



# FY2013 Results Briefing

May 9, 2014



*House*

House Foods Group Inc.

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

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## *(Supplementary materials)*

### ◇ *Supplementary Description*

*pp. 20 - 28*

*(History of businesses (Abstract) / Major new products and varieties for the spring and summer 2014 / Initiatives of the House Foods Group / Trends of cost reductions and capital investment / Breakdowns of non-operating income and expenses and extraordinary income and loss / Changes in consolidated cash flows / Targeted performance and management indexes for the final year of the Fourth Medium-Term Business Plan / Content of business segments in the Fourth Medium-Term Business Plan)*



# FY2013 Results

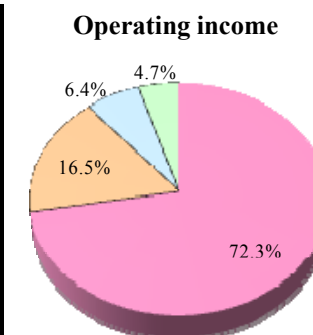
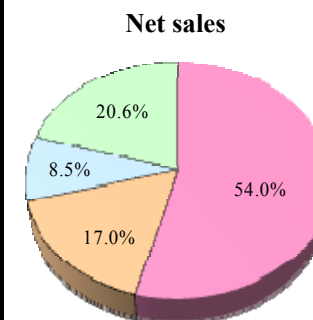
The profitability of the two domestic core businesses declined due to the intensified competition in mature markets and competition with competitors' products.

Income decreased, due in part to temporary costs incurred for the switch to a holding company system and 100th anniversary business, in addition to costs for upfront investment in marketing for the International Business.

# FY2013 Consolidated Performance

(Billion yen)	FY2012 performance	FY2013 revised target	FY2013 performance	Year on year (%)	Comparison with revised target (%)	ROS (%)
Net sales	209.8	232.0	232.6	+22.8 (110.9)	+0.6 (100.3)	—
<i>Spice / Seasoning / Processed Food Business</i>	123.9	124.9	125.5	+1.6 (101.3)	+0.6 (100.5)	—
<i>Health Food Business</i>	42.8	40.4	39.5	-3.2 ( 92.4)	-0.9 ( 97.9)	—
<i>International Business</i>	14.7	19.2	19.7	+5.0 (134.2)	+0.5 (102.8)	—
<i>Other Food Related Business</i>	28.4	47.5	47.8	+19.4 (168.2)	+0.3 (100.7)	—
Operating income	11.4	9.5	9.6	-1.9 ( 83.8)	+0.1 (100.9)	4.1
<i>Spice / Seasoning / Processed Food Business</i>	8.2	6.4	6.9	-1.2 ( 85.0)	+0.5 (107.5)	5.5
<i>Health Food Business</i>	1.9	1.9	1.6	-0.3 ( 83.3)	-0.3 ( 83.4)	4.0
<i>International Business</i>	0.7	0.4	0.6	-0.1 ( 91.2)	+0.2 (154.2)	3.1
<i>Other Food Related Business</i>	0.7	0.8	0.5	-0.2 ( 64.4)	-0.3 ( 60.2)	0.9
Non-operating income (expenses)	2.0	1.3	1.4	-0.6 ( 68.5)	+0.1 (105.7)	—
Ordinary income	13.4	10.8	11.0	-2.5 ( 81.5)	+0.2 (101.5)	—
Extraordinary income (loss)	-0.2	2.5	2.5	+2.7 ( - )	-0.1 ( 97.3)	—
Net income	8.3	8.6	8.8	+0.5 (106.5)	+0.2 (102.2)	—

Breakdown by segment



# FY2013 Performance by Business Segment (Spice / Seasoning / Processed Food Business)

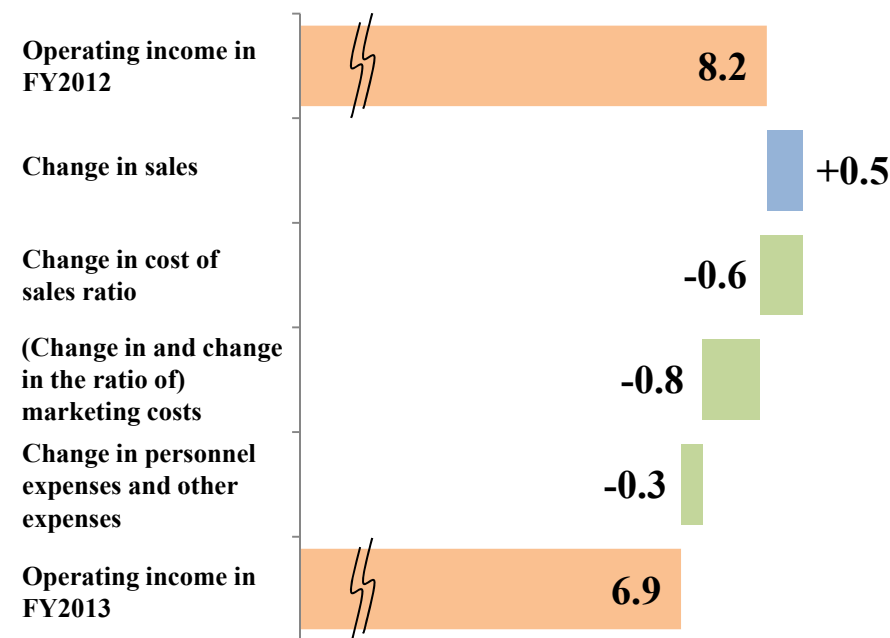
Spice / Seasoning / Processed Food Business	FY2013 Full-year performance	Year on year (%)	Comparison with revised target (%)
Net sales	125.5	+1.6 (101.3)	+0.6 (100.5)
Operating income	6.9	-1.2 ( 85.0)	+0.5 (107.5)

## ● Breakdown of sales (main factors)

Spice / Seasoning / Processed Food Business	FY2013 Full-year performance	Year on year (%)	Comparison with revised target (%)
Curry roux	37.7	+0.6 (101.6)	+1.2 (103.3)
Stew roux	13.6	+0.2 (101.5)	+0.2 (101.6)
Hashed beef sauce roux	4.0	+0.0 (100.7)	-0.0 ( 99.8)
Spice	16.9	+0.6 (103.5)	-0.4 ( 97.5)
Retort pouched curry	14.0	+0.9 (107.2)	+0.6 (104.2)
Packaged noodles	6.1	-0.5 ( 91.9)	+0.0 (100.7)
Snack	7.6	-0.2 ( 97.9)	-0.3 ( 96.7)
Dessert	3.5	-0.2 ( 94.2)	-0.1 ( 97.4)
Food service products	16.0	+0.1 (100.9)	-0.5 ( 97.3)

## ● Analysis of operating income change

(Billion yen)



The Company took initiatives to improve the brand value, including a full-line strategy by price.

Both sales and market share increased, but income declined due to the increase in promotion expenses given intensified competition in the first half and temporary costs exclusively for this fiscal year.

The Company renewed the roux products by renewing their production processes, and thereby further improved their taste and convenience.

The Company focused further on the spread of products meeting customer needs for faster-cooking and easy-cooking products such as *Mitsubishi Shokkan*.

