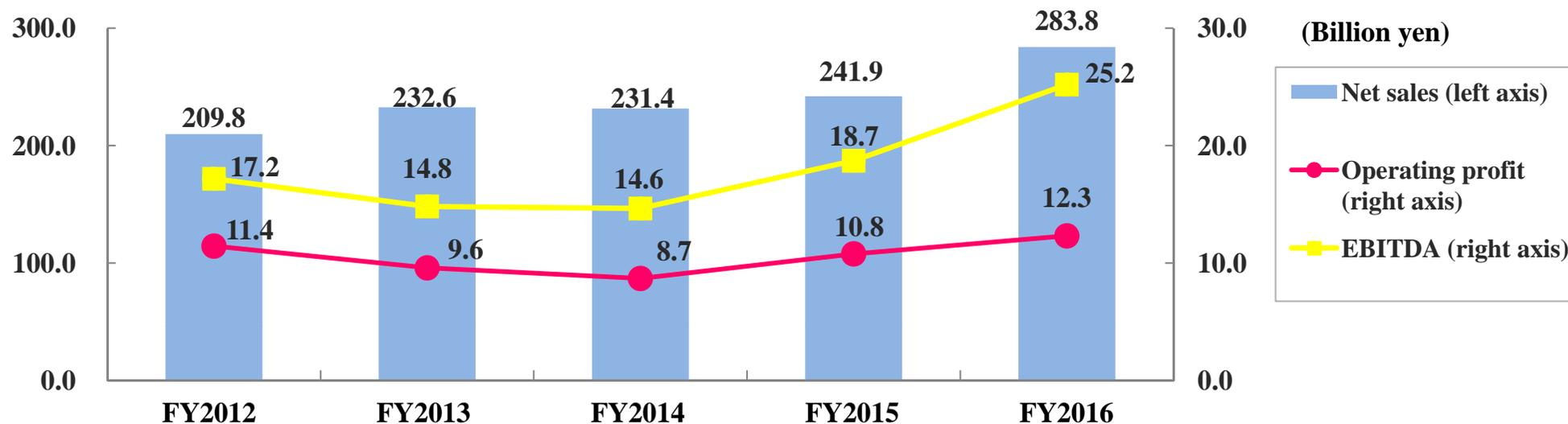


Billion yen	FY2016 performance	Year on year (%)		Comparison with revised target (%)		ROS (%)
Net sales	283.8	+41.9	(117.3)	-1.5	(99.5)	—
Operating profit	12.3	+1.5	(114.3)	+1.3	(111.9)	4.3
Ordinary profit	14.0	+1.8	(114.8)	+2.5	(121.3)	—
Profit attributable to owners of parent	8.7	-13.9	(38.4)	+1.4	(118.9)	—
EBITDA	25.2	+6.5	(135.0)	+1.4	(106.0)	*2 8.9
Profit attributable to owners of parent	10.8	+1.2	(112.0)	+1.4	(114.7)	—

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

*2 EBITDA margin: EBITDA / Net sales

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



Net Sales by Segment



Billion yen	FY2016 performance		Year on year (%)		Comparison with revised target (%)	
Net sales	283.8	+41.9	(117.3)	-1.5	(99.5)	
Spice / Seasoning / Processed Food Business	132.1	+12.0	(110.0)	-1.0	(99.2)	
Health Food Business	33.3	-1.2	(96.4)	-1.0	(97.0)	
International Food Business	20.1	+1.5	(108.3)	+2.0	(111.1)	
Restaurant Business	51.4	+33.1	(280.5)	+0.4	(100.7)	
Other Food Related Business	62.1	-0.6	(99.1)	-1.5	(97.7)	
Adjustment (elimination)	-15.1	-2.9	(-)	-0.3	(-)	

- Spice / Seasoning / Processed Food Business**
- Curry roux sales were firm. Sales of retort pouched products were strong due to the contribution of sales of new products.
 - Gaban became a new Group company. (+¥7.6 billion; consolidated from Q2 FY2016)
-
- Health Food Business**
- *Ukon No Chikara* continued to face tough conditions.
 - In the vitamin business, *Ichinichibun No Vitamine* sold well.
-
- International Food Business**
- The U.S. tofu business was firm. The functional drink business volume continued to expand in Thailand.
 - In China, twelve years have passed since curry roux began to be sold in China, and the Group worked to rebuild the system for growth.
 - The annual impact of exchange rates was minus ¥0.8 billion.
-
- Restaurant Business**
- The consolidation of Ichibanya made a contribution (consolidated from Q4 of the previous fiscal year).
 - The business in China and Taiwan was transferred from House Foods Group Inc. to Ichibanya, and the disposal of underperforming restaurants made progress.
-
- Other Food Related Business**
- At Vox Trading, a year-on-year decline was recorded in bids (the effect on income was minor).

(Consolidated) Ratio of overseas sales: 10.4% (-0.4 percentage point)

Operating Profit by Segment



Billion yen	FY2016 performance	Year on year (%)		Comparison with revised target (%)		ROS (%)
Operating profit	12.3	+1.5	(114.3)	+1.3	(111.9)	4.3
Spice / Seasoning / Processed Food Business	9.9	+2.0	(124.7)	+1.0	(111.1)	7.5
Health Food Business	1.3	-0.1	(95.5)	-0.3	(83.4)	4.0
International Food Business	1.7	+0.3	(121.7)	+0.5	(140.1)	8.4
Restaurant Business	-0.4	-0.5	(-)	-0.2	(-)	-0.8
Other Food Related Business	0.7	+0.6	(711.3)	-0.0	(95.8)	1.2
Adjustment (elimination)	-0.9	-0.8	(-)	+0.3	(-)	-
Reference Excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.						
Operating profit	17.3	+5.3	(144.1)	+1.3	(108.2)	6.1
Restaurant Business	4.6	+3.3	(353.8)	-0.2	(96.3)	8.9

Spice / Seasoning / Processed Food Business - An increase in sales and cost improvements at House Foods Corporation and the consolidation of Gaban made contributions.

Health Food Business - Profit fell, reflecting the decline in sales.
- The Group controlled costs thoroughly and took steps to cultivate new brands.

International Food Business - Profit rose, reflecting an increase in sales in the United States and Thailand.

Restaurant Business - Income at Ichibanya was firm.
- Profit declined, reflecting a decrease in profitability in China due to intensifying competition in the restaurant market there.

Other Food Related Business - In the convenience store vendor business, initial costs for the operation of a new plant in the previous fiscal year were eliminated.

