



FY2012 Results Briefing for the First Half

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URL <http://housefoods.jp/>

Contents

- ◇ **FY2012 First-Half Results** pp. 3 - 7
- ◇ **Full-Year Plan for FY2012** pp. 8 - 13
- ◇ **Major Businesses: Strategies and Initiatives** pp. 14 - 19

(Supplementary materials)

- ◇ *Supplementary Description* pp. 20 - 27

(History of businesses / Major new products and varieties for the autumn and winter 2012 / Trends of cost reductions and sales promotion expenses / Breakdowns of non-operating income and expenses and extraordinary income and loss / Trends of capital investment and depreciation and amortization / 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)



FY2012 First-Half Results

Results for domestic core businesses were weak, reflecting pressure to cut sales prices due to deflation, the stronger-than-expected reaction to the special demand following the earthquake last year, and changes in customer habits.

Sales in International Business rose steadily, but fell short of offsetting the decline in the domestic core businesses. Overall, both sales and income fell in the first half of FY2012.

Sales rose in International Business from a year ago but fell in the Spice / Seasoning / Prepared Food Business and in the Health Food Business. Overall, both sales and income declined.

● Consolidated net sales and income

| | FY2011 H1 performance | FY2012 H1 initial target | FY2012 H1 performance | Year on year (%) | Comparison with initial target (%) |
|------------------|-----------------------|--------------------------|-----------------------|------------------|------------------------------------|
| Net sales | 109,393 | 110,000 | 103,831 | -5,562 (94.9) | -6,169 (94.4) |
| Operating income | 7,987(*) | 6,400(*) | 4,658(*) | -3,329 (58.3) | -1,742 (72.8) |
| Ordinary income | 8,368(*) | 7,100(*) | 5,458(*) | -2,910 (65.2) | -1,642 (76.9) |
| Net income | 4,802(*) | 4,300(*) | 3,014(*) | -1,789 (62.8) | -1,286 (70.1) |

★ Non-consolidated (Million yen)

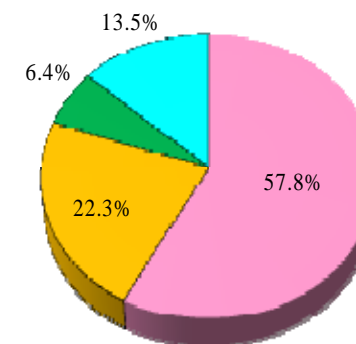
| | FY2012 H1 performance | Year on year (%) |
|--|-----------------------|------------------|
| | 70,025 | -5,162 (93.1) |
| | 3,559 | -2,284 (60.9) |
| | 5,595 | -1,950 (74.2) |
| | 3,467 | -953 (78.4) |

- (*) Amortization of the goodwill of House Wellness Foods Corporation: ¥673m in the first half of FY2011, ¥673m in the first half of FY2012

● Breakdown of sales by business segment

(Million yen)

| Business Segment | FY2012 H1 performance | Year on year (%) | Comparison with initial target (%) |
|--|-----------------------|------------------|------------------------------------|
| Spice / Seasoning / Prepared Food Business | 59,991 | -4,074 (93.6) | -4,109 (93.6) |
| Health Food Business | 23,112 | -2,503 (90.2) | -2,088 (91.7) |
| International Business | 6,654 | +565 (109.3) | -146 (97.9) |
| Transport and Other Businesses | 14,074 | +449 (103.3) | +174 (101.3) |
| Total | 103,831 | -5,562 (94.9) | -6,169 (94.4) |



