The original disclosure in Japanese was released on May 12,2020 at 15:00

FY2019 Results Briefing

House Foods Group Inc.

May 14, 2020
https://housefoods-group.com/

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Corporate Philosophy of House Foods Group and Medium-Term Business Plan / Sixth Medium-Term Business Plan / History of Businesses / Business Development / Major New Products and Varieties for the Spring and Summer 2019

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FY2019 Results

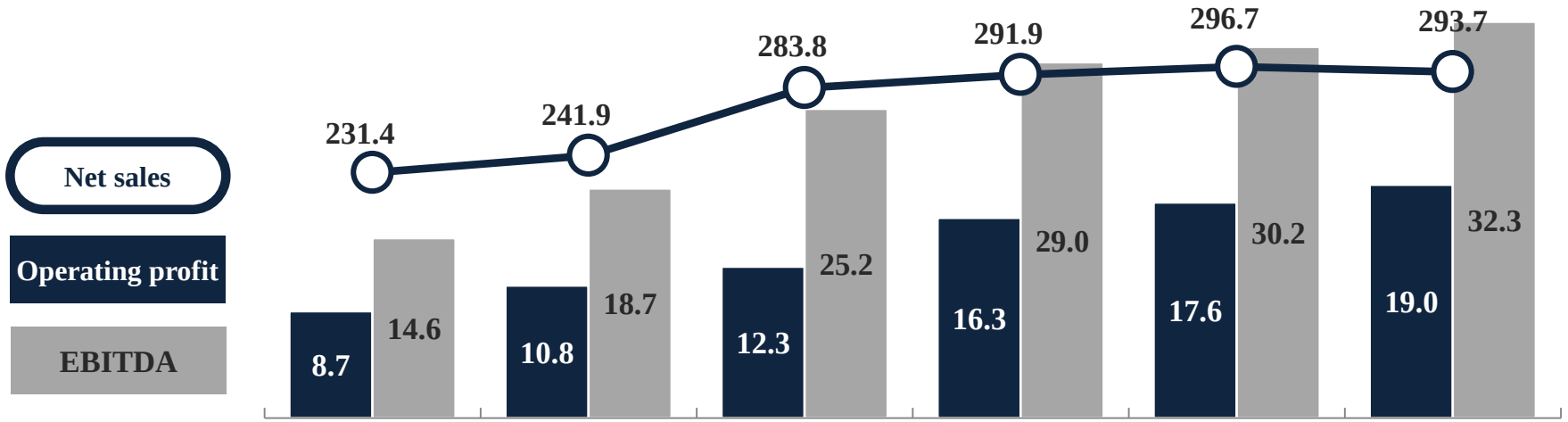
◇ **Middle year of the Medium-Term Business Plan**

- **We made progress largely as planned, except in the Health Food Business, and operating profit hit a record high (for a third consecutive year).**
- **We implemented initiatives to optimize production and made capital investments focused on expanding overseas production capacity.**
  (Spice/Seasoning/Processed Food Business: We expanded production capacity for retort pouched products; Health Food Business: We shifted to in-house production of jelly; United States: We expanded tofu production capacity)
- **We plan to pay a full-year dividend of 46 yen, an increase of 2 yen from the previous fiscal year (marking fourth consecutive year of dividend increases.)**
- **In face of the Covid-19 pandemic, we will fulfil our supply responsibilities as a food company, while giving utmost consideration to the safety and peace of mind of our employees.**

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Consolidated Results

Billion yen	FY2019 Results	FY2019 Comparison with net sales	FY2019 Year on year		FY2019 Comparison with revised target	
Net sales	293.7	–	-3.0	-1.0%	-3.3	-1.1%
Operating profit	19.0	6.5%	+1.4	+8.2%	+0.5	+2.7%
Ordinary profit	20.8	7.1%	+1.7	+8.9%	+1.2	+6.1%
Profit attributable to owners of parent	11.5	3.9%	-2.3	-16.8%	+0.6	+5.1%
EBITDA *1	32.3	11.0%	+2.0	+6.8%	-0.0	-0.0%



	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
ROS (%)	3.8	4.5	4.3	5.6	5.9	6.5
ROA (%) *2	3.1	3.4	3.5	4.4	4.7	5.1
ROE (%)	3.3	10.1	3.7	3.8	5.5	4.6

*1 EBITDA = Operating profit (before amortization of goodwill) +Depreciation *2 ROA = Return on assets = Operating profit ÷ Total assets

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Results by Segment

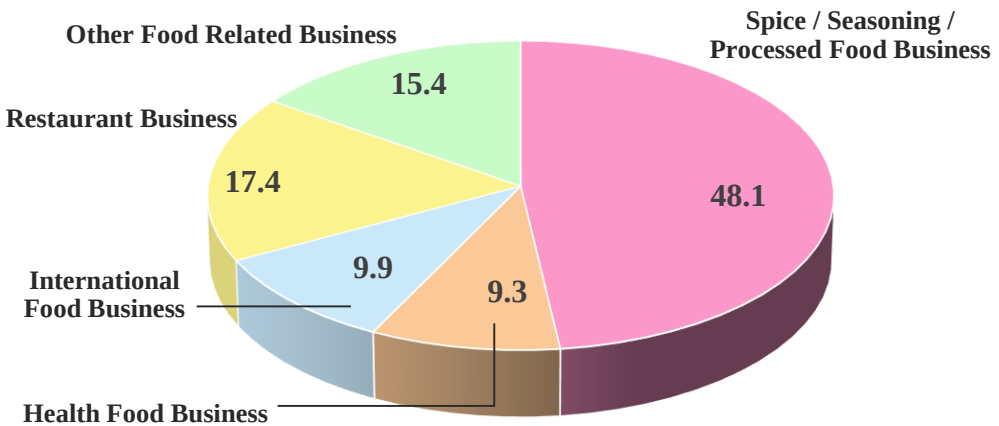
Billion yen	Net Sales FY2019 Results	Year on year		Comparison with revised target		Operating Profit FY2019 Results	ROS	Year on year		Comparison with revised target	
Total	293.7	-3.0	-1.0%	-3.3	-1.1%	19.0	6.5%	+1.4	+8.2%	+0.5	+2.7%
Spice / Seasoning / Processed Food Business	145.0	+3.8	+2.7%	-1.2	-0.8%	14.1	9.7%	+1.4	+11.4%	+0.8	+6.1%
Health Food Business	27.9	-3.0	-9.7%	-2.1	-7.0%	0.5	1.9%	-0.9	-63.3%	-0.7	-56.6%
International Food Business	29.7	+3.4	+13.0%	-0.6	-1.9%	4.1	13.8%	+0.5	+14.3%	+0.1	+2.4%
Restaurant Business	52.5	+0.4	+0.8%	-0.0	-0.0%	0.2	0.4%	+0.8	–	+0.6	–
(Excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.)						5.2	9.9%	+0.8	+17.1%	+0.6	+13.0%
Other Food Related Business	46.3	-15.6	-25.2%	+1.0	+2.2%	1.8	3.9%	-0.3	-12.4%	-0.0	-0.5%
Adjustment (elimination)	-7.7	+8.0	–	-0.4	–	-1.7	–	-0.1	–	-0.3	–

Reference: Net sales by area

Japan	252.8	-5.8	-2.2%
United States	15.2	+0.4	+2.4%
East Asia	14.9	+0.1	+0.5%
Southeast Asia	9.4	+2.1	+28.6%
Other	1.4	+0.2	+22.3%

Ratio of overseas sales: 13.9%
(up 1.1 percentage point year on year)

Sales breakdown by business segment (%)



* Before the elimination of intersegment sales

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Spice / Seasoning / Processed Food Business

Billion yen	FY2019 Results	Year on year		Comparison with revised target	
Net sales	145.0	+3.8	+2.7%	-1.2	-0.8%
Operating profit	14.1	+1.4	+11.4%	+0.8	+6.1%
ROS	9.7%		+0.8pt		+0.6pt