# FY2013 Performance by Business Segment (Health Food Business)

Health Food Business	FY2013 Full-year performance	Year on year (%)	Comparison with revised target (%)
Net sales	39.5	-3.2 (92.4)	-0.9 (97.9)
Operating income	1.6	-0.3 (83.3)	-0.3 (83.4)

## ● Breakdown of sales (main factors)

Health Food Business	FY2013 Full-year performance	Year on year (%)	Comparison with revised target (%)
<i>Ukon No Chikara</i>	13.0	-2.2 ( 85.6)	-0.2 (98.5)
<i>Mega Shaki</i>	2.6	+0.5 (121.9)	-0.5 (83.6)
<i>C1000</i>	15.9	-1.2 ( 93.1)	-0.1 (99.1)



The Health Food Business, which had previously been operated by two companies, was integrated into House Wellness Foods, and business development capability was strengthened under the integrated production, sales, and administration system.

*Ukon No Chikara*: Sales declined significantly due to intensified competition with products from competitors.

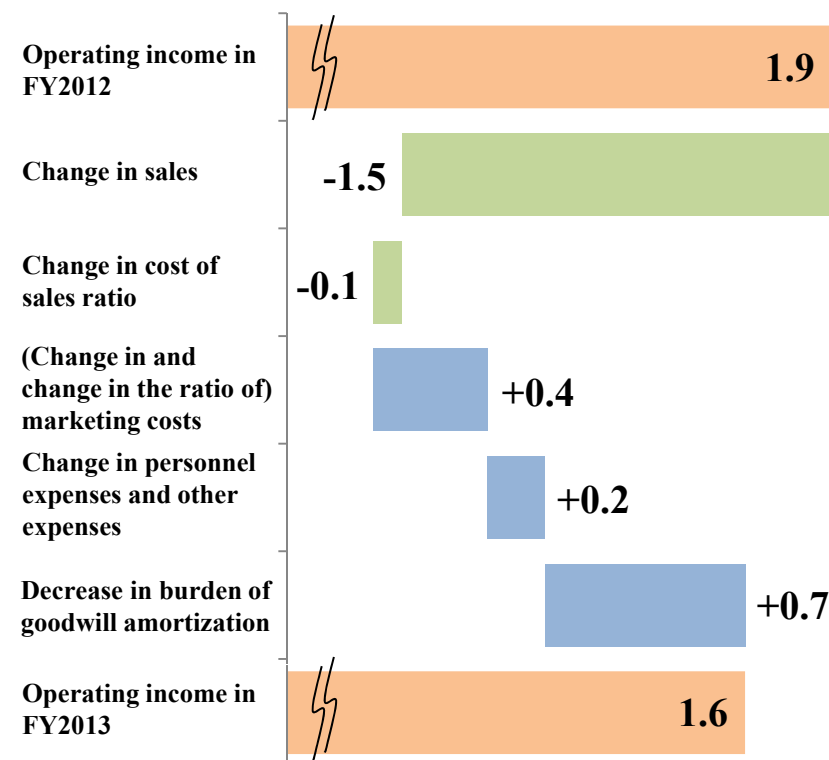
*Mega Shaki*: Steady growth was achieved as the promotion worked well. However, the planned value was not achieved.

*C1000*: *Vitamin Lemon*, a glass-bottled product, showed steady performance due to the expansion of the offering, but *Lemon Water*, a plastic-bottled product, struggled.

Income decreased despite the decrease in the amortization of goodwill due to the decline in sales of major products.

## ● Analysis of operating income change

(Billion yen)



# FY2013 Performance by Business Segment (International Business)

<i>International Business</i>	FY2013 Full-year performance	Year on year (%)	Comparison with revised target (%)
Net sales	19.7	+5.0 (134.2)	+0.5 (102.8)
Operating income	0.6	-0.1 ( 91.2)	+0.2 (154.2)

## ● Breakdown of sales (main factors)

<i>International Business</i>	FY2013 Full-year performance	Year on year (%)	Comparison with revised target (%)
Businesses in the United States	9.7	+2.2 (129.7)	+0.5 (105.1)
Tofu business	7.2	+1.6 (128.7)	+0.4 (105.9)
Restaurant business (11 restaurants)	1.4	+0.3 (124.3)	+0.1 (106.0)
China curry business	2.2	+0.9 (163.8)	-0.1 ( 97.5)
Restaurant business in Asia	4.2	+1.5 (154.2)	+0.2 (105.0)
China (36 restaurants)	2.6	+1.0 (159.3)	+0.1 (102.1)
Taiwan (21 restaurants)	1.2	+0.5 (168.9)	+0.1 (110.5)
South Korea (21 restaurants)	0.4	+0.0 (105.0)	+0.0 (108.7)
Businesses in Southeast Asia	0.8	+0.4 (209.7)	-0.0 ( 96.6)
Thailand	0.8	+0.4 (199.9)	+0.1 (111.2)
Vietnam	0.0	+0.0 ( - )	-0.1 ( 26.4)

The fiscal year of the businesses in the United States, the China curry business, and the restaurant business in Asia ends in December.

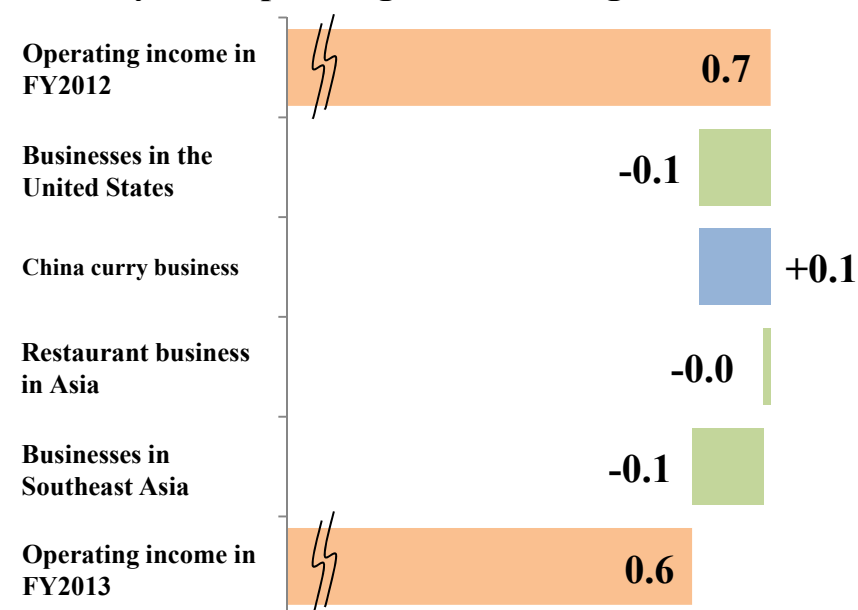
The number of restaurants in each country above is as of March 31, 2014.