● Breakdown of sales by product type

(Million yen)

| | FY2012 H1 | YOY (%) | Comparison with initial target (%) |
|---|-------------------------|-------------------------|------------------------------------|
| Spice / Seasoning / Prepared Food Business | 59,991 | -4,074 (93.6) | -4,109 (93.6) |
| Curry roux | 18,859 | -1,283 (93.6) | -942 (95.2) |
| Stew roux | 4,470 | -446 (90.9) | -416 (91.5) |
| Hashed beef sauce roux | 2,151 | -110 (95.1) | -108 (95.2) |
| Spice | 8,344 | -164 (98.1) | -584 (93.5) |
| Retort pouched curry | 6,627 | -623 (91.4) | -616 (91.5) |
| Packaged noodles | 3,034 | -253 (92.3) | -66 (97.9) |
| Snack | 3,820 | -175 (95.6) | -280 (93.2) |
| Dessert | 2,026 | -322 (86.3) | -74 (96.5) |
| Food service products | 8,057 | -275 (96.7) | -643 (92.6) |
| Health Food Business | 23,112 | -2,503 (90.2) | -2,088 (91.7) |
| Health foods (excl. direct retail products) | 8,518 | -937 (90.1) | -734 (92.1) |
| Direct retail products | 279 | -71 (79.6) | -99 (73.9) |
| House Wellness Foods (consolidated) | 14,638 | -1,691 (89.6) | -1,740 (89.4) |
| International Business | 6,654 | +565 (109.3) | -146 (97.9) |
| House Foods America | 3,412 <\$43,026,000> | +282 (109.0) <111.0> | +33 (101.0) <101.9> |
| Shanghai House Foods | 624 | +160 (134.5) | +132 (126.9) |
| Restaurants in Asia (China, Taiwan, South Korea) | 1,132 | +327 (140.6) | -33 (97.2) |
| Transport and Other Businesses | 14,074 | +449 (103.3) | +174 (101.3) |
| House Logistics Service (consolidated) | 6,840 | +118 (101.8) | -17 (99.8) |
| Delica Chef (deli products) | 7,014 | +323 (104.8) | +112 (101.6) |
| Consolidated sales | 103,831 | -5,562 (94.9) | -6,169 (94.4) |

All exports are added to sales in the International Business segment in the breakdown of sales by business segment. However, sales of each product type in the table above include exports.

Major sales trends in the first half of FY2012

Spice / Seasoning / Prepared Food Business

- ◆ Among curry roux products, sales of *Java Curry* remained flat from a year ago, but sales of mainstay products *Vermont Curry* and *Kokumaro Curry* declined, reflecting intensifying competition, the reaction to the special demand due to the earthquake, and changes in customer lifestyles.
- ◆ For retort pouched curry products, the Company tried to promote sales of mid-priced products, but was strongly affected by the reaction to the special demand following the earthquake. Sales of mainstay *Curry Ya Curry* were weak.
- ◆ Sales of stew products fell, as sales of pre-existing products were sluggish due to the lingering summer heat. However, *Koku No Zeitaku Stew*, a new product, sold steadily.

Health Food Business

- ◆ Sales of the *Ukon No Chikara* series fell due to intensifying competition and changes in customer attitudes toward alcohol. *Mega Shaki* sold well.
- ◆ House Wellness Foods Corporation was affected by the reaction to the special demand following the earthquake and performed poorly in launching new products. As a result, sales declined sharply.

International Business

- ◆ Sales in the tofu business in the United States climbed thanks to market expansion by gaining new customers as well as a significant increase in sales of *Tofu Shirataki*.
- ◆ In the curry business in China, the Company changed its sales system in January. Curry recognition increased, and sales of products for household use increased. Sales of commercial-use products expanded, reflecting strong sales to restaurant chains.
- ◆ In the restaurant business in Asia, the Company opened new restaurants, and sales increased from a year ago in China, Taiwan, and South Korea.

Transport and Other Businesses

- ◆ In the logistics business, House Logistics Service Corporation expanded the logistics operations commissioned by companies outside the Group.
- ◆ Sales at Delica Chef Corporation rose, attributable to strong sales in the dessert business and steady sales in the deli products and bread business.