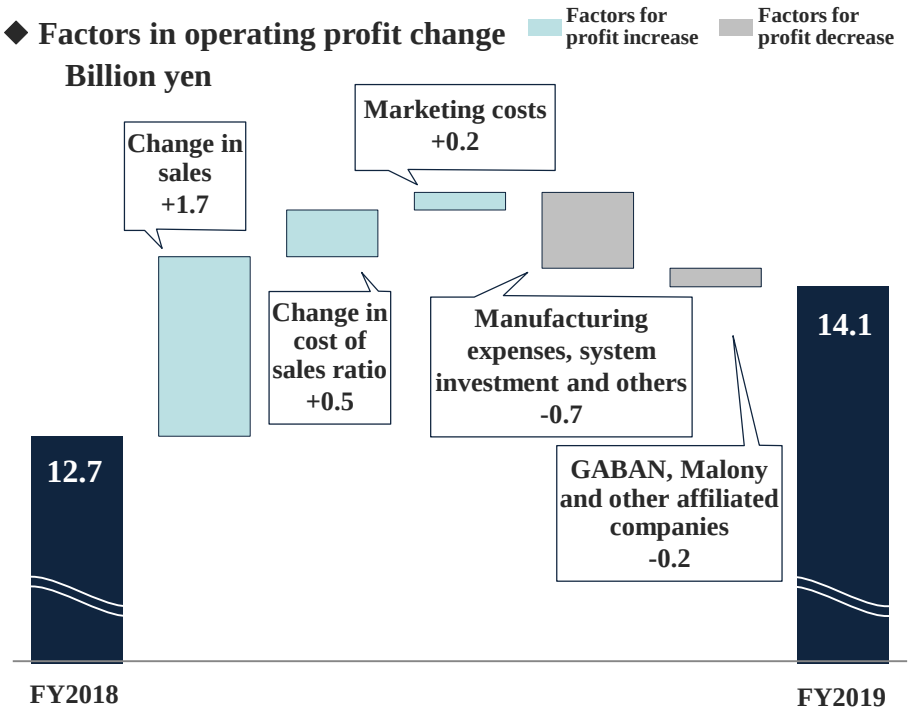
◆ Breakdown of sales (main factors)

Details are also stated in "5. Trends in Net Sales by Business Segment" in Fact Data.

House Foods Corp.		134.4	+4.2	+3.2%	-0.3	-0.2%
	Curry roux	37.0	+0.6	+1.8%	+0.3	+0.7%
	Stew roux	12.2	-0.1	-1.0%	-0.3	-2.5%
	Spice	19.9	+1.0	+5.3%	-0.5	-2.6%
	Total of retort pouched products*	19.1	+0.9	+5.0%	+0.1	+0.4%
	Food service products	17.5	+0.0	+0.3%	-0.3	-1.6%
GABAN Co., Ltd.		9.8	-0.1	-0.8%	-0.3	-3.0%
Malony Co., Ltd.		2.7	-0.3	-9.9%	-0.1	-4.6%

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

◆ Factors in operating profit change



Sought to tap into medium-to-long-term demand in existing and new segments of the domestic mature market

◇ House Foods Corporation
- Posted increased profit despite impact of environmental factors such as the consumption tax hike and the Covid-19 pandemic
- Sales of retort pouched products and spice pastes in large tubes grew
- Expanded production capacity for retort pouched products

◇ Malony Co., Ltd.
- Struggled due to decreased demand for nabe (hot pot) cooking due to the mild winter
- Started flattening seasonal fluctuation by launching instant cup products in limited areas

Issues: Implement revenue structure reform in response to progress in the maturation of the market (shift away from roux products to retort pouched products)
Respond to changes in consumer awareness post Covid-19









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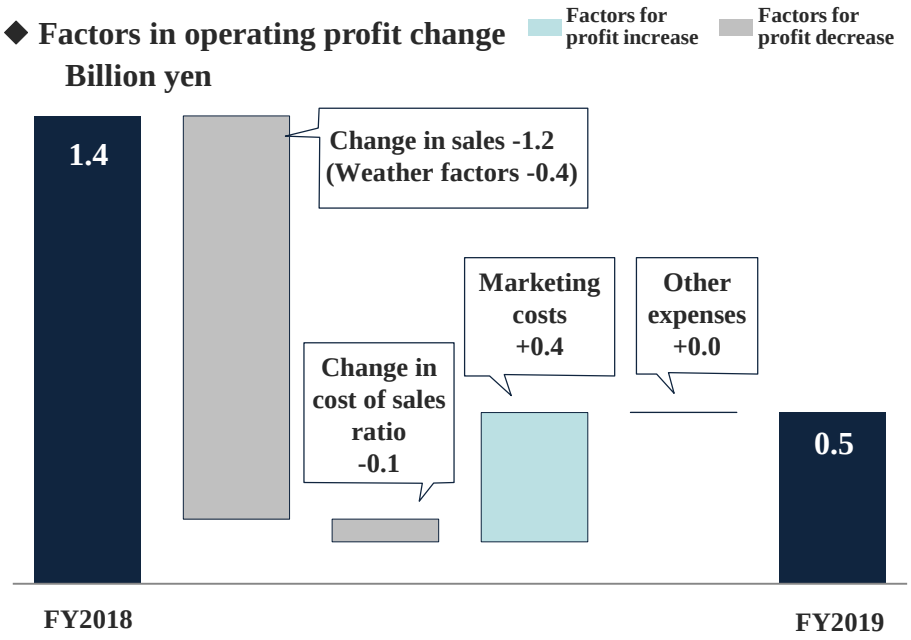
Health Food Business

Billion yen	FY2019 Results	Year on year		Comparison with revised target	
Net sales	27.9	-3.0	-9.7%	-2.1	-7.0%
Operating profit	0.5	-0.9	-63.3%	-0.7	-56.6%
ROS	1.9%		-2.7pt		-2.1pt

◆ Breakdown of sales (main factors)

Functional spice	11.3	-0.2	-1.6%	-1.2	-9.7%
Ukon No Chikara	8.2	-0.9	-10.3%	-0.9	-9.8%
Vitamin	12.0	-2.6	-18.1%	-0.2	-1.5%
C1000	7.1	-2.2	-23.6%	-0.0	-0.4%
Ichinichibun No Vitamin	4.1	-0.5	-10.2%	-0.1	-2.2%
Lactobacillus business	0.8	-0.3	-28.8%	-0.7	-46.5%

◆ Factors in operating profit change



Profit fell sharply, reflecting decreased sales of the main brand and issues with the development a third business pillar, despite progress with revenue structure reforms

◇ **Functional spice business**
- ***Ukon No Chikara*: The Covid-19 outbreak at the end of the fiscal year drastically reduced drinking out opportunities**
- ***Nerunoda*, food with function claims: Steadily penetrated the market, meeting the needs of consumers seeking to improve sleep quality**



◇ **Vitamin business**
- **Implemented revenue structure reforms (shifted to in-house production of jelly products and *Ichinichibun No Vitamin*) , scaled back unprofitable PET products)**
- **Sales fell mainly due to weather factors during the summer demand period**

◇ **Lactobacillus business**
- **Put test laboratory into operation as step towards establishment of efficient production structure**
- **Struggled to become firmly established in B to C market and performed far worse than planned, reflecting delays in feed testing due to CSF and Covid-19, among other factors**



Issues: - **Restore brand power of key brands and ensure earning capacity**
- **Assess potential of strategic health ingredients and develop into next-generation revenue drivers**