## (Reference) Exchange rate

<i>International Business</i> (Unit)	FY2012 Full-year performance	FY2013 Full-year performance	<i>International Business</i> (Unit)	FY2012 Full-year performance	FY2013 Full-year performance
United States (USD)	86.58	105.39	South Korea (KRW)	0.081	0.10
China (CNY)	13.91	17.36	Thailand (THB)	3.20	3.17
Taiwan (TWD)	2.98	3.51	Vietnam (VND)	0.00449	0.00488

(Billion yen)

## ● Analysis of operating income change



**Businesses in the United States**  
Sales increased as the market expanded owing to the increase in the population of Asian Americans and growing health consciousness. Soybean prices soared, but profitability improved following the price revision in October.

**China curry business**  
The Company increased offerings in new areas and by new suppliers. A company overseeing the China business was established in November, and a system for accelerating business operations was established.

**Restaurant business in Asia**  
(China) Management companies were established in Beijing and Guangzhou, in addition to one in Shanghai. A system for accelerating new restaurant openings has been established.

(Taiwan) Efforts were focused on the development of new business categories to expand contacts with customers.

**Businesses in Southeast Asia**  
(Thailand) C-Vitt grew positively, mainly in convenience stores.  
(Vietnam) The homemade dessert business was launched during the fiscal year.

# FY2013 Performance by Business Segment (Other Food Related Business)

(Billion yen)

<i>Other Food Related Business</i>	FY2013 Full-year performance	Year on year (%)	Comparison with revised target (%)
Net sales	47.8	+19.4 (168.2)	+0.3 (100.7)
Operating income	0.5	-0.2 ( 64.4)	-0.3 ( 60.2)

## ● Breakdown of sales (main factors)

<i>Other Food Related Business</i>	FY2013 Full-year performance	Year on year (%)	Comparison with revised target (%)
House Logistics Service (consolidated)	13.7	-0.1 ( 99.0)	-0.5 ( 96.6)
Delica Chef	14.4	+0.5 (103.8)	+0.5 (103.6)
Vox Trading Co., Ltd. (consolidated)	17.2	+17.2 ( - )	-0.3 ( 98.2)

### House Logistics Service (transport and warehousing)

The company took measures to expand the logistics operations commissioned by companies outside the Group, but its profitability was adversely affected by an increase in subcontract costs.

The consolidation of logistics bases was furthered.  
16 bases → 14 bases (as of March 2014)

### Delica Chef (convenience store vendor)

Desserts and deli products showed steady performance owing to an increase in demand for home meal replacements.

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

Became a consolidated subsidiary and has been contributing to the increase in net sales.

\*Purpose of including Vox Trading Co., Ltd. in the Group:  
Stable procurement of safe, secure ingredients and improvement of traceability.

## ● Profile of Vox Trading Co., Ltd.



Established	2002
Head office	Chuo-ku, Tokyo
Capital	500 million yen
Representative	Haruki Kawabe



Wasabi (Japanese horse radish)



Frozen fruits



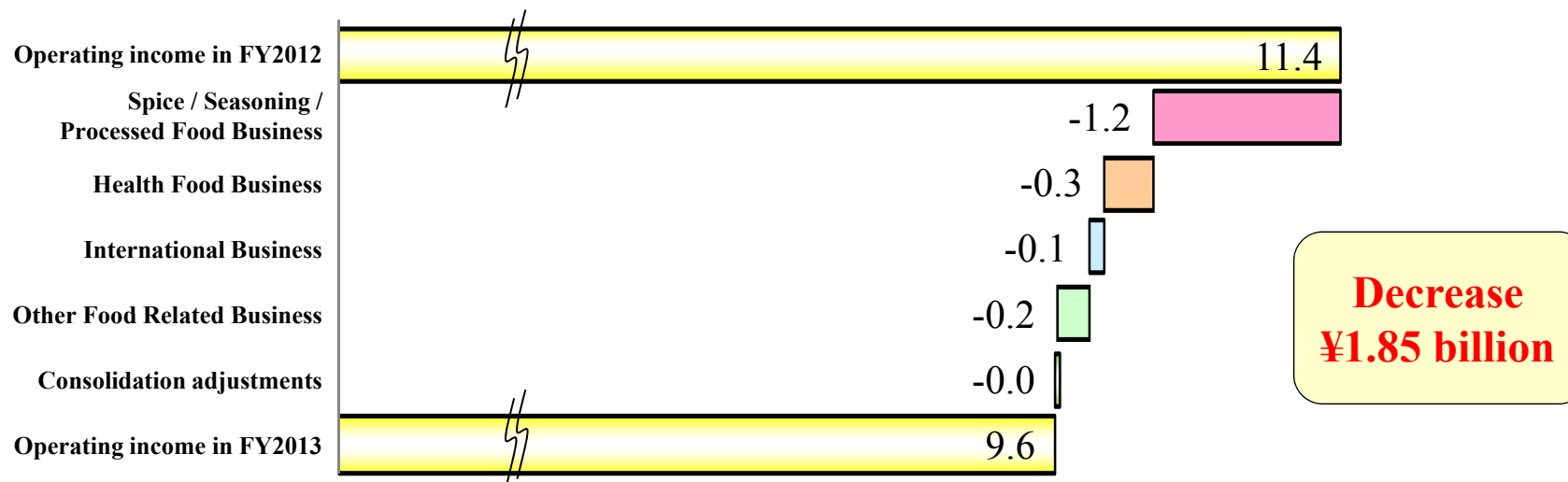
Frozen vegetables



# FY2013 Operating Income Change Analysis

## ● Changes in operating income by business segment

(Billion yen)



## ● Factors compared to the previous year by business segment (change in amount)

(Billion yen)

<i>Spice / Seasoning / Processed Food Business</i>		<i>Health Food Business</i>		<i>International Business Other Food Related Business</i>	
	-1.22		-0.32		-0.31
Change in sales	+0.5	Change in sales	-1.5	Businesses in the United States	-0.1
Change in cost of sales ratio	-0.6	Change in cost of sales ratio	-0.1	China curry business	+0.1
(Change in and change in the ratio of) marketing costs	-0.8	(Change in and change in the ratio of) marketing costs	+0.4	Businesses in Southeast Asia (Entry into Vietnam)	-0.1
Change in personnel expenses and other expenses	-0.3	Change in personnel expenses and other expenses	+0.2	Affiliates in Japan (House Logistics Service/Delica Chef)	-0.2
		Decrease in burden of goodwill amortization	+0.7		

\* Temporary costs exclusively for FY2013: Approx. ¥1.1 billion (for switch to a holding company, 100th anniversary business, etc.)



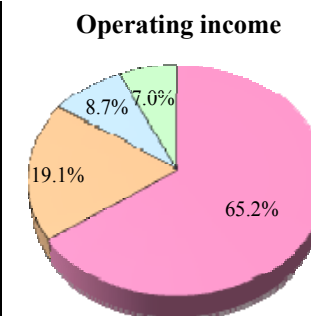
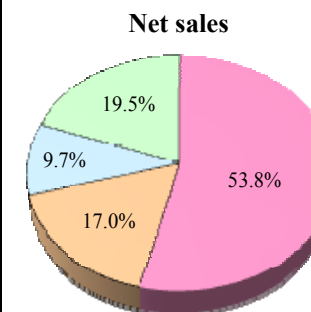
# Full-Year Plan for FY2014

The Company will broaden its business perspective under a holding company system. The Company will focus its efforts on initiatives for increasing the brand value and cost-competitiveness of the two domestic core businesses and aim to strengthen and expand priority areas in the International Business as a growing business.