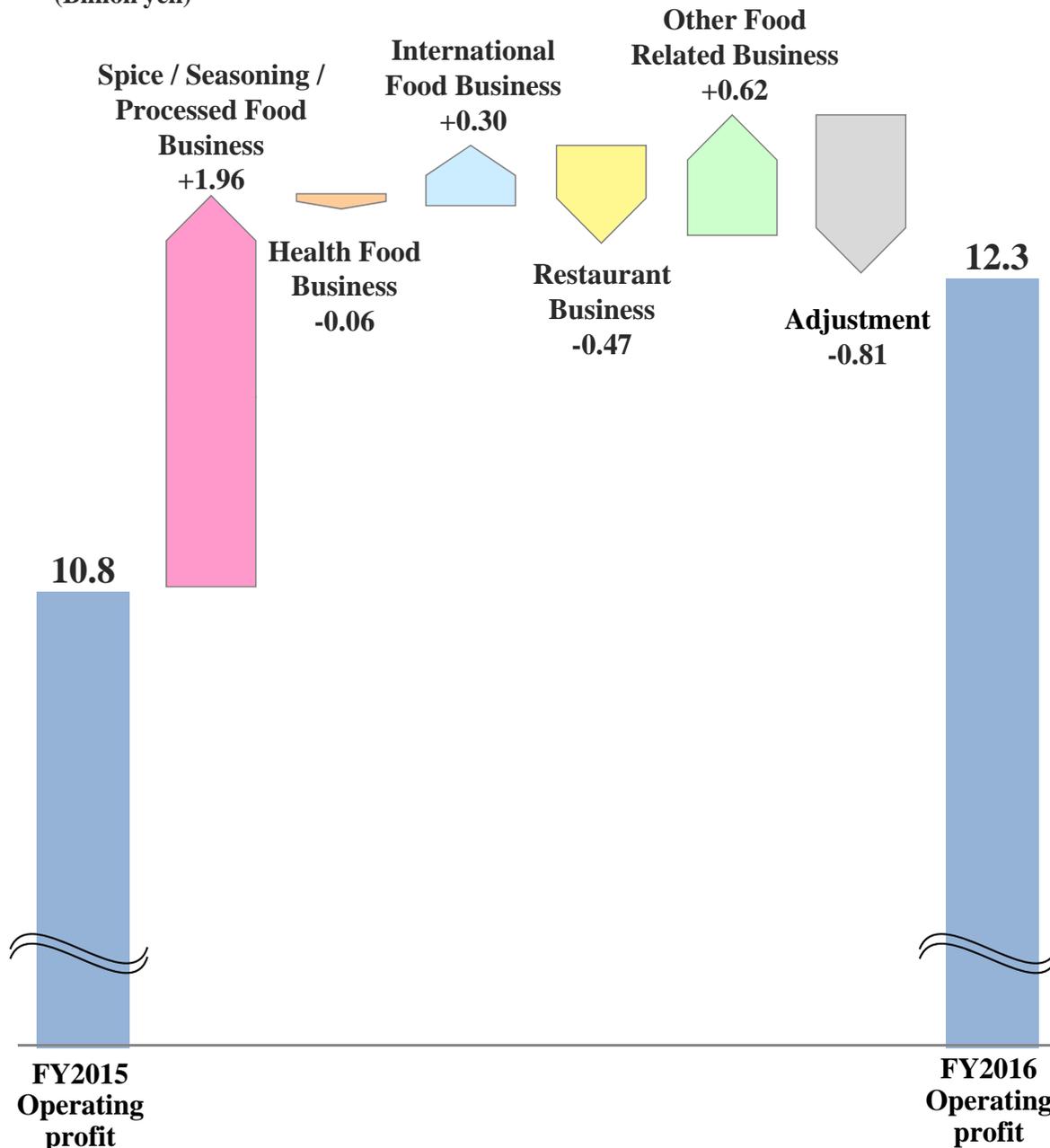
Adjustment (elimination) - Group advertising expenses and retirement benefit expenses increased.

Operating Profit Change Analysis



◆ Factors of changes by business segment

(Billion yen)



(Billion yen)

Spice / Seasoning / Processed Food Business	+1.96
- Change in sales	+1.6
- Change in cost of sales ratio	+0.6
- Marketing costs	-0.1
- Personnel expenses and other expenses	-0.5
- Effect of consolidation of Gaban Co., Ltd.	+0.4
Health Food Business	-0.06
- Change in sales	-0.5
- Change in cost of sales ratio	+0.1
- Marketing costs	+0.3
- Personnel expenses and other expenses	+0.0
International Food Business	+0.30
- Business in the United States (excl. restaurants)	+0.3
- Business in China	-0.0
- Businesses in Southeast Asia	+0.1
Restaurant Business	-0.47
- Ichibanya Co., Ltd.: Effect of consolidation	+3.5
- Ichibanya Co., Ltd.: Amortization of goodwill, etc.	-3.8
- Restaurant business in Asia	-0.1
Other Food Related Business	+0.62
- House Logistics Service Corporation	+0.2
- Delica Chef Corporation	+0.4
- Vox Trading Co., Ltd.	+0.1
- Other subsidiaries	-0.1
Adjustment	-0.81
Changes in operating profit	+1.54

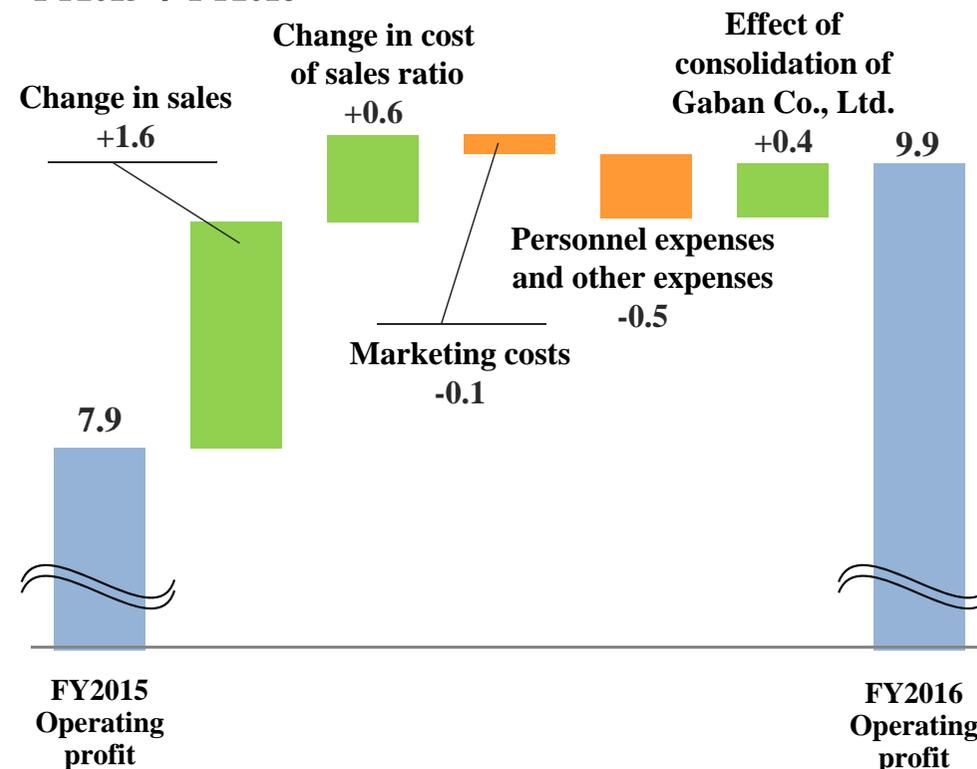
Spice / Seasoning / Processed Food Business



(Billion yen)

Spice / Seasoning / Processed Food Business	FY2016 performance	Year on year (%)		Comparison with revised target (%)	
Net sales	132.1	+12.0	(110.0)	-1.0	(99.2)
Operating profit	9.9	+2.0	(124.7)	+1.0	(111.1)
◆ Breakdown of sales (main factors)					
House Foods Corporation	125.9	+3.7	(103.1)	-1.2	(99.0)
Curry roux	38.0	+0.7	(102.0)	-0.2	(99.6)
Stew roux	12.6	-0.4	(96.8)	-0.6	(95.6)
Spice	17.8	+1.0	(105.6)	-0.4	(97.8)
Retort pouched curry	13.8	+2.3	(119.6)	+0.8	(106.5)
Food service products	16.8	+0.4	(102.7)	-0.4	(98.0)
Gaban Co., Ltd.	7.6	+7.6	-	+0.1	(101.1)

◆ Analysis of operating profit change FY2015 → FY2016



◆ House Foods Corporation

- The existing markets were revitalized.

Kiwadachi curry (next-generation curry): A new technique was used to provide great taste of higher quality.

Pro Quality (retort pouched curry): Achieved a reasonable price and great taste at the same time.

Seasoning spice: The assortment in this growth market was expanded.

◆ Gaban Co., Ltd.

- The consolidation of Gaban (consolidated from Q2 of FY2016) made a contribution.