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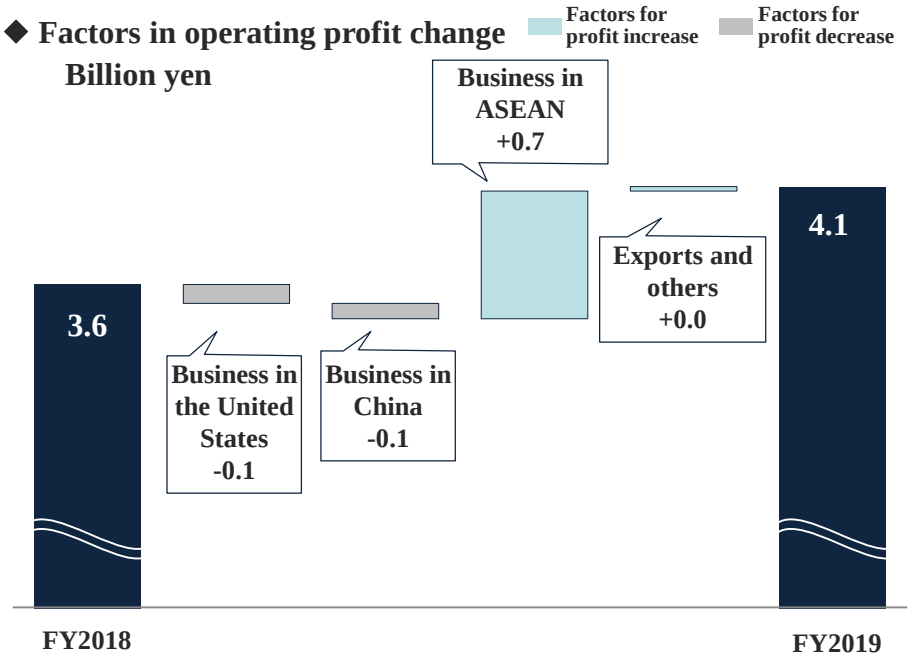
International Food Business

Billion yen	FY2019 Results	FY2019 Year on year		FY2019 Comparison with revised target		Year on year in local currency
Net sales	29.7	+3.4	+13.0%	-0.6	-1.9%	+14.2%
Operating profit	4.1	+0.5	+14.3%	+0.1	+2.4%	+14.7%
ROS	13.8%		+0.2pt		+0.6pt	

◆ Breakdown of sales by main area

Business in the United States	13.0	+0.8	+6.7%	+0.3	+2.2%	+7.7%
Tofu business	12.0	+0.8	+7.2%	+0.3	+2.4%	+8.3%
Business in China	6.1	+0.3	+4.5%	-0.7	-10.3%	+9.9%
Businesses in ASEAN	6.6	+2.4	+55.1%	+0.1	+1.3%	+50.1%
Thailand	6.4	+2.3	+55.7%	+0.1	+2.4%	+50.4%

◆ Factors in operating profit change



Issues remain but Thailand business achieved strong growth, driving segment performance

◇ Tofu business in the United States
- Prepared for expansion of production capacity while putting up with the tight supply capacity in face of strong demand (new lines went into operation in January 2020)
- Profit fell mainly due to higher labor costs associated with weekend production and higher tariffs on certain ingredients due to trade tensions between the United States and China

Issues: Tap into growing demand in plant-based protein market and continue to invest for growth aiming for higher productivity



◇ Curry business in China
- Sales fell short of target, reflecting failure to expand and train sales personnel as planned
- Profit decreased due to inability to absorb depreciation and amortization cost of Zhejiang Plant

Issues: Respond to sudden changes in distribution and consumption structure and establish personnel structure for realizing growth



◇ Functional drinks business in Thailand
- Achieved considerable growth, reflecting increased product recognition and penetration to traditional TT market
- Introduced price revisions in October 2019 in response to increase in VAT from same month

Issues: Strengthen collaboration with Osotspa (increase production capacity and strengthen quality assurance capabilities) and establish formidable brand



Impact of exchange rates: Net sales: -300 million yen (U.S.: -100 million yen, China: -300 million yen, Thailand: +200 million yen, Taiwan: -100 million yen); Operating profit: -0 million yen

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Restaurant Business

Billion yen	FY2019 Results	Year on year		Comparison with revised target	
Net sales	52.5	+0.4	+0.8%	-0.0	-0.0%
Operating profit	0.2	+0.8	–	+0.6	–
ROS	0.4%		+1.5pt		+1.1pt
(Excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.)	5.2	+0.8	+17.1%	+0.6	+13.0%
ROS	9.9%		+1.4pt		+1.1pt

◆ Breakdown of sales (main factors)

Ichibanya Co., Ltd. (consolidated)		51.5	+1.3	+2.6%	+0.1	+0.2%
	Ichibanya Co., Ltd. (non-consolidated)	45.6	+0.8	+1.9%	+0.2	+0.5%
	Overseas	5.9	+0.4	+8.0%	-0.1	-1.8%

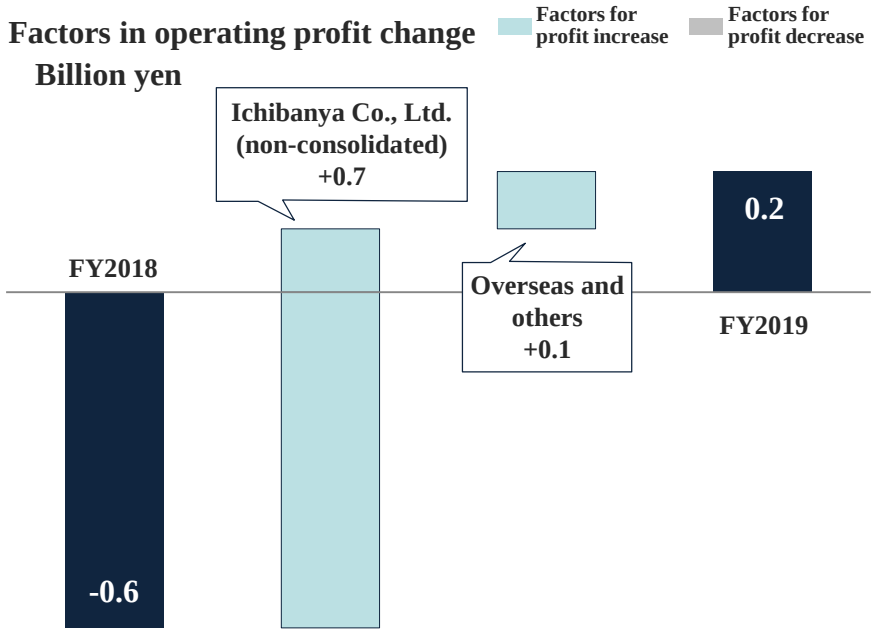
◆ Changes in net sales of Ichibanya Co., Ltd. at domestic stores (year on year)

All restaurants	Existing restaurants		
Net sales	Net sales	Number of customers	Average sales per customer
+0.7%	+0.5%	-1.5%	+2.1%

◆ Number of stores of Ichibanya Co., Ltd. in Japan and overseas (as of the end of February 2020) (compared with the end of the previous fiscal year)

Japan (all business categories)	Overseas
1,301 (-4)	186 (+14)

◆ Factors in operating profit change





Low carb curry with lightly crisped chicken and spinach

◇ 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

Issues:
- Generate value chain synergy

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Other Food Related Business

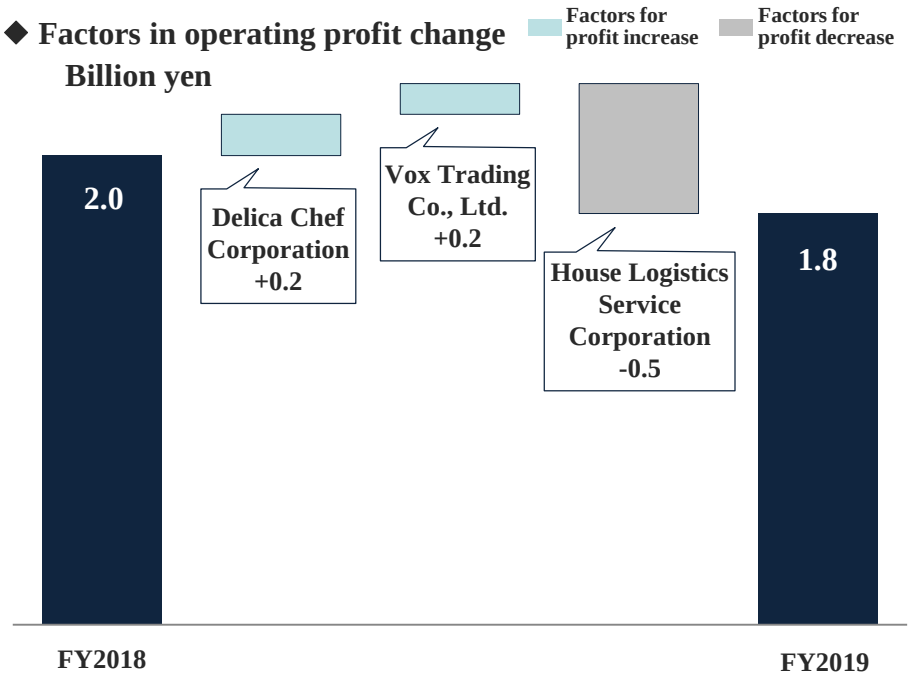
◆ Other Food Related Business

Billion yen	FY2019 Results	Year on year		Comparison with revised target	
Net sales	46.3	-15.6	-25.2%	+1.0	+2.2%
Operating profit	1.8	-0.3	-12.4%	-0.0	-0.5%
ROS	3.9%		+0.6pt		-0.1pt