# FY2014 Full-Year Targets for Consolidated Income (Loss)/ Performance by Business Segment

(Billion yen)	FY2012 performance	FY2013 performance	FY2014 full-year target	Year on year (%)	ROS (%)
<b>Net sales</b>	209.8	232.6	238.0	+5.4 (102.3)	—
<i>Spice / Seasoning / Processed Food Business</i>	123.9	125.5	128.0	+2.5 (102.0)	—
<i>Health Food Business</i>	42.8	39.5	40.5	+1.0 (102.4)	—
<i>International Business</i>	14.7	19.7	23.0	+3.3 (116.6)	—
<i>Other Food Related Business</i>	28.4	47.8	46.5	-1.3 ( 97.2)	—
<b>Operating income</b>	11.4	9.6	11.5	+1.9 (119.9)	4.8
<i>Spice / Seasoning / Processed Food Business</i>	8.2	6.9	7.5	+0.6 (108.1)	5.9
<i>Health Food Business</i>	1.9	1.6	2.2	+0.6 (138.8)	5.4
<i>International Business</i>	0.7	0.6	1.0	+0.4 (162.1)	4.3
<i>Other Food Related Business</i>	0.7	0.5	0.8	+0.3 (177.2)	1.7
<b>Non-operating income (expenses)</b>	2.0	1.4	1.4	+0.0 (101.9)	—
<b>Ordinary income</b>	13.4	11.0	12.9	+1.9 (117.7)	—
<b>Extraordinary income (loss)</b>	-0.2	2.5	-0.1	-2.6 ( - )	—
<b>Net income</b>	8.3	8.8	8.5	-0.3 ( 96.7)	—

Breakdown by segment



# FY2014 Full-Year Targets for Consolidated Income (Loss)/ Performance by Business Segment

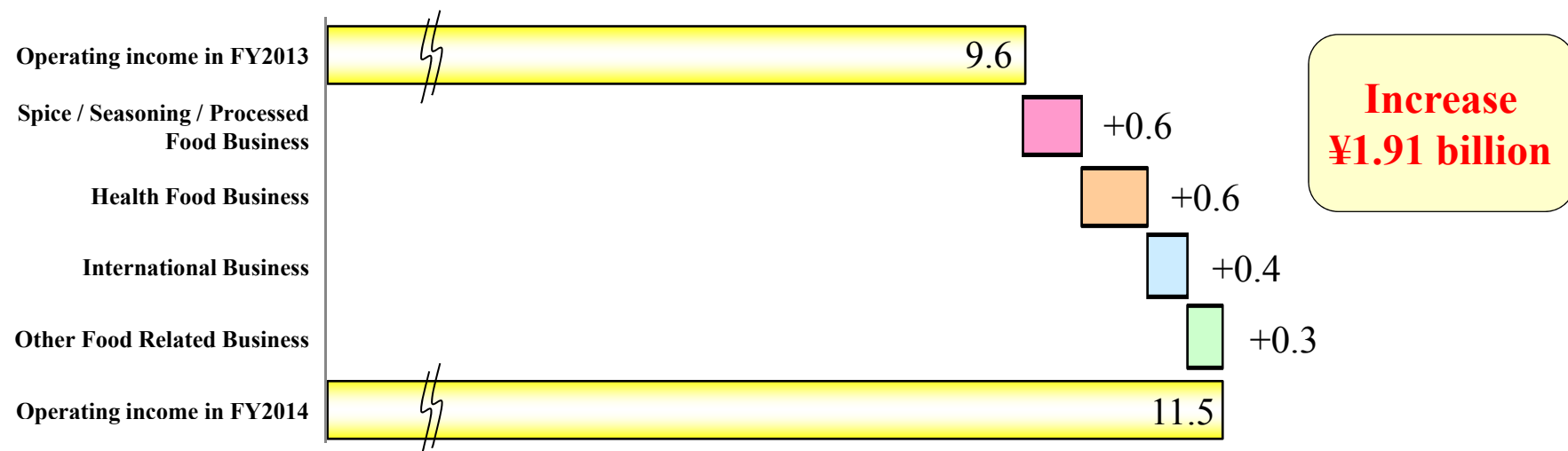
● Breakdown of sales by Business Segment (Billion yen)	FY2013 performance	FY2014 full-year target	Year on year (%)
<b>Spice / Seasoning / Processed Food Business</b>	<b>125.5</b>	<b>128.0</b>	<b>+2.5 (102.0)</b>
Curry roux	37.7	36.5	-1.2 ( 96.7)
Stew roux	13.6	13.5	-0.1 ( 99.0)
Hashed beef sauce roux	4.0	4.1	+0.0 (100.5)
Spice	16.9	17.4	+0.5 (102.7)
Retort pouched curry	14.0	14.0	-0.0 ( 99.7)
Packaged noodles	6.1	6.0	-0.1 ( 98.7)
Snack	7.6	7.8	+0.3 (103.7)
Dessert	3.5	4.0	+0.5 (112.9)
Food service products	16.0	16.7	+0.7 (104.3)
<b>Health Food Business</b>	<b>39.5</b>	<b>40.5</b>	<b>+1.0 (102.4)</b>
Ukon No Chikara	13.0	15.6	+2.6 (120.2)
Mega Shaki	2.6	2.6	-0.1 ( 97.6)
C1000	15.9	13.4	-2.5 ( 84.3)
<b>International Business</b>	<b>19.7</b>	<b>23.0</b>	<b>+3.3 (116.6)</b>
Businesses in the United States	9.7	10.7	+1.0 (110.4)
China curry business	2.2	3.2	+1.0 (146.1)
Restaurant business in Asia	4.2	5.2	+0.9 (122.5)
Businesses in Southeast Asia	0.8	1.4	+0.6 (169.4)
<b>Other Food Related Business</b>	<b>47.8</b>	<b>46.5</b>	<b>-1.3 ( 97.2)</b>
House Logistics Service (consolidated)	13.7	14.8	+1.1 (108.2)
Delica Chef	14.4	14.7	+0.3 (102.2)
Vox Trading Co., Ltd. (consolidated)	17.2	15.0	-2.2 ( 87.4)
<b>Consolidated sales</b>	<b>232.6</b>	<b>238.0</b>	<b>+5.4 (102.3)</b>

# FY2014 Operating Income Change Analysis

## ● Changes in operating income by business segment

(from FY2013 to FY2014)

(Billion yen)



## ● Factors compared to the previous year by business segment (change in amount)

(Billion yen)

<i>Spice / Seasoning / Processed Food Business</i>		<i>Health Food Business</i>		<i>International Business Other Food Related Business</i>	
	<b>+0.56</b>		<b>+0.62</b>		<b>+0.73</b>
Change in sales	+0.6	Change in sales	+0.8	Businesses in the United States	+0.5
Change in cost of sales ratio	-0.5	Change in cost of sales ratio	0.0	China curry business	-0.1
(Change in and change in the ratio of) marketing costs	0.0	(Change in and change in the ratio of) marketing costs	-0.1	Restaurant business in Asia	+0.1
Change in personnel expenses and other expenses	+0.5	Change in personnel expenses and other expenses	-0.1	Affiliates in Japan	+0.3