● Operating income by business segment

(Million yen)

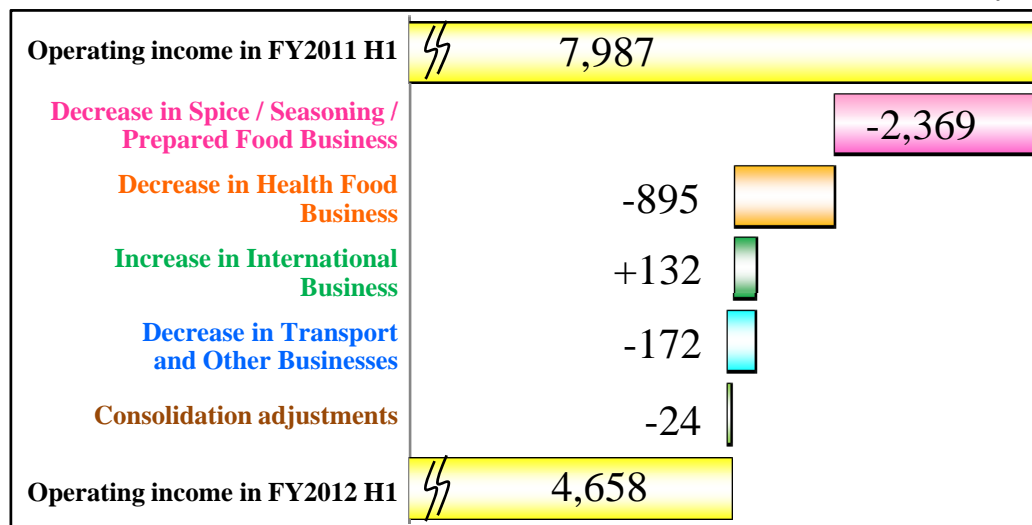
| Business Segment | FY2012 H1 Operating income | Year on year (%) | Comparison with initial target (%) | ROS (%) |
|--|----------------------------|------------------|------------------------------------|---------|
| Spice / Seasoning / Prepared Food Business | 2,689 | -2,369 (53.2) | -1,511 (64.0) | 4.5 |
| Health Food Business | 1,003 | -895 (52.8) | -597 (62.7) | 4.3 |
| International Business | 536 | +132 (132.8) | +336 (268.0) | 8.0 |
| Transport and Other Businesses | 428 | -172 (71.3) | +28 (107.0) | 3.0 |
| Total | 4,658 | -3,329 (58.3) | -1,742 (72.8) | 4.5 |

- The amortization of the goodwill of House Wellness Foods Corporation (¥673m) affects operating income in the Health Food Business (real ROS: 7.3%).
- The total operating income is affected by consolidation adjustments (+¥2m in the first half of FY2012, +¥27m in the first half of FY2011).

● Changes in operating income by business segment

(from FY2011 H1 to FY2012 H1)

(Million yen)

