



FY2015

Results Briefing for the First Half

November 5, 2015



House Foods Group Inc.

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

◇ FY2015 First-Half Results	pp. 3 - 9
◇ Full-Year Plan for FY2015	pp. 10 - 17

(Supplementary materials)

◇ Supplementary Description	pp. 18 - 27
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(History of businesses (Abstract) / Major new products and varieties for autumn and winter 2015 / Fifth Medium-term Business Plan / Trends in cost reductions and capital investment / Breakdowns of non-operating income and expenses and extraordinary income and loss / Initiatives for new businesses / Content of business segments)



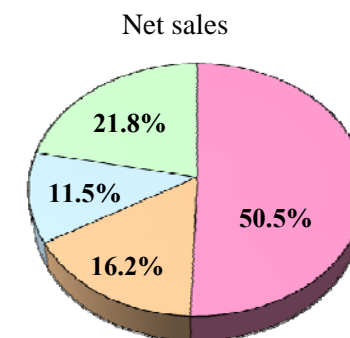
FY2015 First-Half Results

FY2015 H1 Consolidated Performance

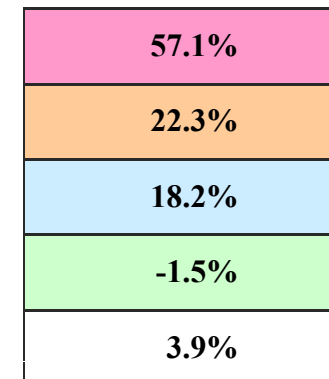


(Billion yen)	FY2014 H1 performance (New presentation)	FY2015 H1 initial target	FY2015 H1 performance	Year on year (%)	Comparison with initial target (%)	ROS (%)
Net sales	114.4	117.8	112.4	-2.0 (98.2)	-5.4 (95.4)	—
Spice / Seasoning / Processed Food Business	58.9	60.7	56.7	-2.1 (96.4)	-4.0 (93.5)	—
Health Food Business	20.5	17.4	18.2	-2.3 (88.8)	+0.8 (104.5)	—
International Business	10.1	12.6	12.9	+2.8 (128.3)	+0.3 (102.4)	—
Other Food Related Business	25.0	27.1	24.5	-0.5 (98.0)	-2.6 (90.4)	—
Operating income	4.0	4.2	4.0	+0.1 (101.6)	-0.2 (96.3)	3.6
Spice / Seasoning / Processed Food Business	2.5	2.8	2.3	-0.2 (92.4)	-0.5 (82.5)	4.1
Health Food Business	0.8	0.7	0.9	+0.1 (110.5)	+0.2 (129.2)	5.0
International Business	0.4	0.6	0.7	+0.4 (206.4)	+0.2 (133.6)	5.7
Other Food Related Business	-0.3	0.2	-0.1	+0.2 (-)	-0.2 (-)	(0.3)
Adjustment	0.6	-	0.2	-0.4 (26.2)	-	-
Ordinary income	4.6	4.9	4.8	+0.2 (103.4)	-0.1 (97.8)	—
Net income	2.8	3.3	3.0	+0.2 (105.7)	-0.3 (89.4)	—

Breakdown by segment



Operating income



* We changed the method of presenting the segments in FY2015, and the year-on-year results presented in this document are calculated using the new method (see the Supplementary Description for details).

* Non-operating income and expenses and extraordinary income and loss are explained in the Supplementary Description.

FY2015 H1 Performance by Business Segment (Spice / Seasoning / Processed Food Business)



Spice / Seasoning / Processed Food Business	FY2015 H1 performance	Year on year (%)	Comparison with initial target (%)
Net sales	56.7	-2.1 (96.4)	-4.0 (93.5)
Operating income	2.3	-0.2 (92.4)	-0.5 (82.5)
◆ Breakdown of sales (main factors)			
* Curry roux	17.9	-0.6 (96.9)	-0.7 (96.3)
* Stew roux	4.6	+0.1 (101.7)	-0.1 (97.0)
* Hashed beef sauce roux	2.1	-0.1 (95.4)	-0.2 (93.3)
Spice	8.4	+0.1 (101.1)	-0.2 (97.3)
* Retort pouched curry	5.6	-0.8 (87.3)	-0.7 (88.8)
* Packaged noodles	2.9	+0.0 (101.6)	-0.2 (94.5)
Snack	3.0	-0.4 (89.1)	-0.6 (82.5)
* Dessert	1.6	-0.2 (86.9)	-0.3 (82.2)
* Food service products	8.1	+0.2 (102.1)	-0.0 (99.8)

* Categories whose prices were revised

Sales declined as a result of the unexpectedly long time required for the new prices to be widely accepted in the market.

Curry roux: Events such as Mother's Day and Natsu No Curry contributed to sales, and the new prices have gradually been accepted. In the second quarter, sales of products recovered.

Stew roux: New-value products and varieties of the main brands were launched in August, whereby the category was revitalized and efforts to increase product value were made with the suggestion of menus, resulting in increased sales.

Retort pouched curry: The exposure of products, particularly those in the lower price ranges, was reduced despite our efforts to promote the revised prices and proper sales together with the price revision.

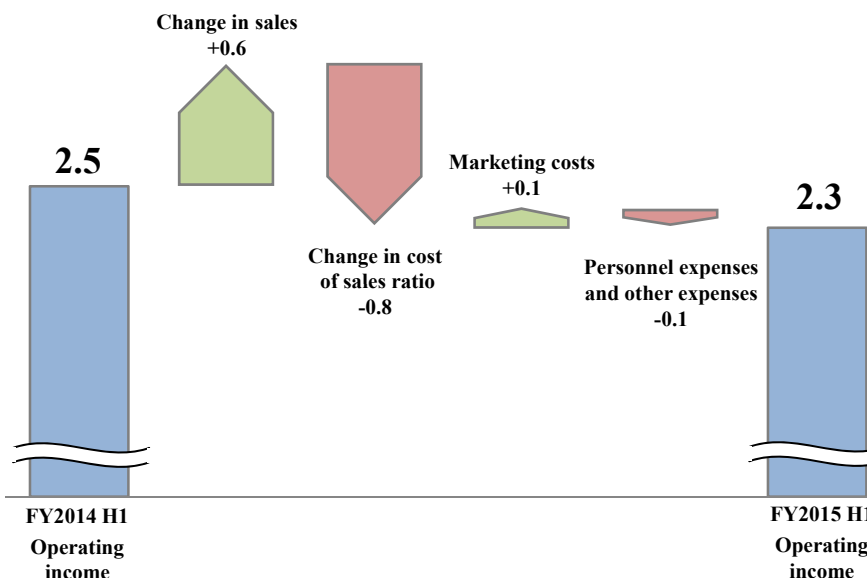
Sales of snack products declined despite our efforts to increase the brand value by changing product specifications and through sales with proper pricing.