# Comparison between planned values for the final year of the Fourth Medium-Term Business Plan and full-year targets for FY2014

## ● Consolidated net sales and operating income targets for FY2014

(Billion yen)

	Planned values for the final year of the Fourth Medium-Term Business Plan	Comparison with FY2011	FY2014 full-year target	Difference from FY2011	Comparison with FY2011	Difference from planned value	Comparison with planned value
Net sales	230.0	107.3%	238.0	+23.7	111.1%	+8.0	103.5%
Operating income	18.0	128.1%	11.5	-2.6	81.8%	-6.5	63.9%
Operating margin	7.8%	+1.2 Pt	4.8%	-1.7 Pt	-	-3.0 Pt	-

## ● Sales targets for FY2014 by business segment in the Fourth Medium-Term Business Plan

Spice / Seasoning / Processed Food Business	132.4	102.4%	128.0	-1.2	99.0%	-4.4	96.7%
Health Food Business	50.0	108.7%	40.5	-5.5	88.1%	-9.5	81.0%
International Business	20.0	170.0%	23.0	+11.2	195.5%	+3.0	115.0%
Other Food Related Business	27.6	101.0%	46.5	+19.2	170.2%	+18.9	168.5%

## ● Purchase of treasury shares

Total shares to be purchased: 3,000,000 shares (2.8% of the total number of shares outstanding [excluding treasury shares])

Total cost of purchase: 6.0 billion yen

Purchase period: May 9 to August 8

\* The shares to be purchased will be retired.



# Major Businesses: Strategies and Initiatives

<b>Spice / Seasoning / Processed Food Business</b>	<b>Core business</b>	<b>Achieving growth and improving profitability in the domestic market</b>
<b>Health Food Business</b>		<b>Strengthening the position and creating new areas by focusing on functional drinks</b>
<b>International Business</b>	<b>Growing business</b>	<b>Realizing growth by promoting business in each area</b>

# FY2014 Full-Year Performance Targets by Business Segment (Spice / Seasoning / Processed Food Business)

(Billion yen)

Spice / Seasoning / Processed Food Business	FY2013 full-year performance	FY2014 full- year target	Year on year (%)
Net sales	125.5	128.0	+2.5 (102.0)
Operating income	6.9	7.5	+0.6 (108.1)

## ● Breakdown of sales (main factors)

Spice / Seasoning / Processed Food Business	FY2013 full-year performance	FY2014 full- year target	Year on year (%)
Curry roux	37.7	36.5	-1.2 ( 96.7)
Stew roux	13.6	13.5	-0.1 ( 99.0)
Hashed beef sauce roux	4.0	4.1	+0.0 (100.5)
Spice	16.9	17.4	+0.5 (102.7)
Retort pouched curry	14.0	14.0	-0.0 ( 99.7)

\* Faster-cooking and easy-cooking products:  
Positive growth of approx. 1.2 billion yen



## ● Goals of the initiatives Achieving growth and improving profitability in the domestic market

### Strengthening existing areas

- Curry roux - Stew roux  
Strengthening initiatives for improving the value of the menus of curry roux and stew roux (enhancing the brand power and implementing promotions to gain support for the good taste and enjoyment of the menus)

- Retort pouched curry  
Responding to customer demand for variety (strengthening initiatives regarding mid-priced products)

- Food service products  
Increasing users by suggesting high value-added products

### Expanding new areas

- Increasing market shares by expanding the lineup of faster-cooking and easy-cooking products such as *Mitsuboshi Shokkan*
- Expanding the offering of care food products and increasing their sales

### Improving profitability

- Effective allocation of marketing costs
- Reform of logistics bases (14 bases at the end of FY2013 → 11 bases at the end of FY2014)



# FY2014 Full-Year Performance Targets by Business Segment (Health Food Business)

(Billion yen)

Health Food Business	FY2013 full-year performance	FY2014 full-year target	Year on year (%)
Net sales	39.5	40.5	+1.0 (102.4)
Operating income	1.6	2.2	+0.6 (138.8)

● **Goals of the initiatives**  
**Strengthening the position and creating new areas by focusing on functional drinks**

● **Breakdown of sales (main factors)**

Health Food Business	FY2013 full-year performance	FY2014 full-year target	Year on year (%)
<i>Ukon No Chikara</i>	13.0	15.6	+2.6 (120.2)
<i>Mega Shaki</i>	2.6	2.6	-0.1 ( 97.6)
<i>C1000</i>	15.9	13.4	-2.5 ( 84.3)

Rebranding *Ukon No Chikara*

- Creating new demand from a customer point of view  
**Launch of *Ukon No Chikara Liver Plus* (May)**
- Enhancing the appeal of the category and increasing the desire to purchase existing products
- Reinforcing efforts in channels of focus

*C1000*

- Implementing measures for the entire brand to promote the value of vitamin C
- Expanding the offering by reforming the sales system

Creating a new category

- Entering the energy drink market with a new approach highlighting the “Japanese-style” element based on the theory of Chinese medicine.

*Ukon No Chikara*

**NEW**

*Ukon No Chikara Liver Plus*



[Ingredients]  
 Liver extract: 200mg  
 Extract of three types of Ukon (turmeric): 500mg  
 Curcumin: 40mg

Launched on May 12, 2014  
 (in convenience stores and train station kiosks only)

*C1000*

Promoting the impact of vitamin consumption for the entire brand



New Category

**NEW**

SAMURIDE ENERGY DRINK



An energy drink based on the concept of “Japanese style.” Its ingredients include spices such as star anise and jujube, which are said to have been used by the Japanese since ancient times.

Launched on March 17, 2014 (in convenience stores and train station kiosks only)

# FY2014 Full-Year Performance Targets by Business Segment (International Business)

(Billion yen)

<i>International Business</i>	FY2013 full-year performance	FY2014 full-year target	Year on year (%)
Net sales	19.7	23.0	+3.3 (116.6)
Operating income	0.6	1.0	+0.4 (162.1)