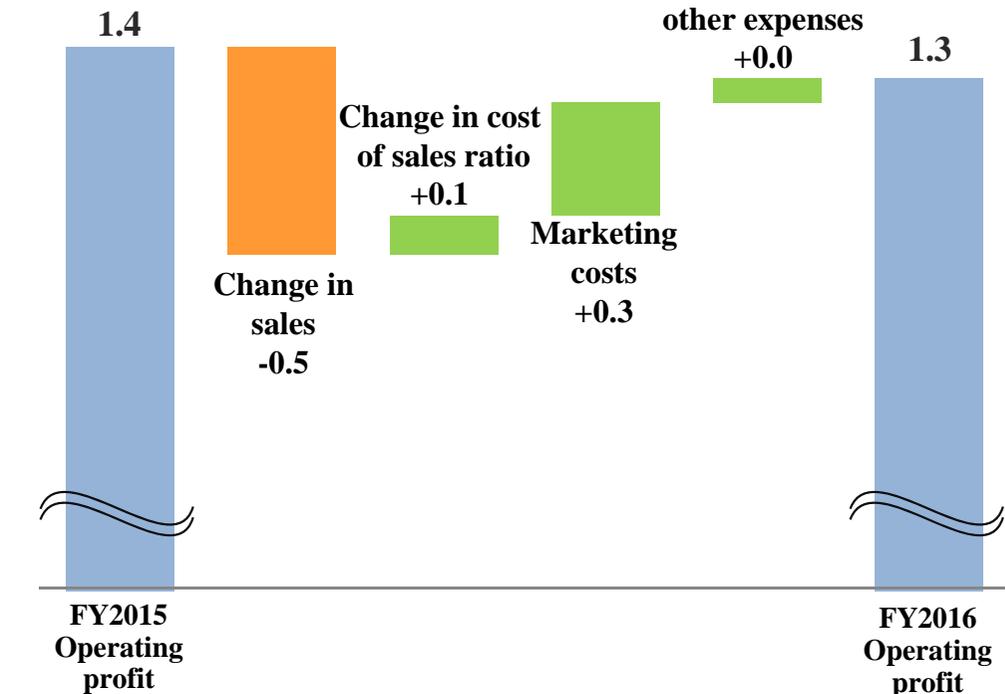
Health Food Business



Health Food Business	FY2016 performance	Year on year (%)		Comparison with revised target (%)	
Net sales	33.3	-1.2	(96.4)	-1.0	(97.0)
Operating profit	1.3	-0.1	(95.5)	-0.3	(83.4)
◆ Breakdown of sales (main factors)					
<i>Ukon No Chikara</i>	11.5	-0.7	(94.6)	-0.7	(93.9)
<i>Megashaki</i>	2.5	+0.2	(109.1)	-0.0	(99.6)
<i>C1000</i>	10.8	-1.1	(90.9)	-0.3	(97.6)
<i>Vitamin Lemon</i>	5.7	-0.1	(98.9)	+0.0	(100.3)
<i>Perfect Vitamin</i> (<i>Ichinichibun No Vitamin</i>)	3.0	+1.0	(149.0)	+0.1	(103.6)

* *Ichinichibun No Vitamin* included in the *C1000* brand is listed separately as *Perfect Vitamin*. The sales of *C1000* in FY2016 are compared with sales of *C1000* excluding *Perfect Vitamin* in FY2015.

◆ Analysis of operating profit change FY2015 → FY2016



◇ Functional spice business

Ukon No Chikara

- Sales of *Liver Plus*, a high value-added product targeting heavy drinkers, were firm.
- Total sales declined. The challenge was tapping into demand from moderate and light users.

◇ Vitamin business

- The business faced tough conditions as plastic bottled drinks were commoditized.
- The Group focused on *Ichinichibun No Vitamin* comprising 13 kinds of vitamins needed daily, and its sales increased significantly. (From March, *Ichinichibun No Vitamin* is sold as *Perfect Vitamin*, a brand independent of *C1000*.)



International Food Business



International Food Business	FY2016 performance	Year on year (%)	Comparison with revised target (%)	Year on year in local currency
Net sales	20.1	+1.5 (108.3)	+2.0 (111.1)	-
Operating profit	1.7	+0.3 (121.7)	+0.5 (140.1)	-
◆ Breakdown of sales (main factors)				
Business in the United States	10.9	+0.2 (102.1)	+1.3 (114.1)	105.7
Tofu business	9.8	+0.2 (102.4)	+1.2 (114.3)	106.0
Business in China	3.9	-0.1 (96.8)	+0.2 (104.8)	106.0
Businesses in Southeast Asia	1.8	+0.8 (170.0)	+0.3 (121.8)	-
Thailand	1.8	+0.7 (166.2)	+0.3 (124.5)	171.3

- The fiscal year of the International Food Business ends in December.
- The previous fiscal year of the Southeast Asia business was an irregular one consisting of nine months.

◆ Business in the United States

- The Group tapped into demand from increasing Asian Americans, while expanding business in the American market.
- The business accelerated the development of high value-added products to gain new customers.

◆ Business in China

- The construction of the third plant started in Pinghu, Zhejiang.
- The Group rebuilt agency and sales system to achieve sustainable growth.

◆ Businesses in Southeast Asia

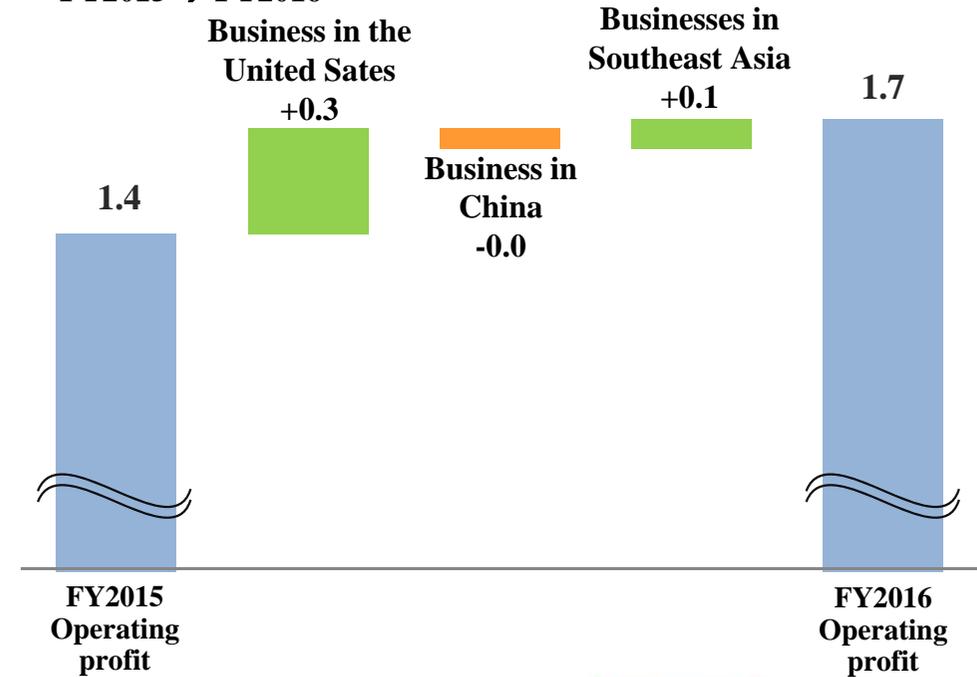
- Thailand: *C-vitt* came to be more widely known as a drink to ingest vitamin, and sales increased for the fourth consecutive fiscal year (the effect of the change of the fiscal year-end is excluded).
- The Group started to sell Halal curry for commercial use in Indonesia, aiming to make Japanese-style curry popular.