Sales of food service roux and flake products remained strong and sales of care food increased.

◆ Analysis of operating income change

(Billion yen)

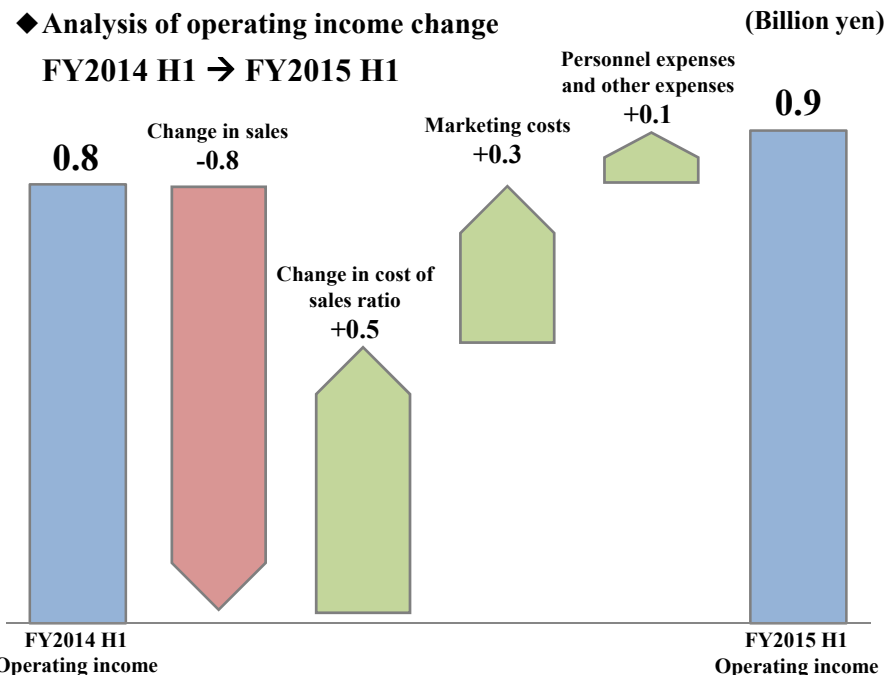
FY2014 H1 → FY2015 H1



FY2015 H1 Performance by Business Segment (Health Food Business)



Health Food Business	FY2015 H1 performance	Year on year (%)	Comparison with initial target (%)
Net sales	18.2	-2.3 (88.8)	+0.8 (104.5)
Operating income	0.9	+0.1 (110.5)	+0.2 (129.2)
◆ Breakdown of sales (main factors)			
<i>Ukon No Chikara</i>	5.6	-0.9 (86.5)	-0.4 (93.7)
<i>Mega Shaki</i>	1.2	-0.1 (93.9)	-0.2 (85.9)
<i>C1000</i>	8.2	+0.2 (102.1)	+1.3 (118.2)
<i>Vitamin Lemon</i>	3.2	+0.3 (112.2)	+0.1 (104.5)



Ukon No Chikara: Sales struggled despite the Company's efforts to increase the number of heavy users of the product and promote the "try and repeat" practice, which did not effectively revitalize the market amid the declining market trend.

C1000: Bottled products: Earnings struggled while marketing expenses increased, despite the launch of variety products and an expansion of sales stores.

Plastic-bottled products: Sales of products remained strong and exceeded the sales target set at the beginning of the fiscal year.

Other: Sales were reduced by the revision of products for production and sales consignment and the termination of some products, however this did not affect profits.



FY2015 H1 Performance by Business Segment (International Business)



International Business	FY2015 H1 Performance	Year on year (%)	Comparison with initial target (%)	Year on year in local currency
Net sales	12.9	+2.8 (128.3)	+0.3 (102.4)	—
Operating income	0.7	+0.4 (206.4)	+0.2 (133.6)	—

◆ Breakdown of sales (main factors)

Business in the United States	6.3	+1.3 (125.3)	-0.1 (98.4)	103.7%
Tofu business	4.8	+1.0 (126.2)	-0.0 (99.8)	104.5%
Restaurant business (11 restaurants)	0.9	+0.2 (126.8)	-0.0 (98.9)	105.0%
China business (excl. restaurants)	2.0	+0.7 (158.1)	+0.1 (103.9)	130.8%
Restaurant business in Asia	2.8	+0.7 (136.3)	-0.0 (99.3)	—
China (46 restaurants)	1.6	+0.4 (135.4)	-0.1 (96.9)	112.0%
Taiwan (25 restaurants)	0.9	+0.3 (146.1)	+0.1 (106.9)	125.7%
South Korea (24 restaurants)	0.2	+0.0 (111.4)	-0.0 (89.1)	102.1%
Businesses in Southeast Asia	0.4	-0.2 (62.4)	-0.0 (93.4)	—
Thailand	0.4	-0.2 (63.7)	-0.0 (96.2)	59.4%
Vietnam	0.0	-0.0 (31.4)	-0.0 (37.3)	28.7%

The fiscal year-end of businesses in Southeast Asia changed from March to December (the settlement of accounts for 9 months in fiscal 2015).