◆ Breakdown of sales (main factors)

Delica Chef Corporation	18.7	+1.2	+6.6%	+0.9	+5.0%
Vox Trading Co., Ltd. (Consolidated)	25.9	+2.0	+8.3%	+0.1	+0.4%
House Logistics Service Corporation	1.0	-18.6	-94.8%	+0.0	+0.4%

◆ Factors in operating profit change



◇ Delica Chef Corporation
- Posted higher profit thanks to stronger development capabilities especially for prepared foods and desserts, despite continuing to face tough labor market conditions
- Impact of cashless rebates in the wake of the consumption tax hike also contributed to performance

◇ Vox Trading Co., Ltd.
- Reported higher profit, reflecting focus on sales expansion of high added value products and growth in transactions with leading food service companies

◆ Adjustment (Elimination)

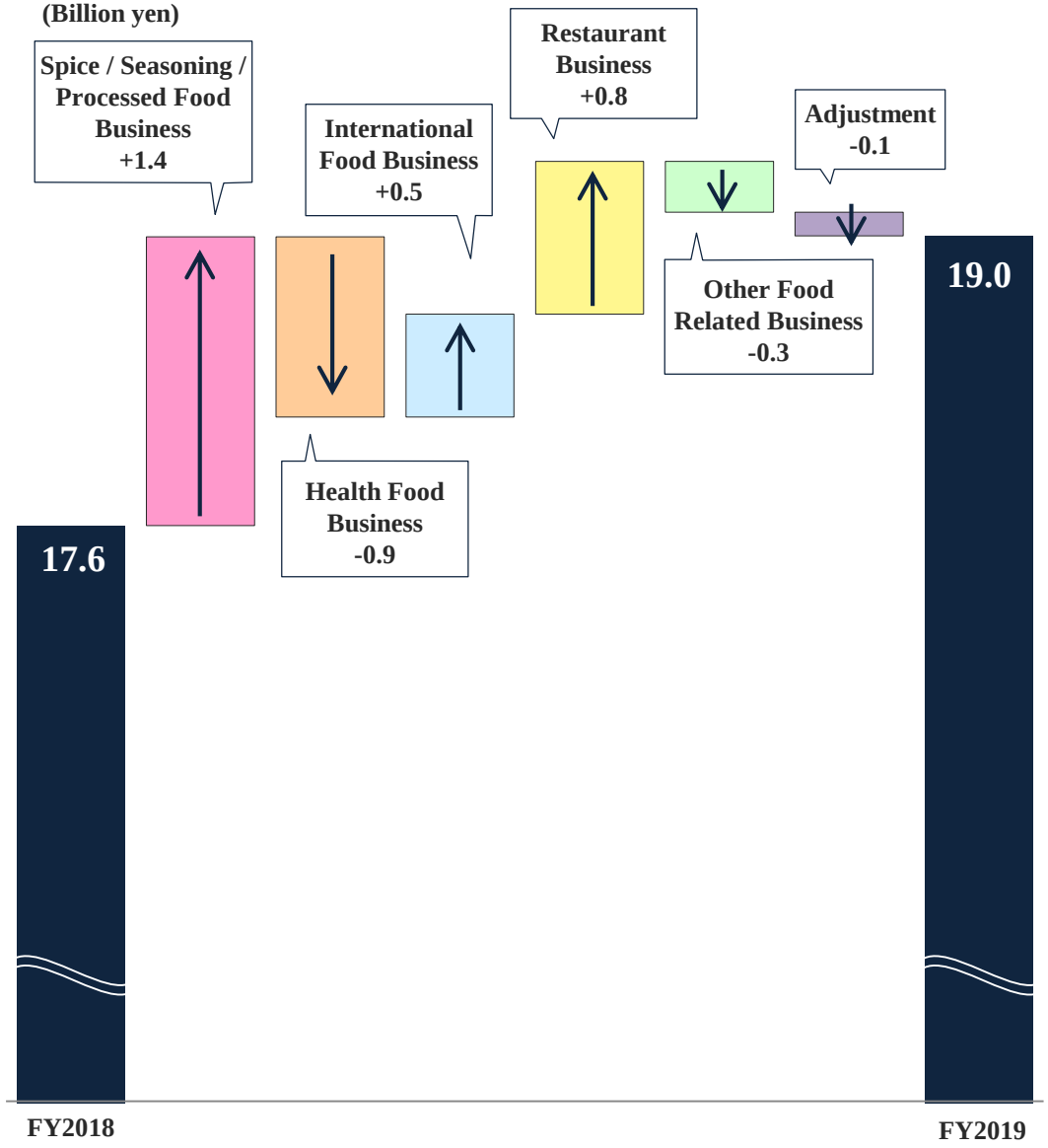
Billion yen	FY2019 Results	Year on year		Comparison with revised target	
Net sales	-7.7	+8.0	–	-0.4	–
Operating profit	-1.7	-0.1	–	-0.3	–

◇ Impact of the spin-off of the major logistics business to F-LINE Corporation
- Net sales: -10.4 billion yen
  - Breakdown Other Food Related Business: -18.6 billion yen
  - Adjustment (Elimination): +8.3 billion yen
- Operating profit: -0.5 billion yen

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Operating Profit Change Analysis

◆ Factors of changes by business segment



(Billion yen)

	Amount of change
Spice / Seasoning / Processed Food Business	**+1.44**
- Change in sales	+1.7
- Change in cost of sales ratio	+0.5
- Marketing costs	+0.2
- Manufacturing expenses, system investment and others	-0.7
- GABAN, Malony and other affiliated companies	-0.2
Health Food Business	**-0.90**
- Change in sales	-1.2
- Change in cost of sales ratio	-0.1
- Marketing costs	+0.4
- Other expenses	+0.0
International Food Business	**+0.51**
- Business in the United States	-0.1
- Business in China	-0.1
- Businesses in ASEAN	+0.7
- Exports and others	+0.0
Restaurant Business	**+0.76**
- Ichibanya Co., Ltd. (non-consolidated)	+0.7
- Ichibanya Co., Ltd. (overseas) and others	+0.1
Other Food Related Business	**-0.25**
- Delica Chef Corporation	+0.2
- Vox Trading Co., Ltd.	+0.2
- House Logistics Service Corporation	-0.5
Adjustment	**-0.12**
Changes in operating profit	**+1.45**

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Sixth Medium-Term Business Plan Efforts in Two Years

Three Responsibilities	Key Themes	Efforts in Two Years
For Customers	Build-up of the core of the value chain	3 GOT* themes: Developed big picture from a group optimization perspective [Specific initiatives over two years] - 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 - Renovated research center in Chiba and integrated HWF's development capabilities - CVC: Invested in 9 companies to acquire new knowledge the Group does not possess - New business: Launched kitchen car rental business
	Expansion of growth and strengthening of foundation overseas	- Developed structure for steadily tapping into market growth around the world by progressively expanding production capacity in all three priority areas

(*) GOT means initiatives to be conducted beyond the boundaries within the Group. Three key themes: Reforms of procurement of spices, production optimization, B to B system establishment