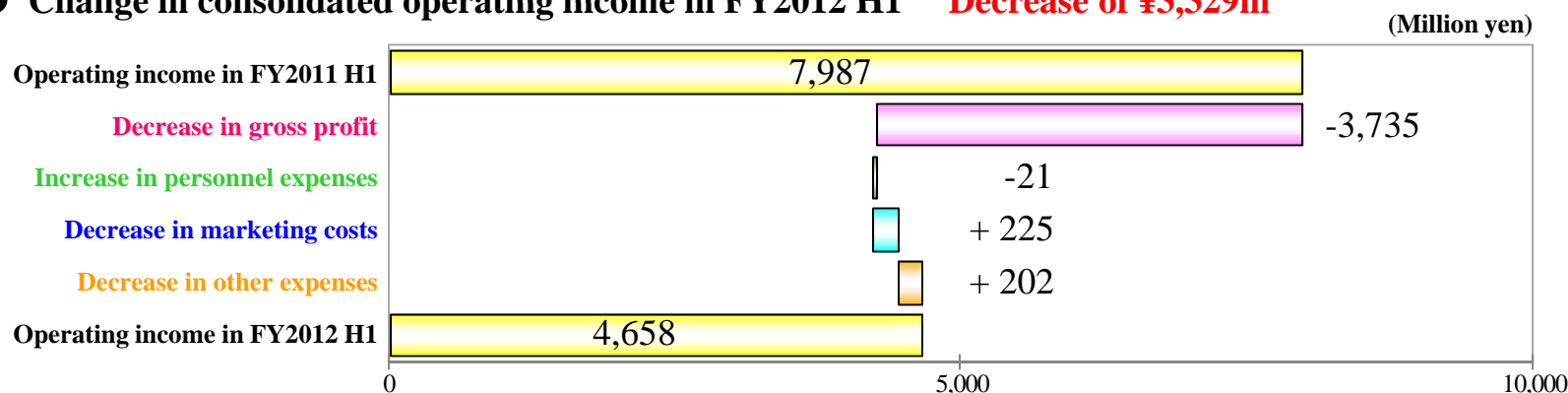


Main factors in operating income performance by business segment for the first half of FY2012

- ◆ Spice / Seasoning / Prepared Food Business income fell sharply due to a decline in sales of mainstay products and an increase in sales costs stemming from intensifying competition.
- ◆ Health Food Business income declined, greatly affected by decreases in sales of the *Ukon No Chikara* and *C1000* series.
- ◆ International Business income rose.
Income in the U.S. tofu business continued to increase due to strong sales.
The curry business in China moved into the black in the first half as a result of the Company's efforts to expand sales and improve profitability.
In the restaurant business in Asia, income climbed in each country.
- ◆ Income in Transport and Other Businesses slipped. Income for Delica Chef Corporation increased due to an increase in sales and cost cutting, but income at House Logistics Service Corporation fell due to a decrease in logistics operations for the Group and increased costs.

Although the impact of rising raw material prices was less than expected, consolidated operating income declined significantly, reflecting decreased sales for mainstay products.

● Change in consolidated operating income in FY2012 H1 **Decrease of ¥3,329m**



● Breakdown of expenses

| | Main factors (non-consolidated) | Main factors (consolidated subsidiaries) The effect of consolidation adjustments is included. |
|---|--|--|
| Gross profit -¥3,735m Cost to sales ratio: 54.82% (pct of sales: up 1.12) | Gross profit: -¥2,884m Impact of sales decline Cost to sales ratio: 48.57% to 48.90% (up 0.33 pct) Material cost rate: down 0.04 pct; Labor cost rate: down 0.02 pct; Manufacturing expense rate: up 0.31 pct → The effect of rising raw material prices was small. An increase in the cost of materials due to a change in the sales mix was offset by cost cutting. | Gross profit: -¥851m House Wellness Foods: -¥859m |
| Personnel expenses +¥21m (pct of sales: up 0.51) | Personnel expenses: -¥153m (pct of sales: up 0.48) Personnel expenses include those for the Somatech Center (research institute). | Personnel expenses: +¥174m Marketing costs: -¥100m Other expenses: +¥120m |
| Marketing costs -¥225m (pct of sales: up 0.90) | Marketing costs: -¥125m (pct of sales: up 1.61) Promotion expenses: -¥101m (pct of sales: up 0.95) Sales commissions: -¥76m (pct of sales: up 0.10) Advertising expenses: +¥52m (pct of sales: up 0.57) | |
| Other expenses -¥202m (pct of sales: up 0.29) | Other expenses: -¥322m Logistics costs: -¥228m (pct of sales: down 0.10) Depreciation and amortization: -¥59m (pct of sales: down 0.03) | |

● Non-operating income (expenses) **FY2011 H1: +¥382m → FY2012 H1: +¥800m (up ¥418m year on year)**

● Extraordinary income (loss) **FY2011 H1: -¥699m → FY2012 H1: -¥398m (up ¥300m year on year)**



Full-Year Plan for FY2012

The Company aims to increase both sales and income in the second half by strengthening all lines in the Spice / Seasoning / Prepared Food Business, its core business, and focusing on enhancing the performance of mainstay products in the Health Food Business. However, the Company does not expect the weak performance in the first half to be offset by results in the second half, and has revised its full-year targets downward.

The Company aims to increase both sales and income in the second half by strengthening major brands, launching new products, and cutting costs in its two core businesses.