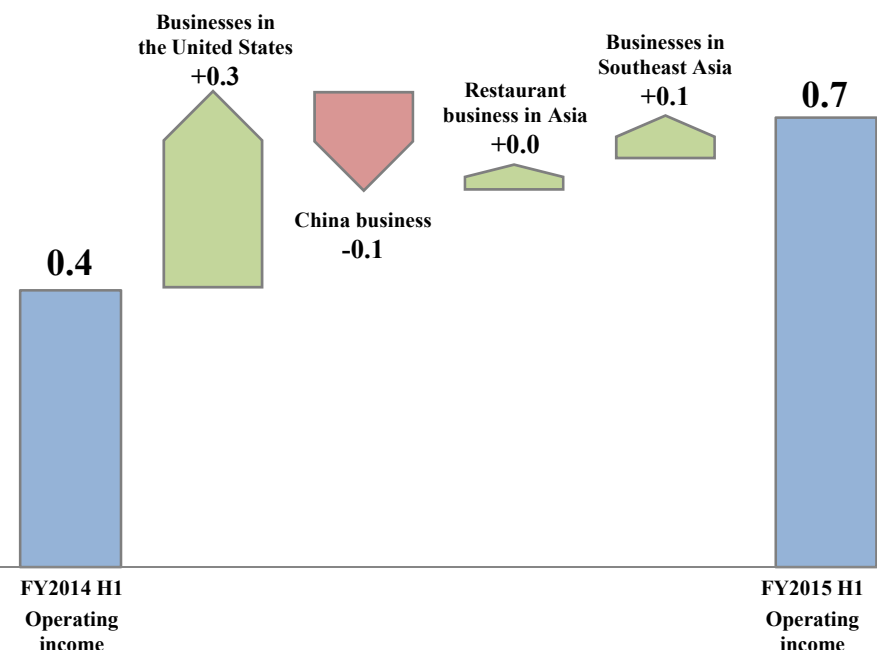
The number of restaurants in each country above is as of September 30, 2015.

(*) The exchange rates of each country are provided in the supplementary materials.

◆ Analysis of operating income change

(Billion yen)

FY2014 H1 → FY2015 H1



U.S. The market remained strong due to the penetration of health awareness associated with soybeans. Profits grew as a result of reduced energy expenses and controlled marketing expenses.

China (Excl. restaurants) Grew steadily as a result of prior investment to widely promote Japanese-style curry. *Ukon No Chikara* was launched but failed to reach the target.

Asia Restaurants Competition intensified, particularly in the urban areas of China. Earnings increased by closely examining new stores to be opened and strengthening measures for unprofitable stores.

Southeast Asia The fiscal year-end was changed to December (first half settlement was reduced to three months). Functional drinks failed to reach the target despite essentially increased sales (three-month comparison)

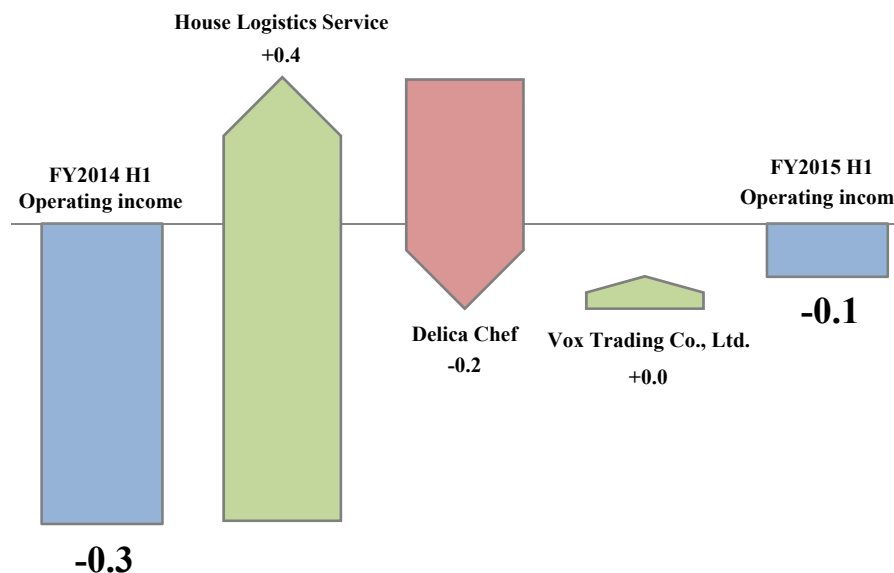
FY2015 H1 Performance by Business Segment (Other Food Related Business)



Other Food Related Business	FY2015 H1 performance	Year on year (%)	Comparison with initial target (%)
Net sales	24.5	-0.5 (98.0)	-2.6 (90.4)
Operating income	-0.1	+0.2 (-)	-0.2 (-)
◆ Breakdown of sales (main factors)			
House Logistics Service Corporation (consolidated)	6.9	-0.1 (98.1)	-0.5 (93.1)
Delica Chef Corporation	8.2	+0.8 (110.9)	-0.3 (96.1)
Vox Trading Co., Ltd. (consolidated)	8.5	-1.3 (86.8)	-1.7 (83.4)

◆ Analysis of operating income change FY2014 H1 → FY2015 H1

(Billion yen)



House Logistics Service Corporation (transport and warehousing)

The business was restructured and the result became a surplus in the first half despite reduced sales.

The Group as a whole optimized the logistics operation.

Subcontract expenses were reduced.

Activities to drastically reduce costs were implemented.



Delica Chef Corporation (convenience store vendor)

The initial cost of new plant operation and increased labor expenses and material costs led to reduced earnings.