Plant in Los Angeles, United States



Research center in Chiba



Kitchen car rental business

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Sixth Medium-Term Business Plan　Efforts in Two Years

Three Responsibilities	Key Themes	Efforts in Two Years
For Employees and Their Families	Achievement of diversity	- Creation of organizational environment which will help improve productivity through “work-style reform” (1) Work-style reform 5 work-style reforms Expanded monthly planned work, introduced teleworking, reduced prescribed working hours, introduced objective working hours management and abolished deemed working hours system for sales (2) Creation of diverse organization climate Increased workplaces where people with diverse abilities work together 
For Society	Construction of the recycling-oriented model	- Effective utilization of finite resources (1) Formulated new environmental investment standards to encourage investment aimed at reducing environmental impact (2) Incorporated the SCOOP 3 concept and implemented initiatives to reduce CO2 across the entire value chain - Implemented measures for sustainable procurement (1) Started procuring RSPO-certified palm oil (from FY2020) Gradually switching oil used in roux products and retort pouched products to certified palm oil 4-0994-18-100-00
Business investment	Total amount in the sixth medium-term business plan: 60 billion yen	- Worked to optimize production and made capital investments focused on expanding overseas production structure
Capital policy	Continuation of stable dividends	- Increased dividends for the fourth consecutive year - Flexibly acquired own shares (FY2018: Acquired 2 million shares and cancelled all of them)

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Full-Year Plan for FY2020

◇ **Assumptions**

- **Although the effects of Covid-19 will vary depending on the segment, we assume that it will severely impact first-half performance and the pandemic will gradually come to an end through the second half.**
  The Restaurant Business and the Health Food Business will be severely affected, and results are expected to fall short of final fiscal year targets under the Medium-Term Business Plan.

◇ **Final fiscal year of the Sixth Medium-Term Business Plan**

- **We will push ahead with the key themes under the Medium-Term Business Plan including the GOT themes, seeing changes in consumption post-Covid-19 as new growth opportunities, and prepare for the Seventh Medium-Term Business Plan.**

- **We plan to pay an annual dividend of 46 yen per share, which is the same amount paid in FY2019.**

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Impact of Covid-19

◆ **Main actions taken by the Group**

- Continuing production in Japan and overseas to fulfil supply responsibilities as a food company.
- Thoroughly implementing hygiene management and measures to reduce the risk of infection (urging employees to work from home, conducting meetings via the Internet and telephone, etc.)
- Suspending sales of certain products to focus on production of core items. Working to minimize impact on customers and suppliers.
- Ichibanya is minimizing the impact on restaurant revenues through expansion of takeout, etc. whilst taking appropriate action in accordance with the guidelines set out by central government and local authorities including shorter opening hours and suspension of operations.

◆ **Impact on each business**

Although the effects of Covid-19 will vary depending on the segment, the impact was calculated assuming that it will severely impact first-half performance and the pandemic will gradually come to an end through the second half.

(Billion yen)

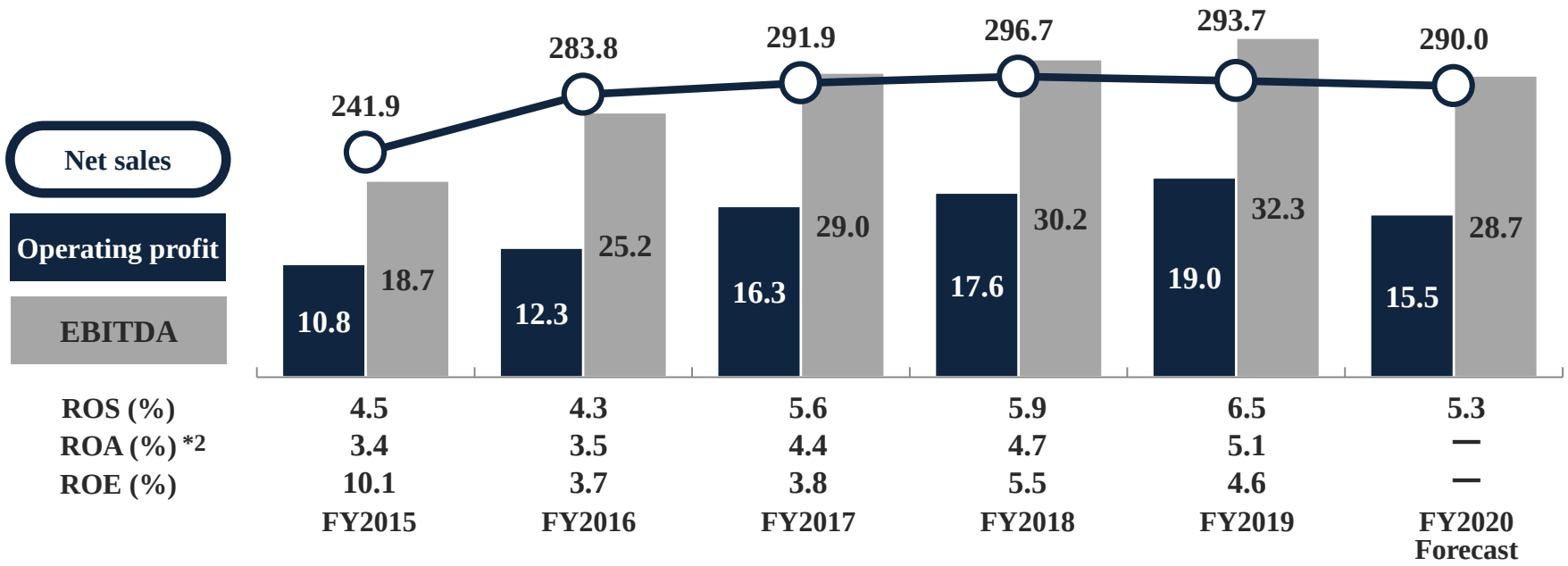
			Forecast impact in FY2020	
			Net sales	Operating profit
Spice / Seasoning / Processed Food Business		- Benefited from increase in home-cooked meals Home-use business: Demand grew for home-cooking products and for pre-prepared ready meals Food service-use business: Fewer sales opportunities	+0.2	+0.1
Health Food Business		- Dramatic decline in drinking out opportunities led to fewer sales opportunities for the core *Ukon no Chikara* brand - Sales affected by decline in customers at CVS, which is important sales channel	-3.6	-1.8
International Food Business	United States	- Temporarily suspended operations at NJ plant to prevent spread of virus (planned suspension of around 2 weeks starting from Apr. 30) - Postponed initially planned price revisions due to social circumstances	-1.9	-0.6
	China	- Operations are now almost back to normal - "Stay-at-home" economy caused sharp rise in demand for home-use products and stagnation of demand for food service-use products		
	Thailand	- Sales affected by fall in number of customers especially at CVS as a result of curfew and there is concern over chilling effect on consumption		
Restaurant Business		- Sales at restaurants in Japan and overseas are expected to fall as consumption slows globally and people refrain from going out Assumed revenues from existing restaurants compared to the previous year: Japan 90% (1H: 87.5%, 2H: 92.5%) Overseas 65% (1H: 51%, 2H: 78%)	-6.5	-2.9
Other Food Related Business		- Trading company business was affected by decline in eating out demand	-1.0	-0.2

*** Not including increase in retirement benefit expenses (negative impact of -0.6 billion yen)**

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Forecast for Consolidated Income (Loss)

Billion yen	FY2020 Forecast	FY2020 Comparison with net sales	FY2020 Year on year		Sixth medium-term business plan Final fiscal year target	Sixth medium-term business plan Gap
Net sales	290.0	—	-3.7	-1.3%	310.0	-20.0
Operating profit	15.5	5.3%	-3.5	-18.4%	22.0	-6.5
Ordinary profit	16.9	5.8%	-3.9	-18.7%		
Profit attributable to owners of parent	9.6	3.3%	-1.9	-16.2%		
EBITDA *1	28.7	9.9%	-3.6	-11.1%		



	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 Forecast
ROS (%)	4.5	4.3	5.6	5.9	6.5	5.3
ROA (%) *2	3.4	3.5	4.4	4.7	5.1	—
ROE (%)	10.1	3.7	3.8	5.5	4.6	—