● Consolidated net sales and income

| | FY2010 performance | FY2011 performance | FY2012 revised target | Year on year (%) |
|------------------|--------------------|--------------------|-----------------------|------------------|
| Net sales | 216,713 | 214,317 | 211,000 | -3,317 (98.5) |
| Operating income | 12,069(*) | 14,053(*) | 12,500(*) | -1,553 (88.9) |
| Ordinary income | 13,031(*) | 15,502(*) | 14,100(*) | -1,402 (91.0) |
| Net income | 5,252(*) | 7,928(*) | 8,800(*) | +872 (111.0) |

★ Non-consolidated (Million yen)

| | FY2012 revised target | Year on year (%) |
|--|-----------------------|------------------|
| | 147,000 | -4,803 (96.8) |
| | 10,500 | -1,196 (89.8) |
| | 13,200 | -1,135 (92.1) |
| | 8,500 | +616 (107.8) |

(*) Amortization of the goodwill of House Wellness Foods Corporation: ¥4,106m in FY2010, ¥1,345m in FY2011, ¥673m in FY2012 (This amortization was completed in the first half.)

● Breakdown of sales by business segment

(Million yen)

| Business segment | FY2012 H2 revised target | Year on year (%) | FY2012 revised target | Year on year (%) |
|--|--------------------------|------------------|-----------------------|------------------|
| Spice / Seasoning / Prepared Food Business | 65,208 | +27 (100.0) | 125,200 | -4,047 (96.9) |
| Health Food Business | 20,787 | +410 (102.0) | 43,900 | -2,093 (95.5) |
| International Business | 7,247 | +1,573 (127.7) | 13,900 | +2,138 (118.2) |
| Transport and Other Businesses | 13,926 | +235 (101.7) | 28,000 | +685 (102.5) |
| Total | 107,169 | +2,245 (102.1) | 211,000 | -3,317 (98.5) |

● Breakdown of sales by product type

(Million yen)

| | FY2012 revised target | YOY (%) |
|---|-------------------------|------------------|
| Spice / Seasoning / Prepared Food Business | 125,200 | 96.9% |
| Curry roux | 37,280 | 97.0 |
| Stew roux | 13,780 | 100.8 |
| Hashed beef sauce roux | 4,140 | 96.3 |
| Spice | 16,660 | 100.2 |
| Retort pouched curry | 13,480 | 95.1 |
| Packaged noodles | 6,800 | 97.9 |
| Snack | 7,500 | 95.0 |
| Dessert | 4,400 | 104.6 |
| Food service products | 16,100 | 98.3 |
| Health Food Business | 43,900 | 95.5% |
| Health foods (excl. direct retail products) | 18,730 | 95.9 |
| Direct retail products | 580 | 89.0 |
| House Wellness Foods (consolidated) | 25,220 | 94.9 |
| International Business | 13,900 | 118.2% |
| House Foods America | 7,000 <\$87,913,000> | 114.4 <111.6> |
| Shanghai House Foods | 1,240 | 122.4 |
| Restaurants in Asia (China, Taiwan, South Korea) | 2,560 | 147.0 |
| Transport and Other Businesses | 28,000 | 102.5% |
| House Logistics Service (consolidated) | 13,930 | 105.3 |
| Delica Chef (deli products) | 13,690 | 103.6 |
| Consolidated sales | 211,000 | 98.5 |