(Impact of exchange rates)

Net sales: -¥0.8 billion (-¥0.4 billion in the U.S.; -¥0.4 billion in China) Operating profit: -¥0.0 billion

◆ Analysis of operating profit change FY2015 → FY2016

(Billion yen)



Restaurant Business



Restaurant Business	FY2016 performance	Year on year (%)	Comparison with revised target (%)	Year on year in local currency
Net sales	51.4	+33.1 (280.5)	+0.4 (100.7)	—
Operating profit	-0.4	-0.5 (—)	-0.2 (—)	—
Operating profit excluding amortization of goodwill, etc.	4.6	+3.3 (353.8)	-0.2 (96.3)	—
◆ Breakdown of sales (main factors)				
Ichibanya Co., Ltd. (consolidated)	44.9	+33.5 (393.4)	-0.1 (99.7)	—
Restaurant business in Asia	4.9	-0.3 (94.0)	+0.2 (104.9)	—
China (48 restaurants)	2.7	-0.3 (88.7)	+0.0 (101.7)	97.2
Taiwan (27 restaurants)	1.7	+0.0 (102.6)	+0.2 (110.5)	104.0
South Korea (24 restaurants)	0.4	-0.0 (99.1)	+0.0 (105.3)	105.8

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

◆ Ichibanya Co., Ltd.

- The effect of the consolidation (consolidated from Q4 FY2015) made a contribution throughout the year.
- In operating profit, the effect of the consolidation was offset by the amortization of goodwill, etc. (amortization of goodwill, etc.: ¥5.0 billion).

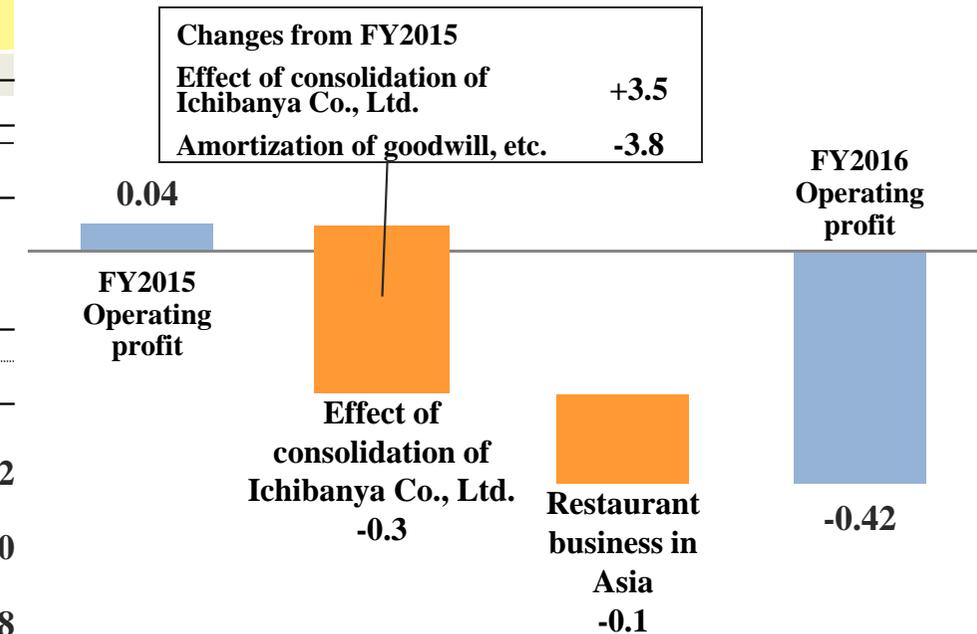
* Results of Ichibanya Co., Ltd. (March 2016 to February 2017); net sales 100.2%, operating profit 100.5%

◆ Restaurant business in Asia

- China: Profitability declined, reflecting intensifying competition in the restaurant market. (Impact of exchange rate) Net sales: -¥0.4 billion (-¥0.3 billion in China) Operating profit: +¥0.0 billion

◆ Analysis of operating profit change FY2015 → FY2016

(Billion yen)



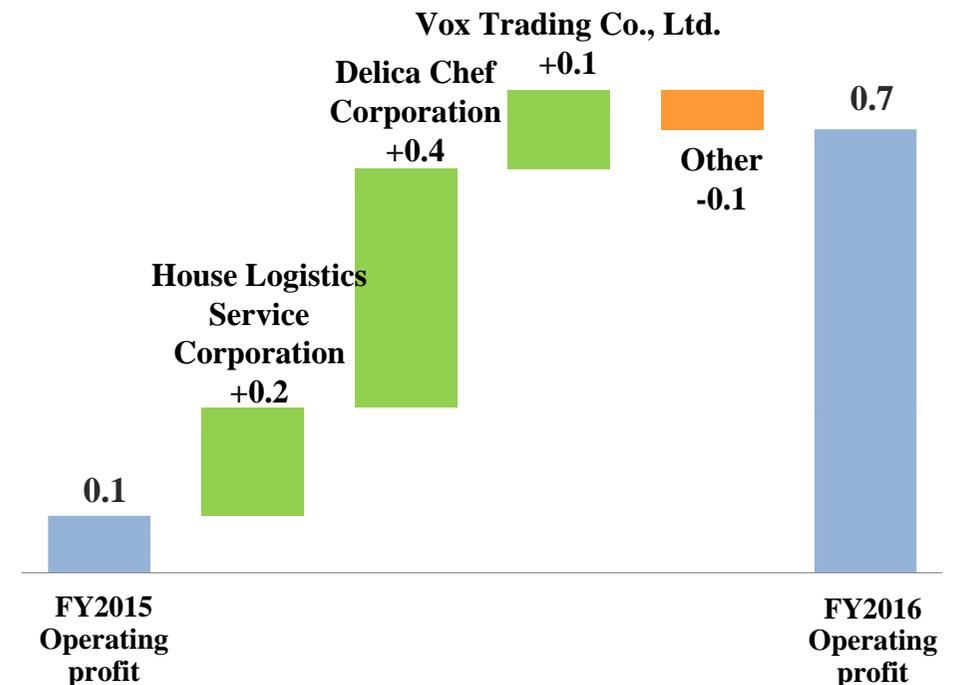
Service contest for improving QSC

Other Food Related Business



Other Food Related Business	FY2016 performance	Year on year (%)		Comparison with revised target (%)	
Net sales	62.1	-0.6	(99.1)	-1.5	(97.7)
Operating profit	0.7	+0.6	(711.3)	-0.0	(95.8)
◆ Breakdown of sales (main factors)					
House Logistics Service Corporation	23.2	+0.2	(100.8)	+0.1	(100.4)
Delica Chef Corporation	16.8	-0.2	(99.0)	-0.0	(99.9)
Vox Trading Co., Ltd.	21.2	-0.6	(97.1)	-1.6	(93.1)

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



◆ House Logistics Service Corporation (transport and warehousing)

- As the business environment changed rapidly, the company narrowed the focus in business and cut costs.
- F-LINE: Started from Hokkaido and Kyushu. (In Hokkaido, joint delivery will reduce CO₂ 15% and the number of vehicles, 17%.)

◆ Delica Chef Corporation (convenience store vendor)

- Initial costs for the operation of a new prepared food plant (Kuki Plant) incurred in the previous fiscal year were eliminated.
- Fixed cost was partially offset by an improvement in capacity utilization at the Kuki Plant.

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

- Merged with Horie Yamatoya Co., Ltd. and sought to strengthen its business base through resource optimization and cost cutting.
- Lost certain bids and sales declined (the effect on income was minor).