## ● Breakdown of sales (main factors)

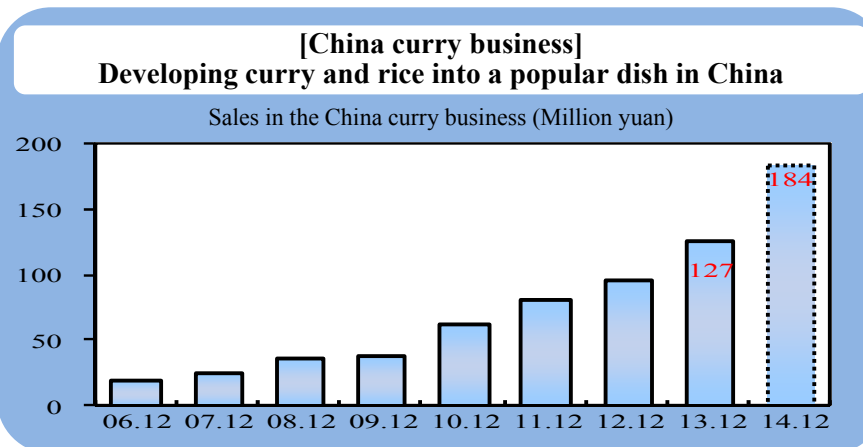
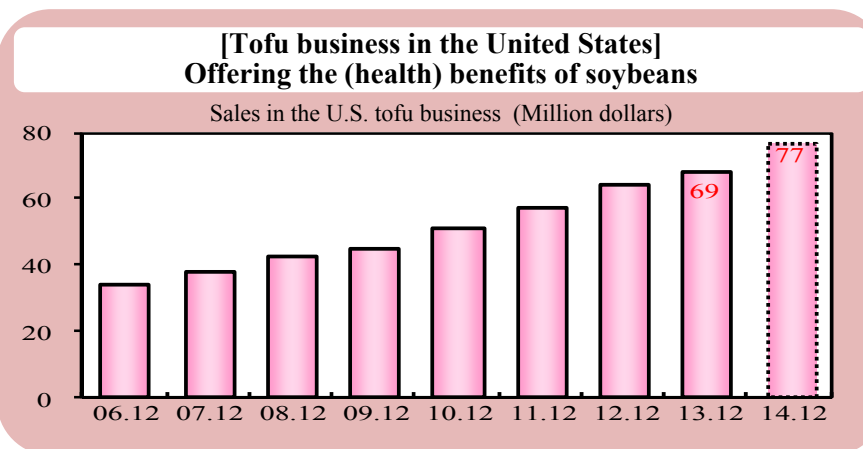
<i>International Business</i>	FY2013 full-year performance	FY2014 full-year target	Year on year (%)
<b>Businesses in the United States</b>	9.7	10.7	+1.0 (110.4)
Tofu business	7.2	8.1	+0.9 (112.2)
Restaurant business	1.4	1.5	+0.1 (109.1)
<b>China curry business</b>	2.2	3.2	+1.0 (146.1)
<b>Restaurant business in Asia</b>	4.2	5.2	+0.9 (122.5)
China	2.6	3.4	+0.8 (132.5)
Taiwan	1.2	1.3	+0.1 (105.8)
South Korea	0.4	0.4	+0.0 (108.9)
<b>Businesses in Southeast Asia</b>	0.8	1.4	+0.6 (169.4)
Thailand	0.8	1.1	+0.3 (141.4)
Vietnam	0.0	0.3	+0.2 (736.3)

The fiscal year of the businesses in the United States, the China curry business, and the restaurant business in Asia ends in December

## (Reference) Exchange rate

<i>International Business</i> (Unit)	FY2013 Full-year performance	FY2014 Full-year target	<i>International Business</i> (Unit)	FY2013 Full-year performance	FY2014 Full-year target
United States (USD)	105.39	105.00	South Korea (KRW)	0.10	0.10
China (CNY)	17.36	17.50	Thailand (THB)	3.17	3.20
Taiwan (TWD)	3.51	3.30	Vietnam (VND)	0.00488	0.0046

## ● Mission in each International Business



**[Restaurant business in Asia]**  
Base for spreading Japanese-style curry

**[Businesses in Southeast Asia]**  
Offering the riches and pleasure of food

# FY2014 Full-Year Performance Targets by Business Segment (International Business)

## ● Goal of the initiatives Realizing growth by promoting business in each area

### Tofu business in the United States

Expand the business by promoting the benefits of tofu and soybeans

- Increase sales by targeting demand in the expanding markets
- Expand the lineup of soybean products and further invigorate the market (*tofu Shirataki*, new products, meat-alternative products)
- Aim for total sales of 100 million dollars from the business in the United States



Tofu product



Renewal of *tofu Shirataki*



Launch of *BCD SOON TOFU*, a new product



Launch of *Wok Me Up*, a new product



Meat-alternative products from El Burrito Mexican Food Products

### China curry business

Gain a foothold for making curry and rice a popular dish in China

- Increase the momentum of the business under the company overseeing the China business
- Commence operation of the second production base (Dalian)
- Promote new business development through the effective utilization of marketing costs



*Vermont Curry*



Commercial-use *Java Curry*



*Wei Du Du Curry* (retort pouched product)



Second production base (Dalian)  
\* Planned to start operating in October 2014

### Restaurant business in Asia

Expansion of contacts with Japanese-style curry

- China** - Promote the area strategy by establishing an infrastructure based on three companies in Shanghai, Beijing, and Guangzhou
- Taiwan** - Focus efforts on the development of business categories for operating a large number of restaurants
- South Korea** - Improve profitability by strengthening the headquarters function



Nanjing Shopping Fun Branch in China (the first branch in Nanjing)



Taiwan Take-out store



Gangnam Branch in South Korea

### Businesses in Southeast Asia

Promote the early establishment of a foundation for the business

- Thailand** - Aim to make the functional drink business profitable
- Launch the curry business
- Vietnam** - Establish a foundation for the business by reinforcing the sales system



*C-vitt*



*Purin Mix*

*Sherbic*



# Supplementary Description

# History of businesses (Abstract)

## -1950s

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

## 1960s-1980s

- 1960 Curry roux Vermont Curry
- 1964 Dessert
- 1966 Stew
- 1970 Retort pouched food (Sun House Foods) Launched in 1963
- Transport and warehousing (House Logistics Service)
- 1973 Instant noodles Stew Mix
- 1977 Snacks
- 1983 Entry into USA (Restaurants, Tofu)
- Mineral water Launched in 1966
- 1985 Deli products (Delica Chef)

tofu (USA)



Launched in 1983

Tongari Corn



Launched in 1978

Kukure Curry



Launched in 1971

## 1990s

- 1995 Liquid seasoning C1000
- 1997 Entry into China (Restaurants)
- Health foods Launched in 1991



## 2000s

- 2000 Entry into Taiwan (Restaurants) Ukon No Chikara
- 2002 Retort pouched curry (China)
- 2004 Ukon extract drink Launched in 2004
- 2005 Curry roux (China)
- 2006 Health foods (House Wellness Foods) Vermont Curry (China)
- 2007 Entry into South Korea (Restaurants) Launched in 2005



## 2010s

- 2010 Transfer of the mineral water business
- 2011 Entry into Thailand (House Osotspa Foods Co., Ltd.)
- 2012 Entry into Vietnam (House Foods Vietnam Co., Ltd.)
- 2013 Import/sales of foodstuffs (Vox Trading Co., Ltd.)
- Switch to a holding company system (the company name changed to House Foods Group Inc.) SAMURIDE
- 2014 Energy drink Launched in 2014



# Major new products and varieties for the spring and summer 2014



## ● New product

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

Category	Product	Suggested retail price (reference price)	On-shelf date
Dessert	150g Fruiche (Zeitaku Ichigo, Zeitaku Peach)	Open (¥208)	Feb. 3
Product that can be cooked in a microwave oven	Rakuchin Deli (Mango Beef Curry, Spicy Ratatouille, Brown Stew)	Open (¥246)	Feb. 17
Seasoning	Kongari Deli (11-shu No Spice Ga Kiita Fried Chicken, Kosho Kaoru Pepper Chicken, Kobumikan Kaoru Tom Yum Chicken)	Open (¥141)	Feb. 17
Drink	C1000 Green Lemonade	¥140	Feb. 10
Drink	PLUSSY1000 Fe Orange	¥124	Feb. 10
Drink	SAMURIDE ENERGY DRINK	¥190	Mar. 17
Drink	Ukon No Chikara Liver Plus	Open (¥324)	May 12