| Main points of sales initiatives in FY2012 |
|--|
| <p>Spice / Seasoning / Prepared Food Business</p> <ul style="list-style-type: none"> ◆ For curry roux products, the Company aims to strengthen the brand power of mid-priced products and enhance the position of <i>Kokumaro Curry</i>, a low-priced product. The Company will also develop a strategy for all curry roux products, including food service products, to enhance the value of curry eaten at restaurants and at home. ◆ The Company will emphasize the value of mid-priced stew products, its mainstay stew products, and will strive to have <i>Koku No Zeitaku Stew</i>, a new low-priced product, penetrate the market. ◆ For spice products, the Company will focus on enhancing the brand strength of <i>Toast Seasonings</i> through sales promotions to expand sales. |
| <p>Health Food Business</p> <ul style="list-style-type: none"> ◆ The Company will boost demand for <i>Ukon No Chikara</i> through advertising, especially TV commercials, toward the peak season to increase sales. To expand the market share of <i>Mega Shaki</i>, which is selling well, the Company will increase its exposure. ◆ House Wellness Foods Corporation will focus on enhancing the performance of <i>Vitamin Lemon</i>, a mainstay product, to improve profitability. |
| <p>International Business</p> <ul style="list-style-type: none"> ◆ In the U.S. tofu business, the Company will aim to acquire new customers to boost sales of tofu products, and will add to its production lines to increase production. ◆ In the curry business in China, the Company revised prices in July. It plans to expand operations and post a full-year net profit for the first time by promoting sales in inland China, where economic growth is significant. ◆ In the restaurant business in Asia, the Company will accelerate the opening of new restaurants and set up central kitchens. |
| <p>Transport and Other Businesses</p> <ul style="list-style-type: none"> ◆ House Logistics Service Corporation will endeavor to expand the logistics operations commissioned by companies outside the Group and will cut costs by consolidating bases, among other initiatives. ◆ Delica Chef Corporation will accelerate the improvement of operating results and bolster its revenue base. |

All exports are added to sales in the International Business segment in the breakdown of sales by business segment. However, sales of each product type in the table above include exports.

● Operating income by business segment

(Million yen)

| | FY2012 H2 Revised operating income target | Year on year (%) | FY2012 Revised operating income target | Year on year (%) | ROS (%) |
|--|--|------------------|---|------------------|------------|
| Spice / Seasoning / Prepared Food Business | 5,661 | +785 (116.1) | 8,350 | -1,583 (84.1) | 6.7 |
| Health Food Business | 1,548 | +914 (244.1) | 2,550 | +19 (100.7) | 5.8 |
| International Business | 265 | +17 (106.7) | 800 | +149 (122.8) | 5.8 |
| Transport and Other Businesses | 371 | +37 (111.1) | 800 | -135 (85.5) | 2.9 |
| Total | 7,842 | +1,775 (129.3) | 12,500 | -1,553 (88.9) | 5.9 |

- The total operating income is affected by consolidation adjustments (-¥2m in FY2012 H2, —m in FY2012, -¥24m in FY2011 H2, +¥3m in FY2011).
- The amortization of the goodwill of House Wellness Foods Corporation (¥673m) affects revised full-year operating income target in the Health Food Business (real ROS: 7.3%).

● Changes in operating income by business segment

(from FY2011 to FY2012)

(Million yen)

| | |
|--|--------|
| Operating income in FY2011 | 14,053 |
| Decrease in Spice / Seasoning / Prepared Food Business | -1,583 |
| Increase in Health Food Business | +19 |
| Increase in International Business | +149 |
| Decrease in Transport and Other Businesses | -135 |
| Consolidation adjustments | -3 |
| Operating income in FY2012 | 12,500 |

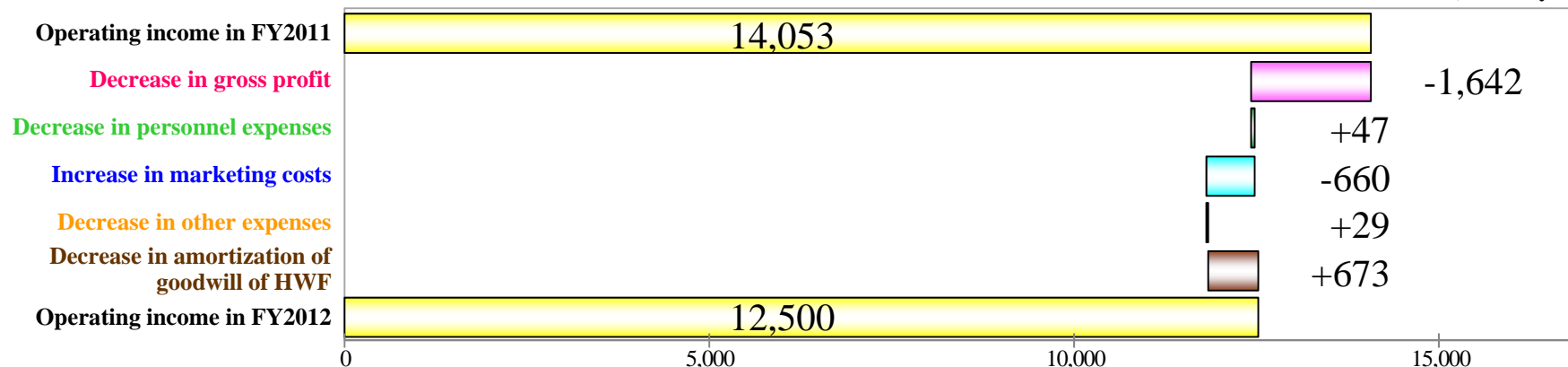
Main points regarding operating income targets for FY2012 by business segment