Balance Sheet



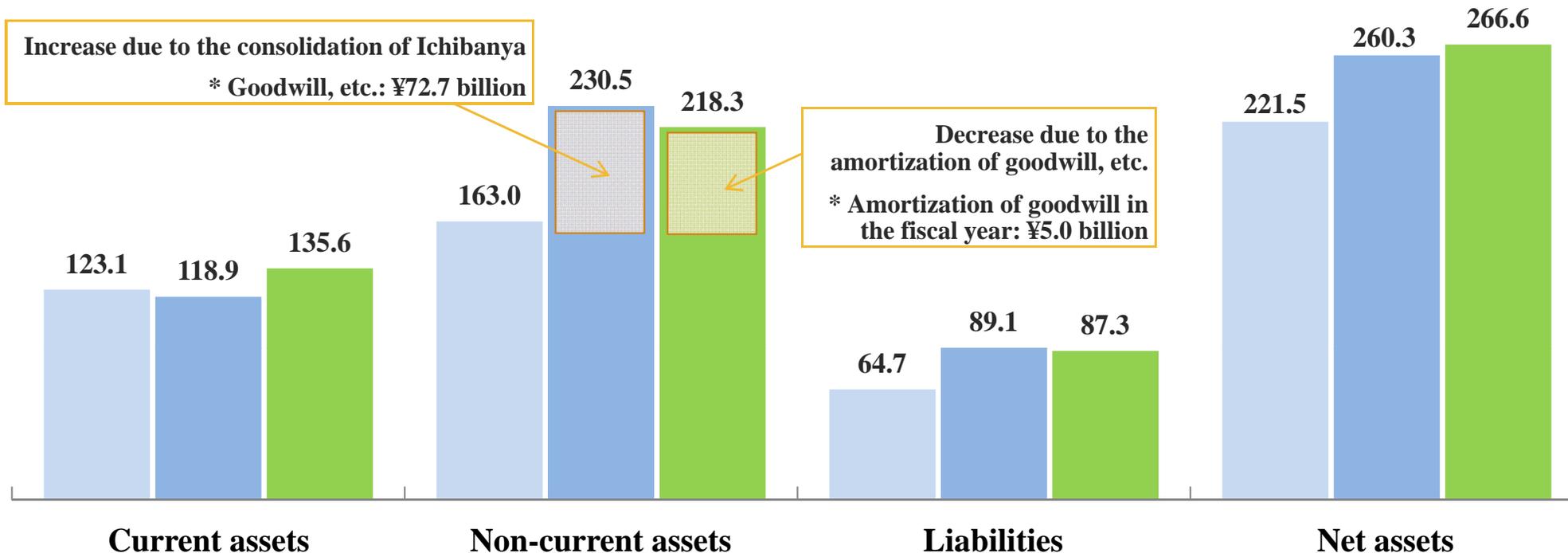
◆ Trends in three years

■ End of FY2014

■ End of FY2015

■ End of FY2016

(Billion yen)



	FY2014	FY2015	FY2016
ATO	0.83 times	0.76 times	0.81 times
ROS	3.8%	4.5%	4.3%
ROA	3.9%	3.8%	4.0%
E-Ratio	76.9%	65.5%	66.5%
ROE	3.3%	10.1%	3.7%
(Excluding the effects arising from business combination)	—	4.3%	4.7%

Full-Year Plan for FY2017

- **Final year of the Fifth Medium-Term Business Plan**

Japan

Promote collaboration within the Group and work to generate synergy to improve profitability in existing businesses and provide new value

Overseas

Steadily tap into growth in the markets that the Group has entered, aiming to cross food culture and expand business

Targets for Consolidated Income (Loss)



Billion yen	FY2017 target	Year on year (%)		ROS (%)
Net sales	292.8	+9.0	(103.2)	—
Operating profit	13.5	+1.2	(109.6)	4.6
Ordinary profit	14.5	+0.5	(103.9)	—
Profit attributable to owners of parent	7.7	-1.0	(88.7)	—
EBITDA	*1 26.2	+1.0	(103.8)	*2 8.9
Profit attributable to owners of parent	*3 11.3	+0.5	(104.3)	—

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

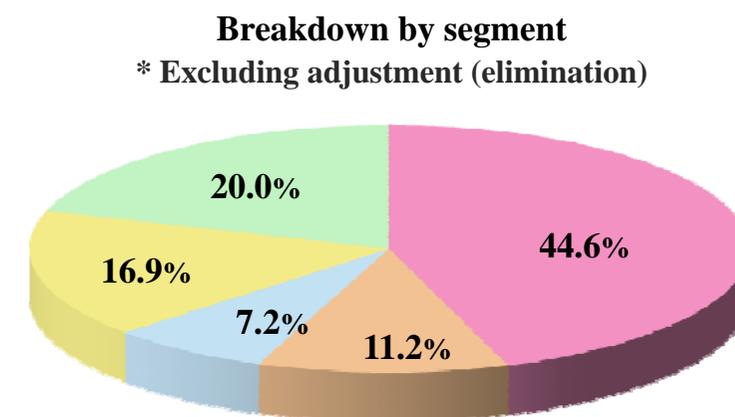
*2 EBITDA margin: EBITDA / Net sales

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

Targets for Net Sales and Operating Profit by Segment



Billion yen	FY2017 target	Year on year (%)	
Net sales	292.8	+9.0	(103.2)
Spice / Seasoning / Processed Food Business	137.4	+5.3	(104.0)
Health Food Business	34.6	+1.3	(104.0)
International Food Business	22.2	+2.1	(110.4)
Restaurant Business	52.0	+0.6	(101.2)
Other Food Related Business	61.7	-0.4	(99.3)
Adjustment (elimination)	-15.1	+0.0	(-)



	FY2017 target	Year on year (%)	ROS (%)	Breakdown (%)*	* Excluding adjustment (elimination)
Operating profit	13.5	+1.2	(109.6)	4.6	-
Spice / Seasoning / Processed Food Business	10.3	+0.4	(104.2)	7.5	70.1
Health Food Business	1.5	+0.2	(112.4)	4.3	10.2
International Food Business	2.0	+0.3	(119.0)	9.0	13.6
Restaurant Business	-0.2	+0.2	(-)	-0.4	-1.4
Other Food Related Business	1.1	+0.4	(153.0)	1.8	7.5
Adjustment (elimination)	-1.2	-0.3	(-)	-	-

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

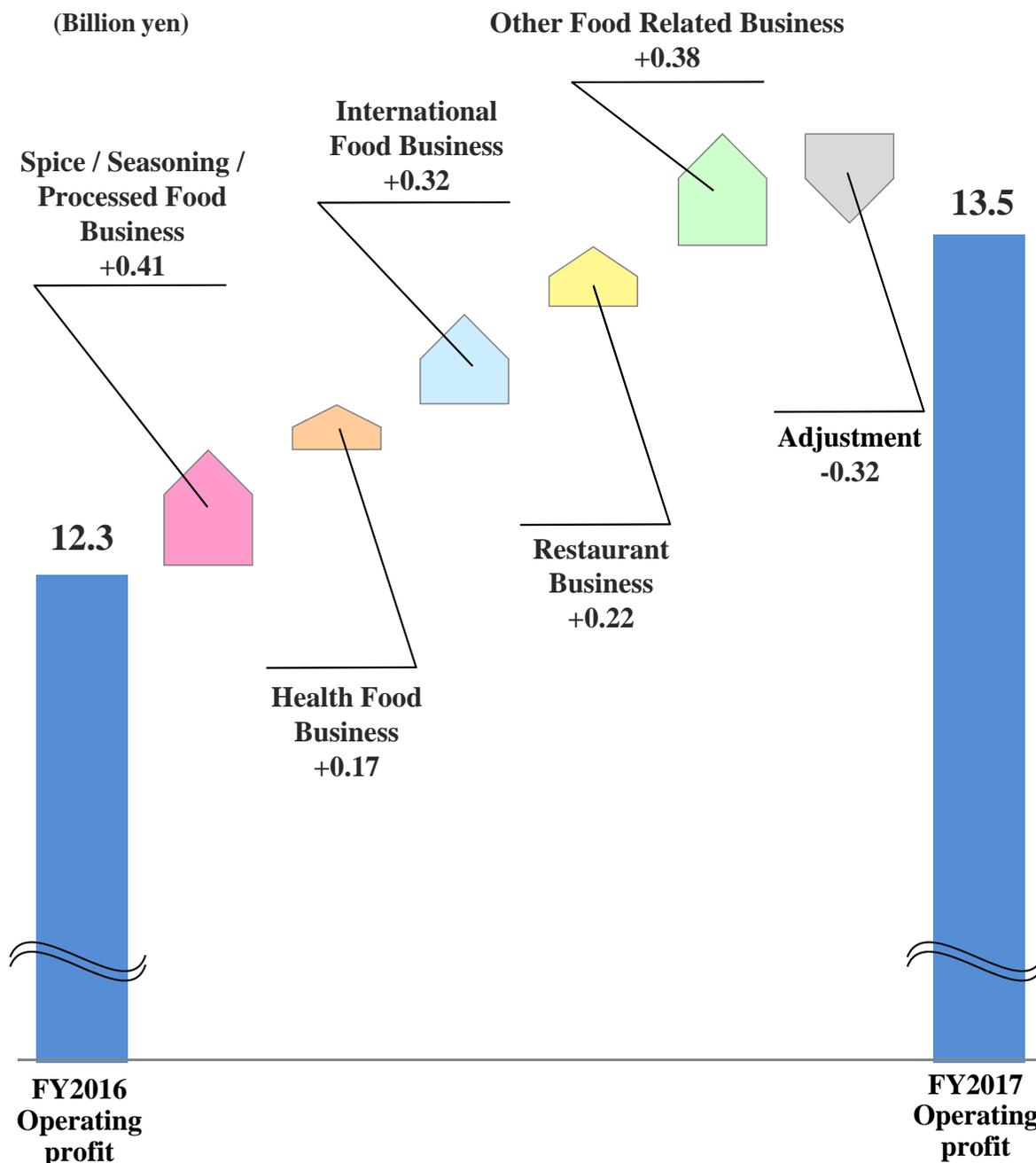
Operating profit	18.5	+1.2	(106.9)	6.3
Restaurant Business	4.8	+0.2	(104.9)	9.3