## ● Variety

Dessert	200g Fruiche (Melon)	¥180	Feb. 3
Seasoning for specific menus	Mitsuboshi Shokkan (Fuwa Fuwa Tofu Hamburg, Kawame Kari Kari Garlic Chicken, Yawaraka Torimune Demi Chicken)	Open (¥180)	Feb. 17
Seasoning	Gekikara Cooking (Rakara Shiru Nashi Tantanmen No Moto, Retsukara Ramen Soup No Moto, Moukara Soup Curry No Moto)	Open (¥110)	Feb. 17
Chowder	140g Gochiso Chowder <Ebi Cream Chowder>	Open (¥240)	Feb. 17
Spice	Papan 28 g Melon Pan Aji	¥130	Feb. 17
Retort pouched curry	The Hotel Curry Maroyaka Rich Jitate	Open (¥227)	Feb. 17

## ● Renewal

Curry roux	Vermont Curry Ama Kuchi, Chu-Kara, Kara Kuchi (230 g, 115 g)	230 g: ¥295	Feb. 17
Curry roux	Indo Curry Chu-Kara, Kara Kuchi (230 g, 115 g)	115 g: ¥180	Feb. 17
Curry roux	Java Curry Ama Kuchi, Chu-Kara, Kara Kuchi (185 g, 104 g)	185 g: ¥295 104 g: ¥180	Feb. 17
Hashed beef sauce roux	160 g Jukusei Demiglace Sauce No Hashed Beef	¥275	Feb. 17

# Initiatives of the House Foods Group

## House Shoku To Nou No Taiken Kyoshitsu (experience-based class for food and agriculture education)

In 2013, this program won the Director-General of Food Safety and Consumer Affairs Bureau Award in the First *Shoku to Nou Rin Gyogyou no Shokuiku Yuryo Katsudou Hyousho*, a Ministry of Agriculture, Forestry and Fisheries program for honoring outstanding activities in education on food, agriculture, forestry, and fisheries.

It is an experience-based class held under the theme of food, the environment, and education. It focuses on agricultural work, and the participants are families who join the classes on a continuous basis. Classes are held with the cooperation of organizations including NPOs, and the participants learn that food, agriculture, and the environment are linked to themselves.

In FY2013, a total of 29 classes were held in six locations throughout Japan.



## Efforts regarding basic research



## House Foods won an Ig Nobel Prize for its study of onions

A team of researchers from House Foods was awarded an Ig Nobel Prize in 2013. The team members attended the award ceremony that was held in the Sanders Theatre at Harvard University on September 12, 2013. The team was awarded the prize for its discovery of an enzyme in onions that generates lacrimatory factor, which was published in the British journal *Nature* in 2002.

## Status of inclusion in SRI indices (as of March 31, 2014)



House Foods Group Inc. has been continuously selected as a constituent of the FTSE4Good Index, one of the leading indices of socially responsible investment (SRI), since 2006.

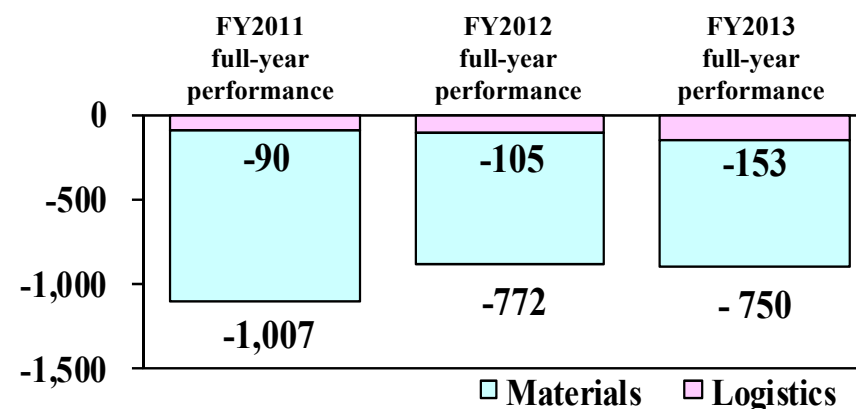
\*The FTSE4Good Index is a global indicator of responsible investment, in which the FTSE Group tracks approximately 2,400 listed companies worldwide, selecting company stocks that have met international standards in areas such as the environment and society.

# Trends of cost reductions and capital investment

## ● Trends of cost reductions (from the year-ago level)

(Million yen)	Cost reductions		
	Materials cost	Logistics cost	Total
FY2011	1,007	90	1,097
FY2012	772	105	877
FY2013	750	153	903

The full-year target projected for FY2014 is ¥980m, or ¥630m for materials cost and ¥350m for logistics cost.



## ● Trends of capital investment

	Capital investment			Major capital investment	Depreciation		
	Investment	Leases	Total		Investment	Leases	Total
FY2011	4,889	597	5,485	Transfer of facilities and replacement of production facilities for the Higashi-Osaka Plant Introduction of equipment for fortified rice for House Wellness Foods	5,356	458	5,814
FY2012	5,684	433	6,117	Replacement of building and production facilities for House Foods America Corporation Construction of new building for the Osaka Head Office	5,020	382	5,402
FY2013	11,115	395	11,510	Purchase of land for Delica Chef Corporation's plant and installation of production facilities Investment related to the roux production line for House Foods	5,056	333	5,389
FY2014 plan	13,100	400	13,500	Installation of Delica Chef's production facilities Investment related to the roux production line for Dalian Horie Yamatoya Food Co., Ltd.	5,800	300	6,100



# Breakdowns of non-operating income and expenses and extraordinary income and loss

## ● Non-operating income and expenses

(Million yen)

	FY2012	FY2013	Year on year
Interest income	486	549	+63
Dividend income	559	599	+40
Share of profit of entities accounted for using equity method	415	458	+43
Foreign exchange gains	360	305	-55
Other (incl. income from leasehold properties)	277	376	+99
<b>Total non-operating income</b>	<b>2,096</b>	<b>2,287</b>	<b>+190</b>
Interest expenses	44	221	+177
Commission fee	–	141	+141
Compensation expenses	–	287	+287
Other (incl. expenses for leasehold properties)	48	265	+217
<b>Total non-operating expenses</b>	<b>92</b>	<b>913</b>	<b>+821</b>

## ● Extraordinary income and loss

(Million yen)

	FY2012	FY2013	Year on year
Gain on sales of non-current assets	25	3,110	+3,085
Reversal of allowance for doubtful accounts	0	20	+19
Gain on sales of investment securities	10	108	+98
Other	13	2	-11
<b>Total extraordinary income</b>	<b>49</b>	<b>3,240</b>	<b>+3,191</b>
Loss on retirement of non-current assets	189	240	+51
Loss on sales of non-current assets	11	124	+113
Loss on valuation of investment securities	–	1	+1
Loss on valuation of membership	29	24	-5
Impairment loss	–	129	+129
Loss on disaster	–	33	+33
Loss on step acquisitions	–	69	+69
Provision for loss on guarantees	–	152	+152
Other	27	7	-21
<b>Total extraordinary loss</b>	<b>256</b>	<b>778</b>	<b>+522</b>