- ◆ Income in the Spice / Seasoning / Prepared Food Business is expected to decrease, as efforts to secure sales and cut costs in the second half fell short of offsetting the significant decrease in income in the first half.
- ◆ In the Health Food Business, the Company is aiming for operating income to be on par with the year-ago level, with a recovery in performance and the effect of a reduction in the amortization of goodwill (+673) in the second half offsetting the decrease in operating income in the first half.
- ◆ Income in the International Business is expected to rise in the second half and full year despite the increase in marketing costs associated with the launch of the Southeast Asia business, attributable to continued increases in operating income in the U.S. tofu business, the China curry business, and the restaurant business.
- ◆ In Transport and Other Businesses, income for Delica Chef Corporation is expected to increase in the full year, reflecting the continuing improvement in earnings. Income at House Logistics Service Corporation is expected to decline for the full year, with a recovery in the second half being more than offset by the decrease in the first half.

Operating income will decline due to the significant decrease in sales of major products in the first half, despite efforts to increase income in the second half.

● Change in consolidated operating income in FY2012 **Decrease of ¥1,553m**

(Million yen)



● Breakdown of expenses

| | Main factors (non-consolidated) | Main factors (consolidated subsidiaries) |
|---|---|--|
| Gross profit -¥1,642m Cost to sales ratio: 54.17% (pct of sales: up 0.06) | Gross profit: -¥1,237m Cost to sales ratio: 48.66% to 47.82% (down 0.84 pct) Material cost rate: down 0.61 pct; Labor cost rate: down 0.19 pct; Manufacturing expense rate: up 0.05 pct | Gross profit: -¥405m Subsidiaries total: -¥15m Consolidation adjustments: -¥390m |
| Personnel expenses -¥47m (pct of sales: up 0.13) | Personnel expenses: -¥383m (pct of sales: up 0.05) Personnel expenses include those for the Somatech Center (research institute). | Personnel expenses: +¥336m Marketing costs: +¥265m Amortization of goodwill: -¥673m Other expenses: +¥25m |
| Marketing costs +¥660m (pct of sales: up 0.64) | Marketing costs: +¥395m (pct of sales: up 1.07) Promotion expenses: -¥19m (pct of sales: up 0.49) Sales commissions: +¥59m (pct of sales: up 0.13) Advertising expenses: +¥356m (pct of sales: up 0.45) | |
| Other expenses -¥702m (pct of sales: down 0.19) | Other expenses: -¥54m Logistics costs: -217m (pct of sales: down 0.05) | |

● Non-operating income (expenses) **FY2011: +¥1,449m → FY2012: +¥1,600m (up ¥151m year on year)**

● Extraordinary income (loss) **FY2011: -¥2,616m → FY2012: -¥600m (up ¥2,016m year on year)**

Revision of full-year targets for FY2012 (comparison with initial targets, year on year)