Operating Profit Change Analysis



◆ Factors of changes by business segment

(Billion yen)



Spice / Seasoning / Processed Food Business	+0.41
- Change in sales	+1.2
- Change in cost of sales ratio	-0.0
- Marketing costs	-0.5
- Personnel expenses and other expenses	-0.4
- Effect of consolidation of Gaban Co., Ltd.	+0.1
Health Food Business	+0.17
- Change in sales	+0.5
- Change in cost of sales ratio	+0.1
- Marketing costs	-0.2
- Personnel expenses and other expenses	-0.2
International Food Business	+0.32
- Business in the United States (excl. restaurants)	+0.1
- Business in China	+0.3
- Businesses in Southeast Asia	-0.0
Restaurant Business	+0.22
- Ichibanya Co., Ltd. (consolidated)	+0.1
- Restaurant business in Asia	+0.1
Other Food Related Business	+0.38
- House Logistics Service Corporation	+0.1
- Delica Chef Corporation	+0.1
- Vox Trading Co., Ltd.	+0.1
Adjustment	-0.32
Changes in operating profit	+1.19

Spice / Seasoning / Processed Food Business



Billion yen

Spice / Seasoning / Processed Food Business	FY2017 target	Year on year (%)	
Net sales	137.4	+5.3	(104.0)
Operating profit	10.3	+0.4	(104.2)
◆ Breakdown of sales (main factors)			
House Foods Corporation	128.9	+3.0	(102.4)
Curry roux	38.2	+0.2	(100.5)
Stew roux	13.1	+0.5	(104.0)
Spice	18.8	+1.0	(105.5)
Retort pouched curry	13.9	+0.1	(100.6)
Food service products	17.6	+0.7	(104.2)
Gaban Co., Ltd.	10.4	+2.9	(137.8)

◇ Continue to work to maintain and increase profitability in a mature market and respond to increasing dependence on food services and changes in eating behavior.

- Roux products: Spend actively to make *Kiwadachi Curry*, which offers greater taste, well-established in the market.
- Spice: Strive to expand sales by strengthening the ability to make proposals about store shelves and through product initiatives.

◇ Gaban Co., Ltd.

- Increase added value by proposing new spices and seasonings that will provide solutions to users' problems. Generate synergy within the Group in sourcing, production, and sales.



Health Food Business



Billion yen

Health Food Business	FY2017 target	Year on year (%)	
Net sales	34.6	+1.3	(104.0)
Operating profit	1.5	+0.2	(112.4)
◆ Breakdown of sales (main factors)			
<i>Ukon No Chikara</i>	11.7	+0.2	(101.7)
<i>Megashaki</i>	2.3	-0.2	(92.8)
<i>C1000</i>	10.4	-0.4	(96.4)
<i>Vitamin Lemon</i>	5.7	-0.1	(99.1)
<i>Perfect Vitamin</i> (<i>Ichinichibun No Vitamin</i>)	4.1	+1.2	(140.3)

◆ Focus on cultivating the third core through prioritized marketing expenditures.

◆ Functional spice business

- *Ukon No Chikara*: Analyze the market and execute initiatives to revitalize the market.
Strengthen points of contact with heavy users.

◆ Vitamin business

- *C1000*: Work to make high value-added varieties of *Vitamin Lemon* popular.
- *Ichinichibun No Vitamin*: Work to emphasize the value of the brand and make it popular.
- Emphasize the value of vitamins at a variety of points of contact (Web, sampling, etc.)



International Food Business



International Food Business	FY2017 target	Billion yen		Year on year in local currency
		Year on year (%)		
Net sales	22.2	+2.1	(110.4)	—
Operating profit	2.0	+0.3	(119.0)	—
◆ Breakdown of sales (main factors)				
Business in the United States	11.4	+0.5	(104.3)	104.8
Tofu business	10.3	+0.5	(104.6)	105.0
Business in China	4.7	+0.8	(121.2)	119.4
Businesses in Southeast Asia	2.2	+0.4	(119.1)	—
Thailand	2.0	+0.2	(112.5)	113.9

◆ Business in the United States

- Aim to expand business, taking advantage of a demographic dividend and increasing health consciousness.
- Accelerate development related to soybeans (GO UMAMI, TOFU SHIRATAKI RAMEN).

◆ Business in China

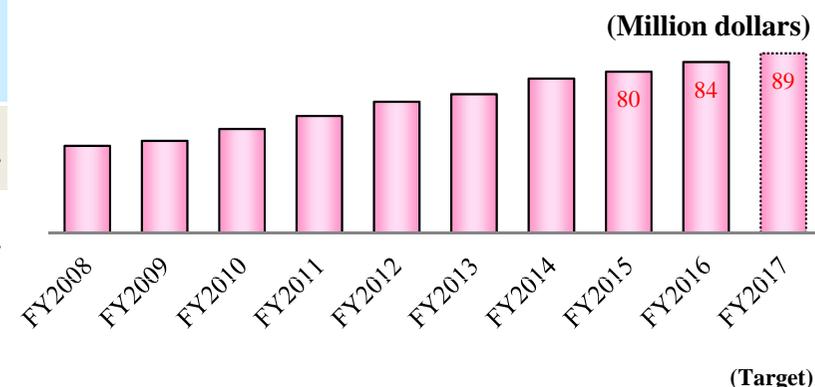
- Household use: Aim to expand business using a new sales and agency system. Change prices in June.
- Commercial use: Focus on the restaurant market and the development of industrial catering.

◆ Businesses in Southeast Asia

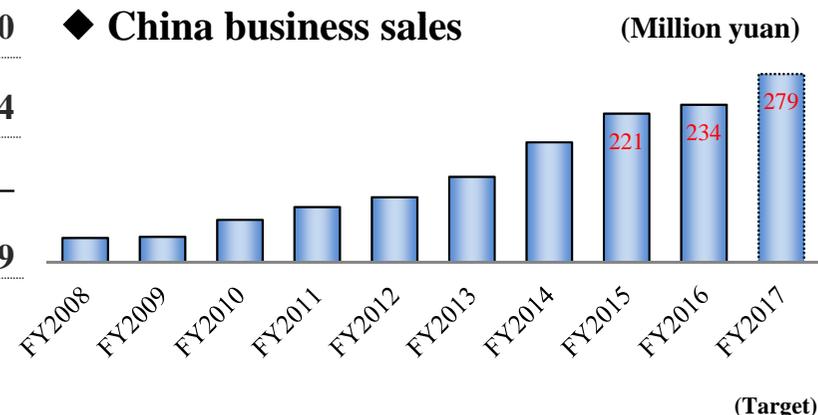
- Functional drink in Thailand: Expand shipments of the functional drink as a No. 1 vitamin drink.
- Halal curry for commercial use: Develop especially Japanese business-to-business routes in halal areas in Southeast Asia.