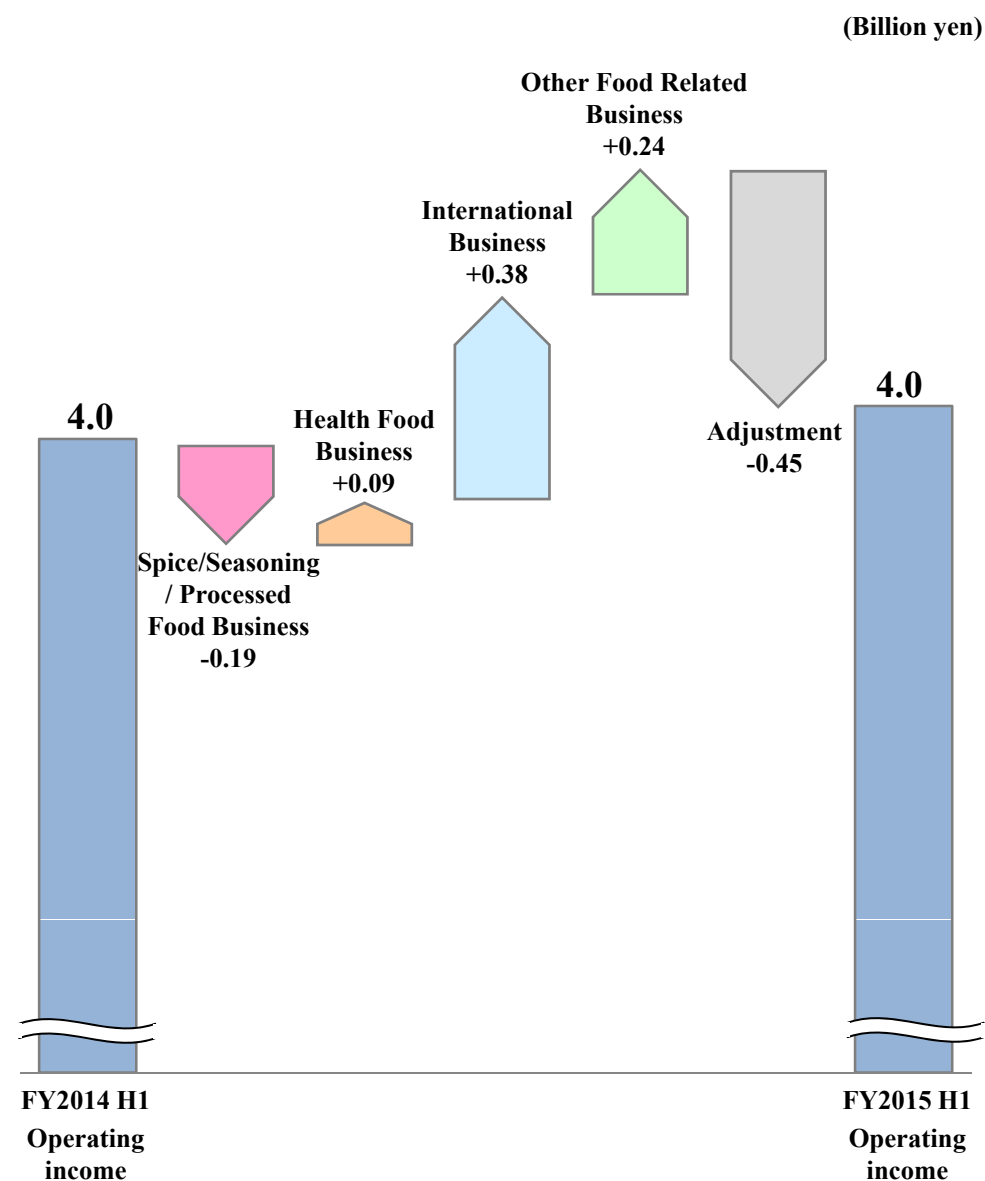
Vox Trading Co., Ltd. (import, sales, etc. of foodstuffs)

While a change in the bidding schedule for some products caused a decline in sales, the Company strengthened its revenue base to pursue group synergy.

FY2015 H1 Operating Income Change Analysis



◆ Factors of changes by business segment	FY2015 H1 performance
Spice/Seasoning/Processed Food Business	-0.19
Change in sales	+0.6
Change in cost of sales ratio	-0.8
(Change in and change in the ratio of) marketing costs	+0.1
Change in personnel expenses and other expenses	-0.1
Health Food Business	+0.09
Change in sales	-0.8
Change in cost of sales ratio	+0.5
(Change in and change in the ratio of) marketing costs	+0.3
Change in personnel expenses and other expenses	+0.1
International Business	+0.38
Businesses in the United States	+0.3
China business (excl. restaurants)	-0.1
Restaurant business in Asia	+0.0
Businesses in Southeast Asia	+0.1
Other Food Related Business	+0.24
House Logistics Service (consolidated)	+0.4
Delica Chef	-0.2
Vox Trading Co., Ltd. (consolidated)	+0.0
Adjustment Costs for new businesses and the Group overseeing costs (HP, company advertisements), etc.	-0.45
Changes in operating income	+0.06





Full-Year Plan for FY2015

FY2015 Full-Year Targets for Consolidated Income (Loss)/ Performance by Business Segment



(Billion yen)	FY2014 performance (New presentation)	FY2015 Revised target	Year on year (%)	ROS (%)	FY2015 Revised target for H2	Year on year (%)
Net sales	231.4	236.0	+4.6 (102.0)	–	123.6	+6.6 (105.6)
Spice / Seasoning / Processed Food Business	122.1	122.9	+0.8 (100.6)	–	66.2	+2.9 (104.6)
Health Food Business	36.6	33.9	-2.7 (92.5)	–	15.7	-0.5 (97.2)
International Business	24.7	27.4	+2.7 (111.0)	–	14.5	-0.1 (99.1)
Other Food Related Business	48.0	51.8	+3.8 (108.0)	–	27.3	+4.3 (118.9)
Operating income	8.7	10.5	+1.8 (120.9)	4.4	6.5	+1.8 (137.2)
Spice / Seasoning / Processed Food Business	6.6	7.7	+1.1 (116.4)	6.3	5.4	+1.3 (130.9)
Health Food Business	0.6	1.1	+0.5 (183.3)	3.2	0.2	+0.4 (–)
International Business	1.1	1.6	+0.5 (147.1)	5.8	0.9	+0.1 (118.2)
Other Food Related Business	-0.8	0.2	+1.0 (–)	0.4	0.3	+0.7 (–)
Adjustment	1.2	-0.1	-1.3 (–)	–	-0.3	-0.8 (–)
Ordinary income	11.0	12.0	+1.0 (109.5)	–	7.2	+0.9 (114.0)
Net income	7.0	8.0	+1.0 (114.8)	–	5.0	+0.9 (120.8)

* We changed the method of presenting the segments in FY2015, and the results of the previous year presented in this document are calculated using the new method (see the Supplementary Description for details).