*1 EBITDA = Operating profit (before amortization of goodwill) +Depreciation　*2 ROA = Return on assets = Operating profit ÷ Total assets

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Forecast in the Full Year by Segment

Billion yen	Net sales					Operating profit					
	FY2020			Final year of the medium-term business plan		FY2020				Final year of the medium-term business plan	
	Forecast	Year on year		Target	Gap	Forecast	ROS	Year on year		Target	Gap
Total	290.0	-3.7	-1.3%	310.0	-20.0	15.5	5.3%	-3.5	-18.4%	22.0	-6.5
Spice / Seasoning / Processed Food Business	149.0	+4.0	+2.8%	154.0	-5.0	13.7	9.2%	-0.4	-2.9%	14.0	-0.3
Health Food Business	25.0	-2.9	-10.4%	36.0	-11.0	0.0	0.0%	-0.5	–	2.0	-2.0
International Food Business	35.0	+5.3	+17.7%	34.0	+1.0	4.0	11.4%	-0.1	-2.4%	4.6	-0.6
Restaurant Business	45.4	-7.1	-13.5%	56.0	-10.6	-1.9	-4.2%	-2.1	–	1.1	-3.0
(Excluding amortization of goodwill, etc. for Ichibanya Co., Ltd.)						2.3	5.0%	-3.0	-56.6%	5.3	-3.0
Other Food Related Business	43.8	-2.5	-5.4%	43.0	+0.8	1.6	3.7%	-0.2	-10.7%	1.8	-0.2
Adjustment (elimination)	-8.2	-0.5	–	-13.0	+4.8	-1.9	–	-0.2	–	-1.5	-0.4

Spice / Seasoning / Processed Food Business
- House Foods: The impact of growth in demand for home-cooked meals will offset the absence of special demand seen in the previous fiscal year and the impact of higher retirement benefit expenses, and profit is expected to increase.
- GABAN: Significant decline due to a dramatic drop in eating out demand is anticipated.

Health Food Business
- *Ukon no Chikara* will be hugely impacted by a sharp decline in drinking out opportunities as people refrain from going out. We will reduce costs as much as possible especially in the first half.
- Growing health awareness will work in our favor in the long term. We will focus on vitamins, jelly products and lactic acid bacteria.

International Food Business

United States
- We started increased production (by around 30%) at the LA plant from January 2020 and plan to reach full-scale operation in the second half.
- Profit growth is expected to be limited due to higher labor costs. (Price revisions will be postponed until the Covid-19 outbreak is over.)

China
- We expect it will take time for the restaurant market to return to normal and will concentrate resources on the home-use market.
- We see growth in demand for home-use products due to “stay-at-home economy” as a good opportunity and will focus on activities in anticipation of post-Covid-19 times.

Thailand
- Despite concern over the impact of Covid-19, demand for vitamins is firm and we will focus on establishing formidable brands.

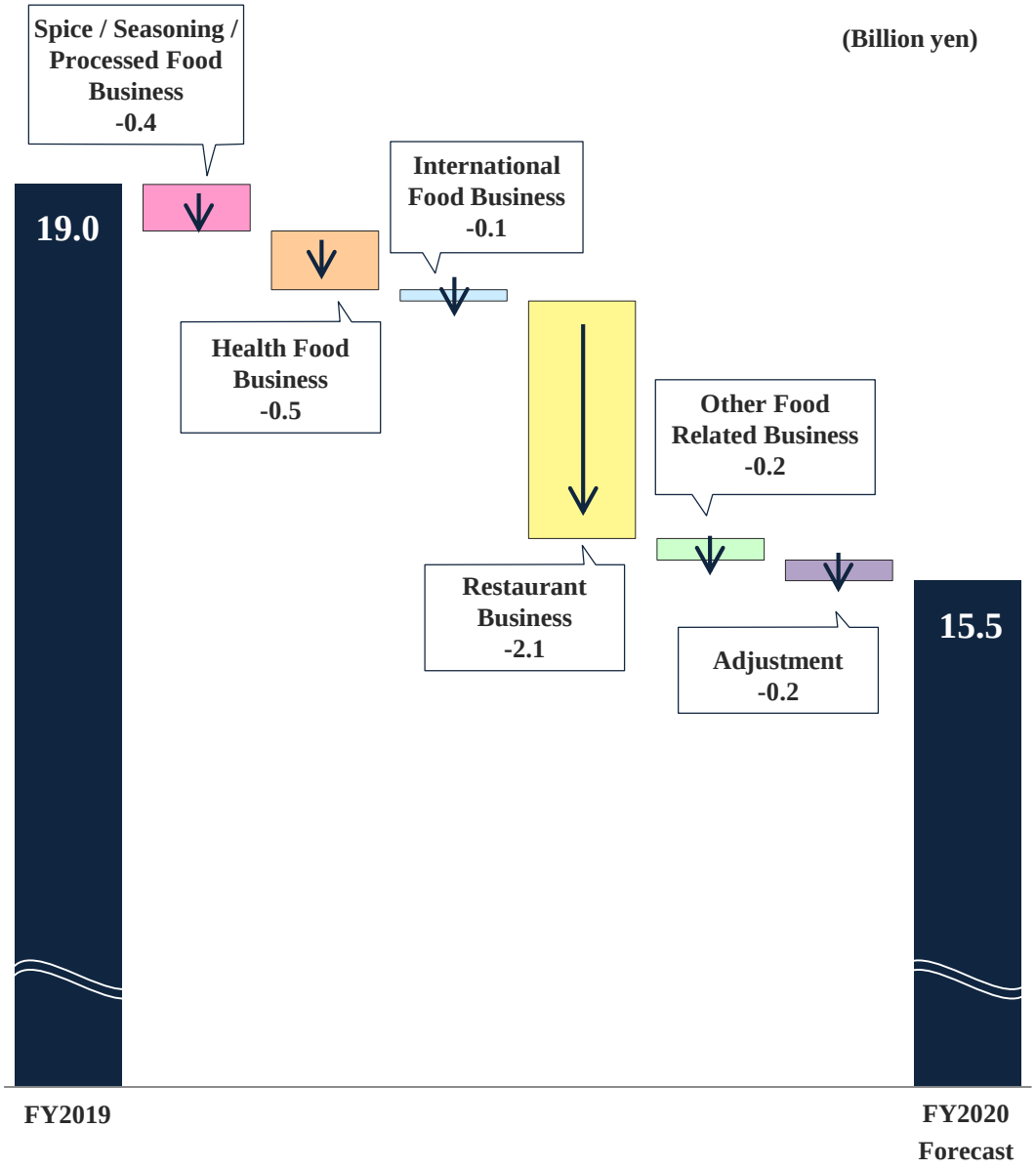
Restaurant Business
- Sharp declines in sales and profit are forecast both in Japan and overseas due to the suspension of restaurant operations and shortening of restaurant opening hours due to Covid-19
- We will seek to minimize the business impact by strengthening takeout and home delivery.