* Exchange rate are stated in the Fact Data.

◆ U.S. tofu business sales



◆ China business sales



Ready-to-eat tofu bars
GO UMAMI

Restaurant Business



Restaurant Business	FY2017 target	Year on year (%)	
Net sales	52.0	+0.6	(101.2)
Operating profit	-0.2	+0.2	(-)
Operating profit excluding amortization of goodwill, etc.	4.8	+0.2	(104.9)
◆ Breakdown of sales (main factors)			
Ichibanya Co., Ltd. (consolidated)*	49.2	+0.4	(100.8)
Ichibanya Co., Ltd. (non-consolidated)	44.0	+0.6	(101.4)
Overseas	5.2	-0.2	(96.0)

* From FY2017, the restructure of the restaurant business is reflected. The year-on-year comparison uses figures reflecting the restructure.

◇ Ichibanya (Japan)

- Develop new types of restaurants.
- Achieve a profit on a par with the year-ago level by offsetting a rise in the price of raw materials with an upward revision to prices on the menu (the areas where prices have been revised have been expanding gradually since December last year).

◇ Overseas

- House Foods Group Inc. transferred the restaurant business in China and Taiwan to Ichibanya (March 2017). Ichibanya will take the lead in strengthening the business base and competitiveness as competition is intensifying.
- Expand into new countries (U.K., Vietnam).

Development of restaurants under new concepts



Restaurant at Centrair
Offering dishes for vegetarians



Restaurant at Tanimachi 7-chome, Chuo-ku, Osaka
The restaurant has a layout like that of a café.

Other Food Related Business



Billion yen

Other Food Related Business	FY2017 target	Year on year (%)	
Net sales	61.7	-0.4	(99.3)
Operating profit	1.1	+0.4	(153.0)
◆ Breakdown of sales (main factors)			
House Logistics Service Corporation	21.9	-1.3	(94.3)
Delica Chef Corporation	16.5	-0.3	(98.4)
Vox Trading Co., Ltd.	22.5	+1.3	(106.1)



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

◇ House Logistics Service

- While F-LINE is being developed jointly by six food companies in a challenging logistics environment, the company will promote the optimization and restructuring of the business.

◇ Delica Chef Corporation

- Continue to endeavor to expand sales and improve earnings in the deli business.
- Enhance collaboration with Vox Trading to increase profitability.

◇ Vox Trading Co., Ltd.

- Focus on strengthening sourcing capabilities and sales by enhancing collaboration within the Group.

Progress in Fifth Medium-Term Business Plan

Fifth Medium-Term Business Plan Change to a Quality Company



◆ A quality company that House Foods Group seeks to be

Focus on marketing and innovation.
Promote R&D and strengthen the value chain to continue to increase the ability to create value.

◇ Progress in two years in the Medium-Term Business Plan

Model for making a profit	Main function for creating demand	Business expansion	Status as a food company	
Existing growth model of House Foods	Marketing	Expanding points of contact with customers	Brand name manufacturer (Uniculture)	→ B to C

Quality company	Marketing × Innovation	Strengthening the value chain	Business diversity (Multiculture)	→ B to C + B to B, restaurants
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↳ Need to promote R&D and strengthen the value chain.

◇ Themes in the final fiscal year of the Fifth Medium-Term Plan and Sixth Medium-Term Plan

<R&D>

- Establish an R&D control function and strengthen cooperation in R&D within the Group to create new value.

<Value chain>

- Pursue an optimum value chain for a quality company and promote cooperation between businesses.

From addition to multiplication

Fifth Medium-Term Business Plan Targets in the Final Year



Billion yen	Fourth Medium-Term Plan	Fifth Medium-Term Plan					
	FY2014 performance	FY2015 performance	FY2016 performance	FY2017 target	Final year target	Vs. Final year target	
						Difference	Ratio to final year target
Net sales	231.4	241.9	283.8	292.8	274.0	+18.8	106.9%
Operating profit	8.7	10.8	12.3	13.5	15.0	-1.5	90.0%
ROS	3.8%	4.5%	4.3%	4.6%	5.5%		-0.9Pt
EBITDA	14.6	18.7	25.2	26.2	—	—	—
EBITDA margin	6.3%	7.7%	8.9%	8.9%	—	—	—

Overview

- The business scale will reach the level assumed in the medium-term plan due to the expansion of the Group companies through M&A (Ichibanya in FY2015, Gaban in FY2016).
- The Group is striving to strengthen its revenue base and is expanding operating profit steadily. However, operating profit in the health food business and in the international restaurant business will fall short of the targets, and the total operating profit target is not expected to be reached.
- Business investment is expected to be close to the level assumed in the medium-term plan.
Performance: ¥42.8 billion (medium-term plan: ¥50.0 billion)
- The Group has been able to create certain new businesses that may grow, but they will not have reached a level where the Group will be able to have a clear vision with a view to the Sixth Medium-Term Plan.

Supplementary Description

Group Philosophy

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

Group CSR Policy

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

With Our Customers

With Employees and Their Families

With Our Society

Creating Smiles & Relationships

Creating “smiles” and “connections” for the future

Fifth Medium-Term Business Plan ~ Sixth Medium-Term Business Plan

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

Relationship between Group Philosophy and Medium-Term Plan



◆ Initiatives in two years in the Fifth Medium-Term Business Plan

With Our Customers

Revitalizing the existing businesses
Roux products
Retort pouched products

Ichibanya and Gaban becoming Group companies

Restructuring restaurants overseas

New businesses
Value-added ingredients

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

Promoting the Group’s R&D and alliances

All participating in CSR activities

With Employees and Their Families

Formulating the House Way

Promoting diversity and working style reforms

With Our Society

◆ 2020 Vision

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

◆ Fifth Medium-Term Business Plan Basic Concept

- Start up a business model (new business) that offers new value in the mature domestic market, in addition to the core domestic businesses and the overseas core growth businesses.
- Enhance the significance of Group’s existence in society by fulfilling the “three responsibilities.”
- Further strengthen the capacity to put functions and plans into practice.
- Narrow the gap with the target ROE by improving the ROA.

◆ Guidelines concerning business investments

- Utilize 50 billion yen for business investment funds. * Set 70 billion yen as the upper limit if necessary (by borrowing 20 billion yen)

Actual results of utilizing funds as of the end of March 2017: 42.8 billion yen

Conversion of Ichibanya Co., Ltd. to a subsidiary: 30.3 billion yen / Conversion of Gaban Co., Ltd. to a subsidiary: 6.7 billion yen / Investment in the third plant in China: 5.0 billion yen