* Non-operating income and expenses and extraordinary income and loss are explained in the Supplementary Description.

FY2015 Revised Full-Year Targets (comparison with initial targets)



(Billion yen)	FY2015 revised target	Comparison with initial target (%)	FY2015 Revised target for H2	Comparison with initial target (%)
Net sales	236.0	-10.0 (95.9)	123.6	-4.6 (96.4)
Spice / Seasoning / Processed Food Business	122.9	-5.5 (95.7)	66.2	-1.5 (97.7)
Health Food Business	33.9	-1.1 (96.9)	15.7	-1.9 (89.3)
International Business	27.4	-0.2 (99.3)	14.5	-0.5 (96.7)
Other Food Related Business	51.8	-3.2 (94.2)	27.3	-0.6 (97.8)
Ordinary income	10.5	-1.0 (91.3)	6.5	-0.8 (88.4)
Spice / Seasoning / Processed Food Business	7.7	-0.9 (89.5)	5.4	-0.4 (93.0)
Health Food Business	1.1	+0.0 (100.0)	0.2	-0.2 (49.0)
International Business	1.6	+0.1 (106.7)	0.9	-0.1 (91.2)
Other Food Related Business	0.2	-0.1 (66.8)	0.3	+0.1 (174.7)
Adjustment	-0.1	-0.1 (-)	-0.3	-0.3 (-)
Ordinary income	12.0	-0.9 (93.0)	7.2	-0.8 (90.1)
Net income	8.0	-0.9 (89.9)	5.0	-0.6 (90.2)

FY2015 Full-Year Performance Targets by Business Segment (Spice / Seasoning / Processed Food Business)



(Billion yen)

Spice / Seasoning / Processed Food Business	FY2014 performance (New presentation)	FY2015 Revised target	Year on year (%)
Net sales	122.1	122.9	+0.8 (100.6)
Operating income	6.6	7.7	+1.1 (116.4)
◆ Breakdown of sales (main factors)			
Curry roux	37.3	37.4	+0.1 (100.4)
Stew roux	12.8	13.5	+0.7 (105.6)
Hashed beef sauce roux	4.2	4.2	-0.0 (99.1)
Spice	16.5	17.0	+0.5 (103.3)
Retort pouched curry	12.9	11.9	-1.0 (92.0)
Packaged noodles	6.3	6.6	+0.3 (104.7)
Snack	6.7	6.3	-0.3 (94.9)
Dessert	3.4	3.5	+0.1 (103.9)
Food service products	16.3	16.8	+0.5 (103.1)



Settlement of new prices after revision, category revitalization, and raising brand value

- Strengthen the strategy linked to seasonal events across the categories (Halloween, Christmas, and Easter)
- Continue the efforts for sales with proper pricing (curry roux, retort pouched curry, and snack products)

Increase the sales stores for products corresponding to customers' needs

(the series using no Seven Specific Ingredients, reduced salt, reduced calories, microwavable retort pouches, and faster cooking)

FY2015 Full-Year Performance Targets by Business Segment (Health Food Business)



(Billion yen)

Health Food Business	FY2014 performance (New presentation)	FY2015 Revised target	Year on year (%)
Net sales	36.6	33.9	-2.7 (92.5)
Operating income	0.6	1.1	+0.5 (183.3)
◆ Breakdown of sales (main factors)			
<i>Ukon No Chikara</i>	12.8	12.2	-0.6 (95.4)
<i>Mega Shaki</i>	2.3	2.3	+0.0 (100.1)
<i>C1000</i>	13.5	13.8	+0.3 (101.9)
<i>Vitamin Lemon</i>	5.3	5.9	+0.6 (112.0)



◆ Functional spice business

• *Ukon No Chikara*

- Focus on high-price-range products and improve communication with heavy users
- Increase contact with customers by adding tablet products.
- Implement effective promotion to revitalize the market.

◆ Vitamin business

- Develop products with the aim of expanding the vitamin value to consumers.
- Ensure thorough cost control to further increase profitability.

FY2015 Full-Year Performance Targets by Business Segment (International Business)



(Billion yen)

International Business	FY2014 performance (New presentation)	FY2015 revised target	Year on year (%)	Year on year in local currency
Net sales	24.7	27.4	+2.7 (111.0)	-
Operating income	1.1	1.6	+0.5 (147.1)	-
◆ Breakdown of sales (main factors)				
Businesses in the United States	12.0	12.6	+0.6 (104.8)	103.2%
Tofu business	9.2	9.7	+0.5 (105.1)	103.5%
Restaurant business	1.7	1.8	+0.1 (103.9)	102.3%
China business (excl. restaurants)	3.5	4.8	+1.4 (139.9)	137.2%
Restaurant business in Asia	5.0	5.9	+0.9 (117.2)	-
China	3.0	3.5	+0.5 (115.3)	113.1%
Taiwan	1.5	1.9	+0.4 (123.7)	119.3%
South Korea	0.5	0.5	+0.0 (108.4)	108.8%
Businesses in Southeast Asia	1.4	1.2	-0.3 (81.7)	-
Thailand	1.4	1.1	-0.3 (80.8)	82.6%
Vietnam	0.0	0.0	+0.0 (114.1)	113.2%

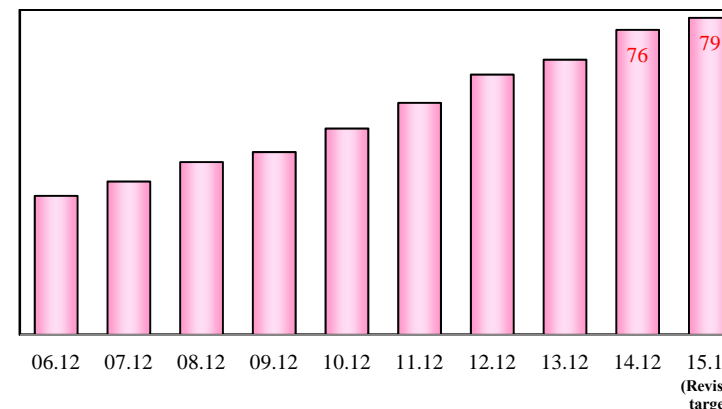
The fiscal year of the businesses in the United States, the China business (excl. the restaurant business), and the restaurant business in Asia ends in December.