Other Food Related Business
- Manufacturing prepared food, etc. for CVS: We will strive to maintain revenue by further improving development capabilities and cost competitiveness.
- Trading company business: We will seek to minimize the impact through expansion in sales of high added value products and a review of the product mix

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Operating Profit Forecast Change Analysis

◆ Factors of changes by business segment



(Billion yen)

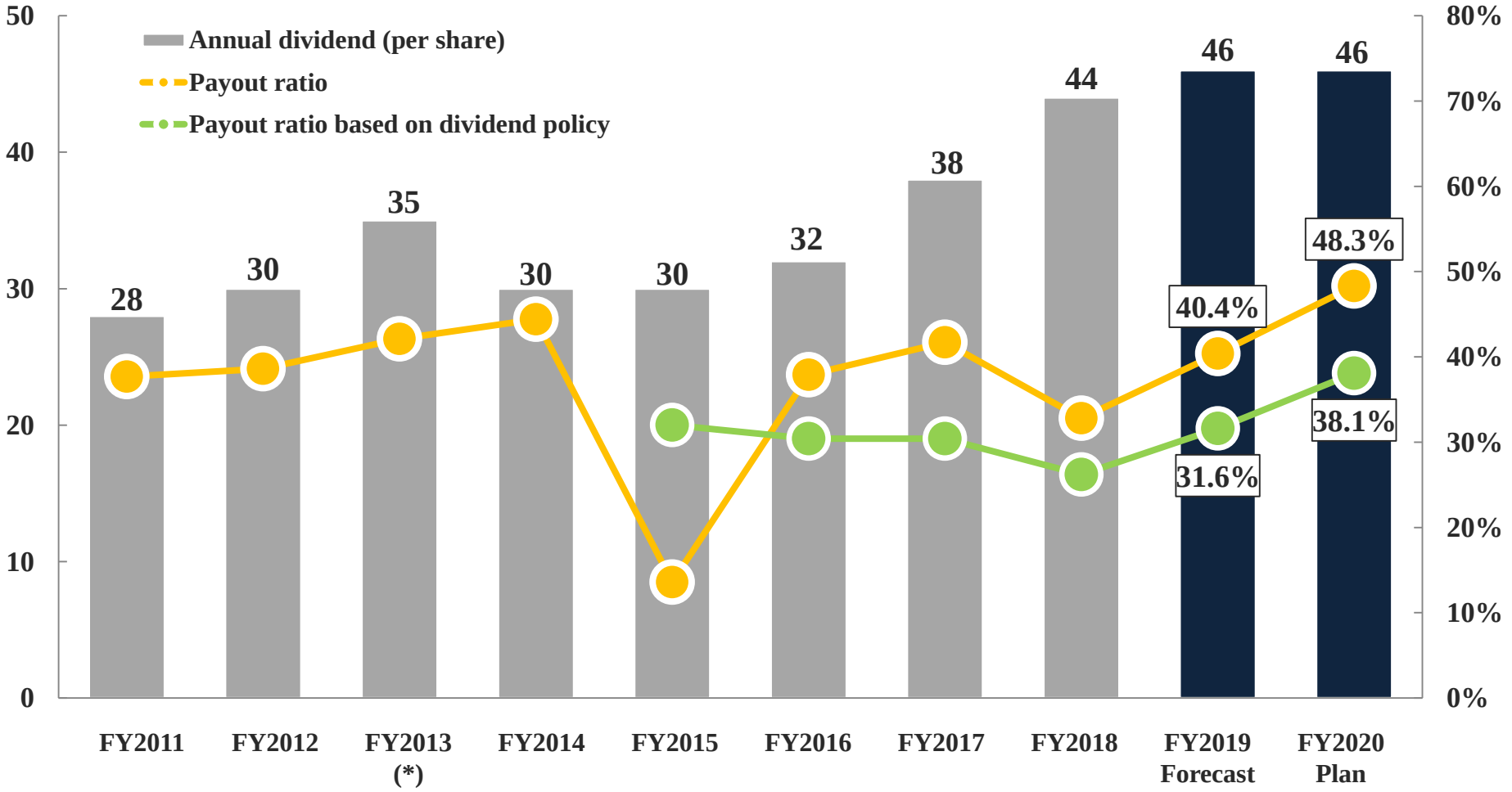
	Amount of change
Spice / Seasoning / Processed Food Business	**-0.41**
- Change in sales	+2.4
- Change in cost of sales ratio	-0.8
- Marketing costs	+0.3
- Personnel expenses, manufacturing expenses and others	-1.6
- GABAN and other affiliated companies	-0.8
Health Food Business	**-0.52**
- Change in sales	-1.4
- Change in cost of sales ratio	+0.4
- Marketing costs	+0.7
- Other expenses	-0.1
International Food Business	**-0.10**
- Business in the United States	-0.1
- Business in China	+0.1
- Business in ASEAN	-0.1
Restaurant Business	**-2.10**
- Ichibanya Co., Ltd. (consolidated)	-3.0
- Amortization of goodwill	+0.9
Other Food Related Business	**-0.19**
- Delica Chef Corporation	-0.1
- Vox Trading Co., Ltd.	-0.1
Adjustment	**-0.18**
Changes in operating profit	**-3.51**

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Dividends

◇ **Dividend Policy**

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.



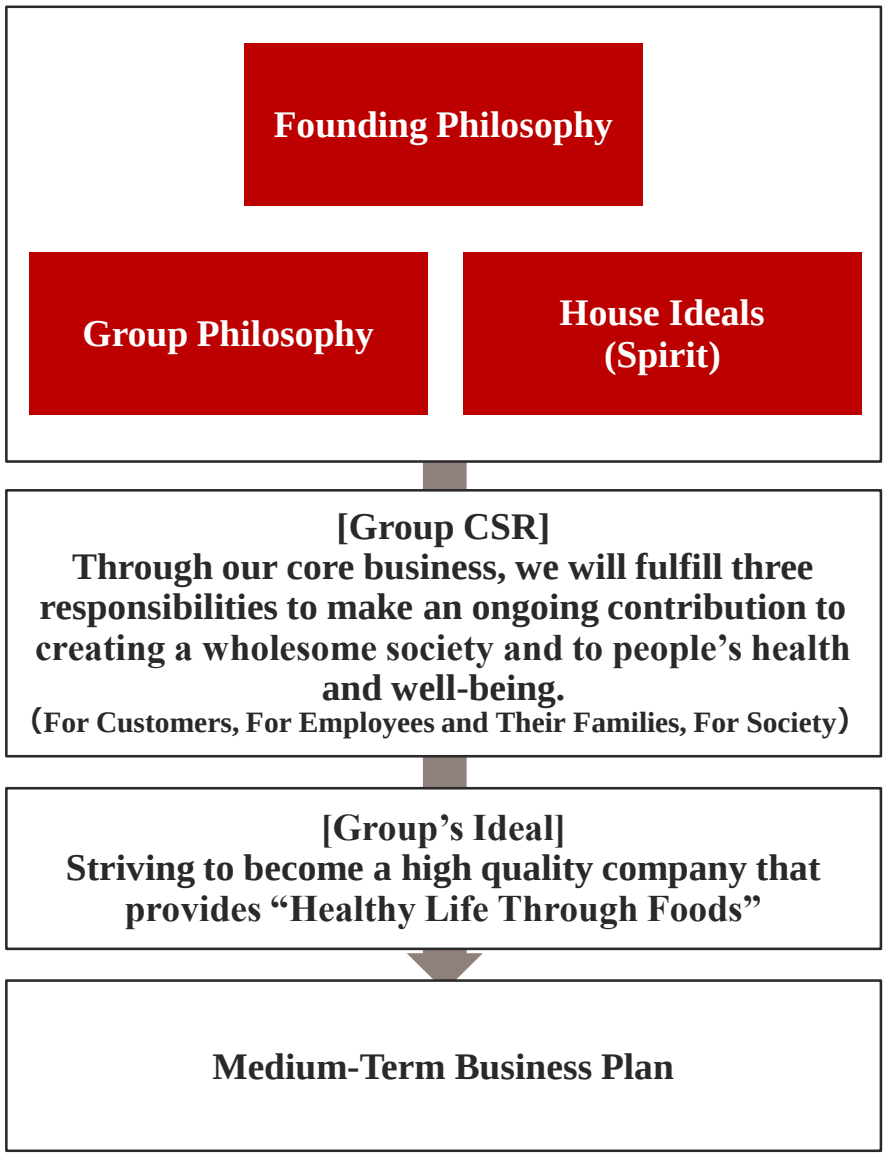
*** FY2013: Includes an additional 5 yen dividend to commemorate the Company's 100th anniversary.**

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Supplementary Description

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House Foods Group's Philosophies and Medium-Term Business Plans