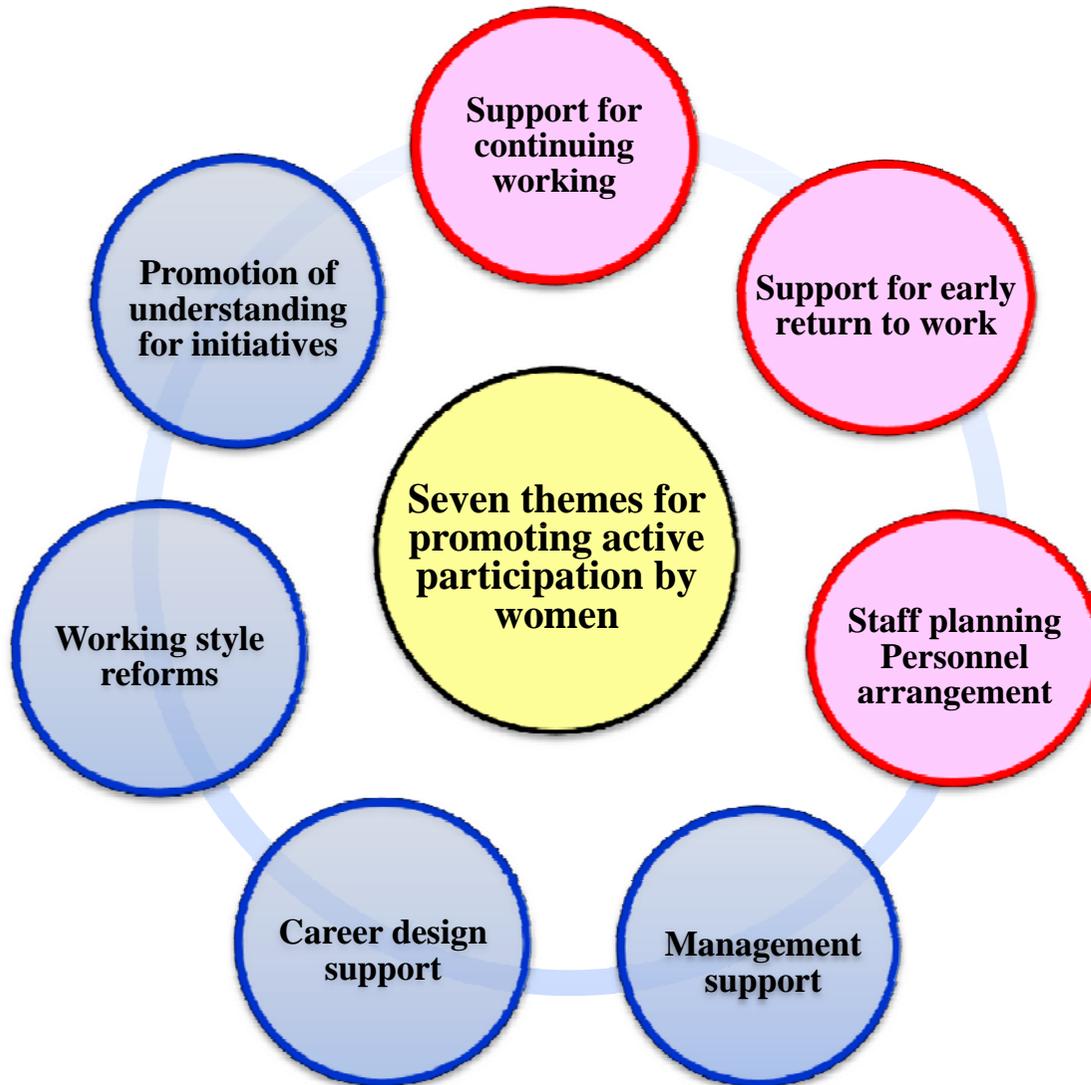
◆ Guidelines concerning profit distribution

- Dividend policy

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

	FY2015 performance	FY2016 performance	FY2017 target
Annual dividend per share	¥30	¥32	¥34
Payout ratio	13.6%	37.9%	45.4%
Payout ratio based on dividend policy	32.0%	30.4%	31.0%

◆ **Main theme: Promoting active participation by women**



◇ **Specific initiatives for active participation**

- Introducing a childcare leave system where women can take leave until the second birthday of their children
- Introducing a system for work at home
- Introducing concierges for sending children to day-care centers
- Introducing a return-to-work program
- Holding career design management study meetings
- Holding diversity forums
- Holding career study meetings with entities in different entities
- System for paid leave by the hour

◇ **2020 targets (House Foods Corporation)**

- Ratio of women to total new employees (main career track employees)	50%
Employees who joined the company in April 2017	48.8%
- Senior staff level or above (of employees belonging to House Foods Corporation)	75
In April 2017	64

Major business developments (in Japan)

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

Major events overseas

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

Years when major products were launched

Vermont Curry



Launched in 1963

Stew Mix



Launched in 1966

Kukure Curry



Launched in 1971

C1000



Launched in 1990

Ukon No Chikara



Launched in 2004

tofu (USA)



Launched in 1983

Vermont Curry (China)



Launched in 2005

Major new products and varieties for the spring and summer 2017



◆ New product

Category	Product	Suggested retail price (reference price)	On-shelf date
Curry roux	Kiwadachi Curry (<i>Koku-ga Kiwadatsu Chu-kara, Spice-ga Kiwadatsu Kara-kuchi</i>)	Open (¥250)	Feb. 20
Products related to curry	Curry Partner Fried Onion (as an ingredient)	¥270	Feb. 20
Retort pouched curry	Beef Meister Curry (Onion & Pepper, Wine & Pepper)	Open (¥250)	Feb. 20
Spice	GABAN Seasoning (Hamburg, Steak, Herb Chicken, Meuniere, Sauteed Prawn)	Open (¥150)	Feb. 20
Spice	Garlic Salt	Open (¥295)	Feb. 20
Wellness drinks	PERFECT VITAMIN Ichinichibun No Vitamin (Grapefruit Flavor, Vegetable & Fruit Flavor)	¥190	Mar. 13
Wellness drinks	PERFECT VITAMIN Ichinichibun No Vitamin Jelly Grapefruit Flavor	¥190	Mar. 13
Wellness drinks	C1000 Vitamin Lemon (Collagen & Hyaluronic Acid, Citric Acid & Royal Jelly)	¥134	Mar. 27
Wellness drinks	C1000 Fruit Mist Kiwi & Lemon 500 mL	¥140	Mar. 13
Wellness drinks	C1000 Sweet Lemonade 280 mL	¥115	Mar. 27



◆ Variety

Curry roux	176 g Java Curry Keema Curry <i>Chu-kara</i>	¥318	Feb. 20
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◆ Renewal

Curry roux	104 g/185 g Java Curry (<i>Ama-kuchi, Chu-kara, Kara-kuchi</i>)	104 g ¥194 185 g ¥318	Feb. 20
Retort pouched curry	Curry Ya Curry (<i>Ama-kuchi, Chu-kara, Kara-kuchi, O-kara</i>)	¥132	Feb. 20
Retort pouched curry	Curry Marché (<i>Ama-kuchi, Chu-kara, Kara-kuchi</i>)	¥302	Feb. 20
Dessert	Fruiche (Strawberry, Mix Peach, Melon, Mix Orange)	¥194	Jan. 23
Wellness drinks	C1000 Lemon Water 500 mL	¥140	Feb. 27



* There are other new, variety and fresh-up products.

Quarterly changes in average sales price and year-on-year sales change by major product line



◆ Trends in the curry roux market

(Source: Intage Inc. SRI monthly data (April 2016 – March 2017))

		Q1	Q2	H1	Q3	Q4	H2	Full year
Whole market	Avg. sales price	¥189	¥190	¥190	¥189	¥189	¥189	¥189
	YoY (change)	+¥4	+¥0	+¥2	-¥1	+¥0	+¥0	+¥1
House Foods	Avg. sales price	¥192	¥193	¥193	¥191	¥192	¥192	¥192
	YoY (change)	-¥5	-¥2	-¥4	-¥2	-¥1	-¥2	-¥3
	Share in value	61.1%	60.9%	61.0%	62.9%	62.0%	62.4%	61.6%

◆ Year-on-year sales change by major product line (shipments)

	Q1	Q2	H1	Q3	Q4	H2	Full year
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◆ Spice / Seasoning / Processed Food Business

Curry roux total	113.9%	98.4%	105.6%	93.1%	104.9%	98.7%	102.0%
Retort pouched curry total	120.5%	117.5%	118.9%	118.7%	121.9%	120.2%	119.6%
Stew roux total	109.6%	89.7%	94.3%	98.3%	97.8%	98.2%	96.8%
Hashed beef sauce roux total	116.2%	102.3%	109.3%	105.2%	96.2%	100.4%	104.8%
Spice total	110.6%	104.9%	107.4%	103.3%	104.8%	103.9%	105.6%

◆ Health Food Business

Ukon No Chikara	98.3%	96.0%	97.0%	94.2%	89.1%	92.4%	94.6%
C1000	93.7%	97.5%	95.6%	120.1%	89.0%	104.5%	99.2%