The fiscal year-end of businesses in Southeast Asia changed from March to December (settlement of accounts for 9 months in fiscal 2015).

(*) The exchange rates of each country are provided in the supplementary materials.

◆ Sales in the U.S. tofu business

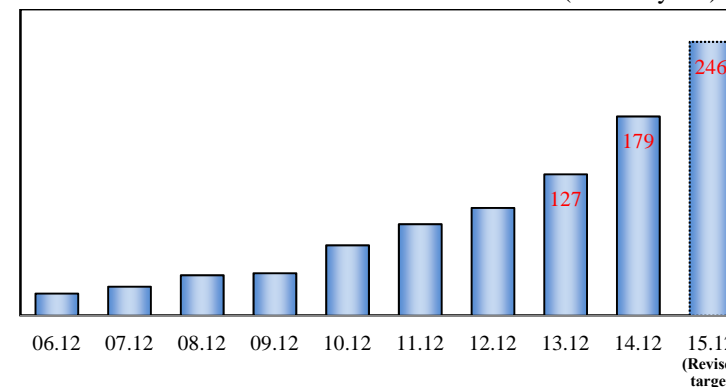
(Million dollars)



Enhancement of the business base and steady growth of high value-added products and food service products

◆ Trend in sales from China business (excl. restaurants)

(Million yuan)



Curry: Continue to improve the sales strategy and make prior investments in marketing to achieve dramatic growth. Install a new production line for food service at the Dalian plant.

Ukon No Chikara: Distribute samples and launch ads to increase recognition.

FY2015 Full-Year Performance Targets by Business Segment (Other Food Related Business)



(Billion yen)

Other Food Related Business	FY2014 performance (New presentation)	FY2015 revised target	Year on year (%)
Net sales	48.0	51.8	+3.8 (108.0)
Operating income	-0.8	0.2	+1.0 (-)
◆ Breakdown of sales (main factors)			
House Logistics Service Corporation (consolidated)	14.2	14.2	+0.0 (100.2)
Delica Chef Corporation	14.8	16.7	+2.0 (113.2)
Vox Trading Co., Ltd. (consolidated)	17.1	18.9	+1.8 (110.6)

◆ House Logistics Service Corporation

- The Group as a whole works to optimize the production and logistics system and increase cost competitiveness.
- Respond to changes in the logistics business environment beyond the existing framework.

◆ Delica Chef Corporation

- Focus on stabilizing the operation and increasing the productivity of the new deli products plant.
- Improve the ability to develop products in each business to increase profitability.

◆ Vox Trading Co., Ltd.

- Increase the profitability of the existing businesses and develop competitive new products.
- Pursue Group synergy.

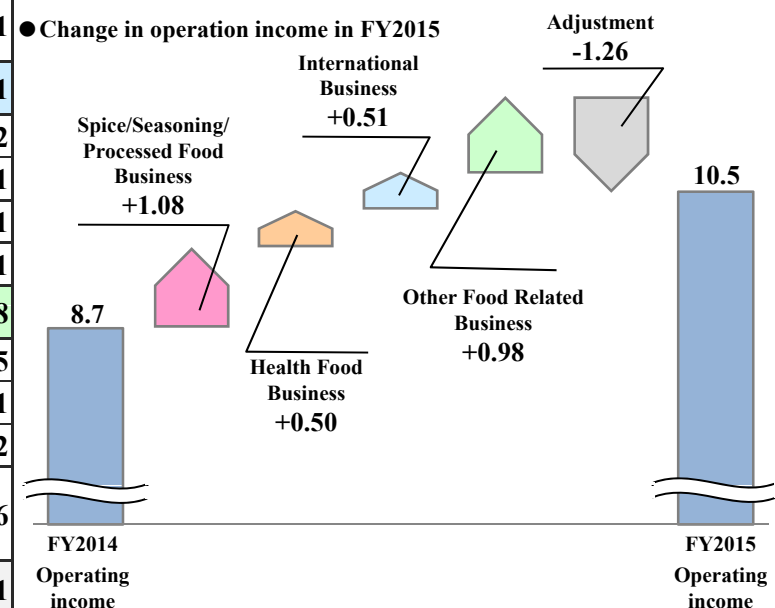
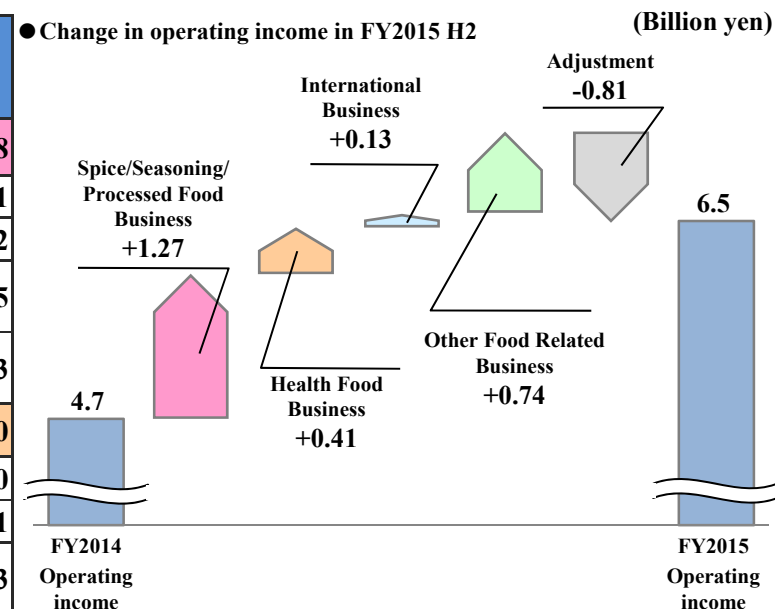
Delica Chef Corporation Kuki plant