### FY2013 Gain on sales of non-current assets

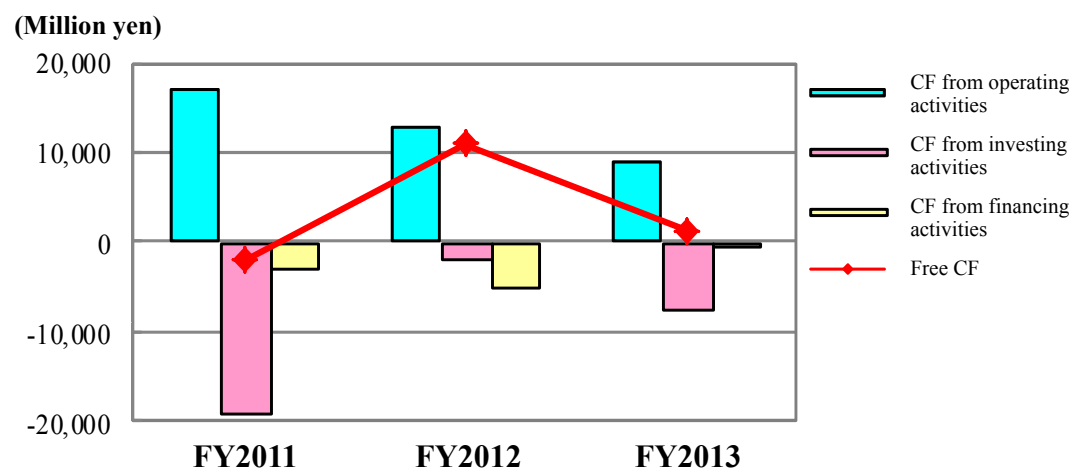
→ Extraordinary income from the sale of land that was previously the site of the House Foods factory

# Changes in consolidated cash flows

## ● Changes in consolidated cash flows

	(Million yen)		
	FY2011	FY2012	FY2013
Cash flows from operating activities	17,098	12,884	8,818
Cash flows from investing activities	-19,069	-1,841	-7,471
Cash flows from financing activities	-2,836	-4,943	-68
Cash and cash equivalents at end of period	41,190	47,715	49,586
Free cash flow*	-1,971	11,043	1,347

\* Free cash flow = Cash flows from operating activities + Cash flows from investing activities



## ● Major factors of changes in consolidated cash flows (Comparison of FY2012 and FY2013)

(Million yen)	
Cash flows from operating activities	-4,066
<b>Major factors</b>	
Increase (decrease) in notes and accounts payable – trade	-4,483
Loss (gain) on sales of non-current assets	-2,972
Income taxes paid	+1,976
Cash flows from investing activities	-5,630
<b>Major factors</b>	
Payments into time deposits	-5,036
Purchase of property, plant and equipment	-4,749
Proceeds from sales of investment securities	-3,206
Proceeds from sales of property, plant and equipment	+3,025
Proceeds from withdrawal of time deposits	+2,789
Cash flows from financing activities	+4,874
<b>Major factors</b>	
Increase in short-term loans payable	+40,113
Purchase of treasury shares	+1,306
Decrease in short-term loans payable	-36,223

# Targeted performance and management indexes for the final year of the Fourth Medium-Term Business Plan

## Basic concept and initiatives

- 1) Position the two domestic businesses as core businesses and accelerate overseas expansion by positioning the International Business as a growing business
- 2) Establish an optimal organizational structure for consolidated management to continue growth and expansion
- 3) Continue to bolster initiatives to increase development capability, cost competitiveness and CSR initiatives

### ● Consolidated net sales and operating income targets for FY2014

**Net sales: ¥230bn** (107.3% of FY2011 level)      **FY2011**      **FY2014**  
**Operating income: ¥18bn** (128.1% of FY2011 level)      \* **Operating margin**      **6.6%** → **7.8%**

### ● Breakdown by business segment: Net sales and operating income targets for the final year (FY2014)

Business segment	Position of the business	Net sales target	Comparison with FY2011	Operating income target	Comparison with FY2011	ROS	Difference from FY2011
Spice / Seasoning / Processed Food Business	<b>Core business</b>	¥132.4bn	102.4%	¥10.5bn	105.7%	7.9%	+0.2
Health Food Business		¥50.0bn	108.7%	¥5.5bn	217.2%	11.0%	+5.5
International Business	<b>Growing business</b>	¥20.0bn	170.0%	¥1.0bn	153.6%	5.0%	-0.5
Other Food Related Business		¥27.6bn	101.0%	¥1.0bn	107.0%	3.6%	+0.2

Operating income for the Health Food Business in FY2011 includes goodwill amortization of House Wellness Foods (¥1,345m) (Comparison vs FY2011: 217.2% → Actual comparison: 141.9%)

### ● Guidelines concerning business investments

**Utilize 50 billion yen as business investment funds and aim for growth and expansion of businesses.**

Borrow 20 billion yen, which is equivalent to around 10% of shareholders' equity, as necessary, and set 70 billion yen as the upper limit of business investment.

### ● Guidelines concerning retained earnings

**Secure consolidated payout ratio at 30% or higher**

Flexibly implement stock buybacks by considering the business environment, capital needs and trends in share prices and the stock market.

# Content of business segments in the Fourth Medium-Term Business Plan (As of March 31, 2014)

Business segment	Group company name
<b>Spice / Seasoning / Processed Food Business</b>	<p><i>House Foods Corporation</i>  <i>Sun House Foods Corporation / Sun Supply Corporation</i>  <i>Asaoka Spice K.K.</i>  <i>House Ai-Factory Corporation</i></p>
<b>Health Food Business</b>	<p><i>House Wellness Foods Corporation</i></p>
<b>International Business</b>	<p><i>United States</i>    <i>House Foods Holding USA, Inc. / House Foods America Corporation</i>  <i>El Burrito Mexican Food Products Corporation</i></p> <p><i>China</i>            <i>House Foods China Inc. / Shanghai House Foods Co., Ltd.</i>  <i>Shanghai House Curry Coco Ichibanya Restaurant, Inc.</i>  <i>House Restaurant Management (Beijing) Co., Ltd. / House Restaurant Management (Guangzhou) Co., Ltd.</i></p> <p><i>South Korea</i>    <i>Curry House Korea Corporation</i></p> <p><i>Taiwan</i>            <i>Taiwan Curry House Restaurant, Inc.</i></p> <p><i>Thailand</i>          <i>House Osotspa Foods Co., Ltd.</i></p> <p><i>Vietnam</i>          <i>House Foods Vietnam Co., Ltd.</i></p>
<b>Other Food Related Business</b>	<p><i>House Logistics Service Corporation / High Net Corporation</i>  <i>Delica Chef Corporation</i>  <i>House Food Analytical Laboratory Inc.</i>  <i>Horie Yamatoya Co., Ltd. / Dalian Horie Yamatoya Food Co., Ltd.</i>  <i>Vox Trading Co., Ltd. / Tim Food Co., Ltd. / PT. Java Agritech</i></p>