◇ **Founding Philosophy**

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

◇ **Group Philosophy**

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

◇ **House Ideals (Spirit)**

The Company's motto

Sincerity, Originality and Enthusiasm

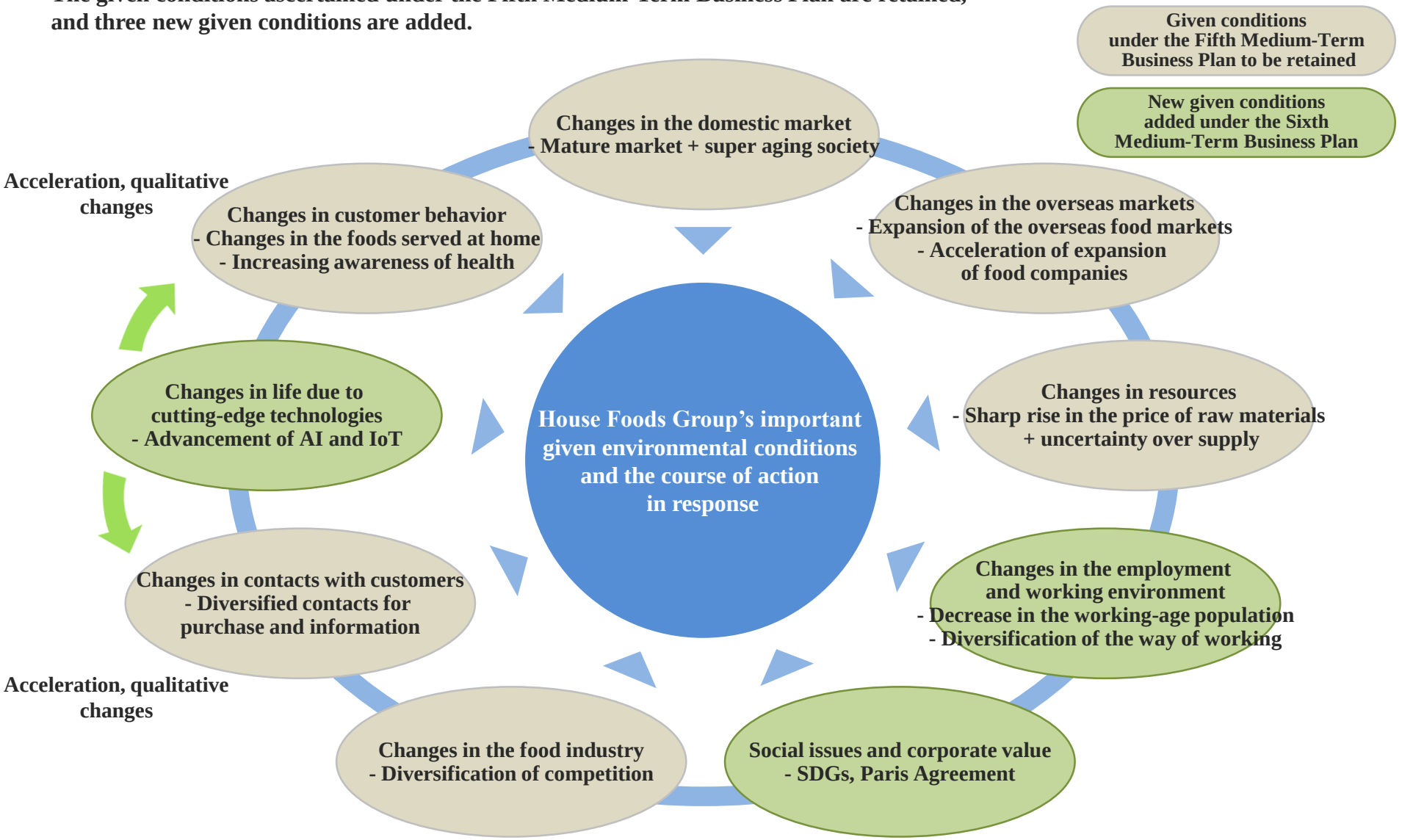
The 10 House Values

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

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Sixth Medium-Term Business Plan, given environmental conditions

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



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Sixth Medium-Term Business Plan Frame

Meaning of existence in society | Review of the past business | Given environmental conditions

Ideal of the House Foods Group

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

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

For Employees and Their Families

Achievement of diversity

For Customers

Domestic mature market and overseas growth market

Build-up of the core of the value chain

Build-up of R&D functions
Creation of new business

Expansion of growth and strengthening of foundation overseas

For Society

Establishment of the recycling-oriented model

Contribution to a society of healthy longevity

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

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

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Sixth Medium-Term Business Plan Targets on a consolidated basis

◆ Targets on a consolidated basis

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

	ATO	ROS	ROA	ROE
(Targets under the Sixth Medium-Term Business Plan)	0.87 times	7.1%	6.2%	5.4%
(Change from the Fifth Medium-Term Business Plan)	+0.07Pt	+1.5Pt	+1.8Pt	+1.6Pt

Policy for business investment

◆ From “addition” to “multiplication”

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

◆ Focus areas

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

Policy for return to shareholders

◆ Policy for distribution of profits

To maintain stable dividends with a dividend payout ratio of at least 30% on a consolidated basis excluding the effects of extraordinary income/losses arising from business combinations and the amortization of goodwill as standard.

◆ Acquisition of treasury shares

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

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History of Businesses

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	Vox Trading Co., Ltd. made into a consolidated subsidiary
	100th anniversary; switch to a holding company system
2015	Ichibanya Co., Ltd. made into a consolidated subsidiary
2016	Gaban Co., Ltd. made into a consolidated subsidiary
2017	Malony Co., Ltd. made into a consolidated subsidiary
2018	Complete launch of the Lactobacillus business
2019	Capital and business alliance with Yamami Company

Major events overseas

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

Years when major products were launched

Vermont Curry	*Ukon No Chikara*	*Tofu* (USA)	*Vermont Curry* (China)
			
Launched in 1963	Launched in 2004	Launched in 1983	Launched in 2005

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Business Development: Major Products by Segment

Spice / Seasoning / Processed Food Business

House Foods Corp.

Curry roux



Stew roux



Retort pouched curry



Spice



Other products



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





Health Food Business

House Wellness Foods Corporation

Functional spice





Vitamin



Lactobacillus



International Food Business

United Sates



China



ASEAN



Restaurant Business

Ichibanya Co., Ltd.



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Major New Products and Varieties for Spring and Summer 2020

◆ *New product*

Category	Product	Suggested retail price (reference price)	On-shelf date
Spice	Ajitsuke Curry Powder Java Curry Taste	(¥298)	Feb. 10
Roux products	Gochirepi Rice Keema Curry, Taco Rice Sauce	(¥258)	Feb. 10
Curry roux	Sauteed Curry Medium, Hot	(¥230)	Feb. 10
Retort pouched curry	Curry-ya Curry Small Size Contains 4 Packs Mild, Hot	(¥394)	Feb. 10
Paste	Kindan no Kurokosho	(¥358)	Feb. 10
Spice	Lemon Paste, Kizami Aojiso, Kizami Negishio	(¥125)	Feb. 10
Pasta sauce	Ripe Tomato Meat Sauce Contains 4 Packs	(¥478)	Feb. 10
Other retort pouched products	Sugoaji Curry Udon No Moto, Sugoaji Tantan Udon No Moto	(¥200)	Feb. 10

◆ *Variety*

Retort pouched curry	Retort Pouched Java Curry Gekikara	¥270	Feb. 10
Retort pouched hashed beef	Retort Pouched Ripe Tomato Hayashi Rice Sauce Tomakara Hayashi	¥253	Feb. 10
Wellness drinks	PERFECT VITAMIN Ichinichibun No Vitamin Jelly Food Fiber	¥198	Feb. 17
Wellness food	Nerunoda Tablet Type Contains 22 Sachets	(¥2980)	Feb. 17

◆ *Renewal*

Spice	31 g Chili Oil	¥140	Feb. 10
Wellness drinks	C1000 Vitamin Lemon	¥115	Mar. 23
Wellness drinks	C1000 Vitamin Lemon Jelly	¥180	Mar. 23
Wellness drinks	C1000 Vitamin Orange	¥121	Mar. 23
Wellness food	Curcumin & Bisacurone Powder <for 20 days>	(¥2100)	Apr. 6



* There are other new, variety and renewed products.

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The forward-looking statements such as plans, strategies and result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.
Amounts of less than one million yen are rounded to the nearest million yen.

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