FY2015 Full-Year Operating Income Change Analysis



◆ Factors of changes by business segment	FY2015 H1 performance	FY2015 Revised target for H2	FY2015 revised target
Spice / Seasoning / Processed Food Business	-0.19	+1.27	+1.08
Change in sales	+0.6	+2.5	+3.1
Change in cost of sales ratio	-0.8	-0.4	-1.2
(Change in and change in the ratio of) marketing costs	+0.1	-0.6	-0.5
Change in personnel expenses and other expenses	-0.1	-0.2	-0.3
Health Food Business	+0.09	+0.41	+0.50
Change in sales	-0.8	-0.2	-1.0
Change in cost of sales ratio	+0.5	+0.6	+1.1
(Change in and change in the ratio of) marketing costs	+0.3	+0.0	+0.3
Change in personnel expenses and other expenses	+0.1	+0.0	+0.1
International Business	+0.38	+0.13	+0.51
Businesses in the United States	+0.3	-0.1	+0.2
China business (excl. restaurants)	-0.1	+0.2	+0.1
Restaurant business in Asia	+0.0	+0.1	+0.1
Businesses in Southeast Asia	+0.1	+0.0	+0.1
Other Food Related Business	+0.24	+0.74	+0.98
House Logistics Service (consolidated)	+0.4	+0.1	+0.5
Delica Chef	-0.2	+0.3	+0.1
Vox Trading Co., Ltd. (consolidated)	+0.0	+0.2	+0.2
Adjustment Costs for new businesses and the Group overseeing costs (HP, company advertisements), etc.	-0.45	-0.81	-1.26
Changes in operating income	+0.06	+1.75	+1.81





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 Solid curry roux
- 1964 Dessert
- 1966 Stew
- 1970 Retort pouched food (Sun House Foods)
- Transport and warehousing (House Logistics Service)
- 1973 Instant noodles
- 1977 Snack
- 1983 Entry into USA (Restaurant, Tofu)
- Mineral water
- 1985 Deli products (Delica Chef)

Vermont Curry



Launched in 1963

Stew Mix



Launched in 1966

tofu (USA)



Launched in 1983

Tongari Corn



Launched in 1978

Kukure Curry



Launched in 1971

1990s

- 1995 Liquid seasoning
- 1997 Entry into China (Restaurants)
- Health Foods

C1000



Launched in 1990

2000s

- 2000 Entry into Taiwan (Restaurants)
- 2002 Retort pouched curry (China)
- 2004 Ukon extract drink
- 2005 Curry roux (China)
- 2006 Health foods (House Wellness Foods)
- 2007 Entry into South Korea (Restaurants)

Ukon No Chikara



Launched in 2004

Vermont Curry (China)



Launched in 2005

2010s

- 2010 Transfer of the mineral water business
- 2011 Entry into Thailand (House Osotspa FoodsCo., 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.)

Major new products and varieties for the autumn and winter 2015



● New product

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

Category	Product	Suggested retail price (reference price)	On-shelf date
Curry roux	Healthy-Ô Curry (mild vegetable flavor, chu-kara / fragrant and spicy, chu-kara)	Open (¥238)	Aug. 17
Curry roux	156 g spice-kaoru Masala Curry	Open (¥279)	Aug. 17
Stew roux	148 g Kanjuku Kurikabocha no Creamy Stew / 150 g Kanjuku Tomato no Creamy Stew	Open (¥248)	Aug. 17
Retort pouched curry	Curry Marché Spécialité: Curry with Iberian Pork and Mushroom	Open (¥500)	Aug. 17
Retort pouched curry	Renji Dining (chicken curry with selected ingredients / vegetable curry with selected ingredients)	Open (¥270)	Aug. 17
Seasoning for specific menus	Ramen Ni Hitotashi Paste (spicy miso / garlic oil / fish meal) * In the East Japan area only	Open (¥180)	Aug. 17
Wellness drinks	Ukon No Chikara: pineapple and peach flavor	Open (¥190)	Jun. 29
Wellness food	Ukon No Chikara: Liver Plus: grain type / box (10 pouches)	Open (¥1,480)	Sep. 28
Wellness food	Ukon No Chikara: Liver Plus: grain type / pouch	Open (¥160)	Sep. 28

● Variety

Stew roux	Hokkaido Stew (cheese cream / beef)	¥297	Aug. 17
Seasoning	Spice Cooking Asian Yataigai (gapao / tom yum kung / Thai-style stir-fried greens / Thai-style bean-starch vermicelli salad / Hainanese chicken / tom yum chicken / coconut milk-flavored soup, etc.)	Open (¥110)	Aug. 17

● Renewal

Stew roux	122 g Stew De-Veau (cream / beef)	¥286	Aug. 17
Hashed beef sauce roux	160 g Hashed beef with Jukusei demi-glace sauce	¥297	Aug. 17
Spice	42 g Tokusen Honkaori Nama Wasabi	¥190	Sep. 7
Retort pouched curry	180 g Kukure curry (Ama kuchi/ Chu-kara/ Kara kuchi)	¥176	Aug. 17
Retort pouched curry	Soup Curry No Takumi: Thick soup curry with Hokkaido Chicken	¥500	Aug. 17

Launch a business model (new business) that offers new value in the mature domestic market, in addition to the “Core businesses (domestic)” and the “Growing business (international).”

- Support the Group’s earnings base by further strengthening the brand value of the existing domestic businesses.
- Propel the Group’s growth by applying the Group’s expertise overseas.
- Launch business in collaboration with value-chain-type businesses that will offer new value in Japan.

Enhance the significance of the Group’s existence in society by fulfilling the “three responsibilities.”

- Aim to realize the Group philosophy by conducting corporate activities based on the “three responsibilities” (for customers, employees and their families and society) that we are obligated to fulfill as a corporate citizen.

Further strengthen the capacity to put functions and plans into practice.

- Group’s PDCA function
- R&D function
- Cost competitiveness

Narrow the gap with the target ROE by improving the ROA.

Fifth Medium-term Business Plan: Consolidated targets



(Billion yen)	FY2014 performance (New presentation)	FY2017 target	Comparison with FY2014 (%)
Net sales	231.4	274.0	+42.6 (118.4)
Spice / Seasoning / Processed Food Business	122.1	136.0	+13.9 (111.4)
Health Food Business	36.6	38.0	+1.4 (103.7)
International Business	24.7	42.0	+17.3 (170.1)
Other Food Related Business	48.0	58.0	+10.0 (120.9)
Operating income	8.7	15.0	+6.3 (172.7)
Spice / Seasoning / Processed Food Business	6.6	10.0	+3.4 (151.1)
Health Food Business	0.6	2.0	+1.4 (333.3)
International Business	1.1	3.0	+1.9 (275.6)
Other Food Related Business	-0.8	0.8	+1.6 (-)
Adjustment	1.2	-0.8	-2.0 (-)
ROS (Ratio of operating income to net sales)	3.8%	5.5%	+1.7Pt

Aim for net sales of 274.0 billion yen, operating income of 15.0 billion yen, and ROS of 5.5%.

Fifth Medium-term Business Plan: Changes in the method of disclosing segment income



We will revise the method for presenting the segments in the Fifth Medium-term Business Plan to clarify the responsibilities of business companies for segment income.

- ◆ **Before revision** Allocate the income of the holding company (House Foods Group Inc.) to business segments.
- ◆ **After revision** Indicate the income of the holding company as a business segment (adjustment) without allocating the income to business segments.

Reference | Operating income in FY2014 based on the new allocation method

(Billion yen)	Former presentation			New presentation			Difference		
	1st half	2nd half	Full year	1st half	2nd half	Full year	1st half	2nd half	Full year
Operating income	4.0	4.7	8.7	4.0	4.7	8.7	–	–	–
Spice / Seasoning / Processed Food Business	2.9	4.6	7.5	2.5	4.1	6.6	-0.4	-0.5	-0.9
Health Food Business	1.0	-0.0	0.9	0.8	-0.2	0.6	-0.2	-0.2	-0.3
International Business	0.4	0.7	1.1	0.4	0.7	1.1	+0.0	+0.0	+0.0
Other Food Related Business	-0.3	-0.6	-0.9	-0.3	-0.5	-0.8	+0.0	+0.1	+0.1
Adjustment	–	–	–	0.6	0.6	1.2	+0.6	+0.6	+1.2

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
FY2014 H1	376	204	580
FY2014	1,096	400	1,496
FY2015 H1	307	38	345
FY2015 plan	540	50	590

◆ Trends of capital investment

(Million yen)

	Capital investment			Major capital investment
	Investment	Leases	Total	
FY2014 H1	3,985	162	4,148	Construction of Delica Chef's plant Investment related to the roux production line for Dalian Horie Yamatoya Food Co., Ltd.
FY2014	9,588	286	9,874	Construction of Delica Chef's plant Investment related to the roux production line for Dalian Horie Yamatoya Food Co., Ltd.
FY2015 H1	2,097	371	2,468	Investment related to the production line for House Foods Investment related to the roux production line for Dalian Horie Yamatoya Food Co., Ltd.
FY2015 plan	9,500	500	10,000	Investment related to the production line for House Foods Investment related to the roux production line for Dalian Horie Yamatoya Food Co., Ltd.

Depreciation		
Investment	Leases	Total
2,632	141	2,774
5,789	294	6,083
3,052	144	3,197
6,700	300	7,000

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



◆ Non-operating income and expenses (Million yen)

	FY2014 H1	FY2015 H1	Year on year
Interest income / Interest on securities	250	257	+7
Dividend income	311	331	+20
Share of profit of entities accounted for using equity method	300	243	-57
Foreign exchange gains	202	26	-176
Other	134	153	+19
Total non-operating income	1,198	1,011	-187
Interest expenses	64	50	-14
Other	481	214	-268
Total non-operating expenses	546	264	-282

◆ Extraordinary income and loss (Million yen)

	FY2014 H1	FY2015 H1	Year on year
Gain on sales of non-current assets	2	0	-2
Gain on sales of investment securities	—	0	+0
Gain on sale of invested in capital	18	—	-18
Compensation income	13	—	-13
Other	5	0	-5
Total extraordinary income	38	0	-38
Loss on sales of non-current assets	0	0	-0
Loss on retirement of non-current assets	49	135	+86
Loss on valuation of investment securities	3	—	-3
Other	13	4	-9
Total extraordinary losses	65	139	+74

Initiatives for new businesses



A new onion that does not cause the eyes to water and has a mild flavor

“Smile Ball”

Sold in limited quantities and through limited channels

We named this totally new onion that has been successfully created not to cause a stinging sensation or make the eyes water “Smile Ball.” It was launched at the end of October in limited quantities and through limited channels.



The advantages of “Smile Ball”

- This is a new type of onion in which the component that causes the eyes to water (= the stinging sensation) has been reduced.
- You will not experience pain in your eyes when you cut the onion. The sharp smell that is often noticed when cutting onions is also minimal, so you can feel comfortable and enjoy your cooking.
- You barely feel stinging taste when you eat the onion raw, so you do not need to soak it in water. Smile Ball allows easy cooking, and all the nutrients that onions originally have can be consumed without worrying that they may be washed away.
- It has a mild flavor, and you can directly experience the original sweetness of onions.

China business: For the development of the next pillar that follows curry

“Ukon No Chikara”

Received approval as a health food equivalent and launched sales in China.

On May 1, we started selling *Ukon No Chikara* in China (export of products made in Japan).



Product features

- We have received approval for a health food equivalent from the China Food and Drug Administration (CFDA) to make the products conform to the relevant laws and regulations in China (the first Japanese product to receive approval in the category of “promotion of damaged liver protection function”).

Marketing

- We will focus on the development of online shopping channels while approaching convenience stores and drugstores, etc., and promote recognition and trial purchase through communication and the distribution of samples to promote the product’s features.
- We will begin with Shanghai and add more cities later.

Content of business segments (As of September 30, 2015)



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