● Revised consolidated net sales and income targets for FY2012

| | FY2012 revised target | Comparison with initial target (%) | Year on year (%) |
|---|-----------------------|------------------------------------|------------------|
| Net sales | 211,000 | -7,000 (96.8) | -3,317 (98.5) |
| <i>Spice / Seasoning / Prepared Food Business</i> | 125,200 | -4,200 (96.8) | -4,047 (96.9) |
| <i>Health Food Business</i> | 43,900 | -3,000 (93.6) | -2,093 (95.5) |
| <i>International Business</i> | 13,900 | -300 (97.9) | +2,138 (118.2) |
| <i>Transport and Other Businesses</i> | 28,000 | +500 (101.8) | +685 (102.5) |

| | | | |
|---|--------|----------------|----------------|
| Operating income | 12,500 | -2,300 (84.5) | -1,553 (88.9) |
| <i>Spice / Seasoning / Prepared Food Business</i> | 8,350 | -1,600 (83.9) | -1,583 (84.1) |
| <i>Health Food Business</i> | 2,550 | -750 (77.3) | +19 (100.7) |
| <i>International Business</i> | 800 | +150 (123.0) | +149 (122.8) |
| <i>Transport and Other Businesses</i> | 800 | -100 (88.8) | -135 (85.5) |

- The amortization of the goodwill of House Wellness Foods Corporation (¥673m) affects revised full-year operating income target in the Health Food Business.

| | | | |
|-----------------|--------|----------------|----------------|
| Ordinary income | 14,100 | -2,100 (87.0) | -1,402 (91.0) |
|-----------------|--------|----------------|----------------|

| | | | |
|------------|-------|----------------|--------------|
| Net income | 8,800 | -1,600 (84.6) | +872 (111.0) |
|------------|-------|----------------|--------------|

★ Non-consolidated

(Million yen)

| FY2012 revised target | Comparison with initial target (%) | Year on year (%) |
|-----------------------|------------------------------------|------------------|
| 147,000 | -6,000 (96.1) | -4,803 (96.8) |

| | | |
|--------|----------------|----------------|
| 10,500 | -2,000 (84.0) | -1,196 (89.8) |
|--------|----------------|----------------|

| | | |
|--------|----------------|----------------|
| 13,200 | -1,900 (87.4) | -1,135 (92.1) |
|--------|----------------|----------------|

| | | |
|-------|----------------|--------------|
| 8,500 | -1,300 (86.7) | +616 (107.8) |
|-------|----------------|--------------|

Major Businesses: Strategies and Initiatives

| | | | |
|-----|---|-------------------------|--|
| (1) | Spice / Seasoning / Prepared Food Business | Core business | Development of business strategies by price range |
| (2) | | | Products to be promoted in the second half |
| (3) | Health Food Business | | Maximizing the value of major brands |
| (4) | International Business | Growing business | U.S. business, businesses in southeast Asia |
| (5) | | | China curry business, restaurant business in Asia |

Establish positions for all lines in all price ranges

| | | FY2011 H1 performance | FY2011 performance | FY2012 H1 performance | FY2012 H2 revised target | FY2012 revised target |
|---|-------------------------------|-----------------------|--------------------|-----------------------|--------------------------|-----------------------|
| Sales (Year-on-year change) Unit: million yen | Curry roux | 20,142 (+465) | 38,425 (+71) | 18,859 (-1,283) | 18,420 (+137) | 37,280 (-1,145) |
| | Retort pouched curry products | 7,865 (+140) | 15,355 (-29) | 7,035 (-830) | 7,350 (-140) | 14,380 (-975) |
| | Food service curry | 5,769 (+443) | 11,026 (+645) | 5,602 (-167) | 5,430 (+173) | 11,030 (+4) |
| | Curry total | 33,776 (+1,048) | 64,806 (+686) | 31,497 (-2,280) | 31,190 (+160) | 62,690 (-2,116) |
| | Stew | 4,916 (+1) | 13,660 (-513) | 4,470 (-446) | 9,310 (+566) | 13,780 (+120) |

Initiatives in FY2012

- ◆ Establish positions for all lines in all price ranges, as customer eating habits are changing and the pressure to cut prices is increasing.
- ◆ Implement branding strategies for curry and stew products by price range. For mid-priced products, thoroughly promote *Vermont Curry*, *Java Curry*, *Hokkaido Stew*, and *Stew Mix*, and strengthen their presence in stores. Continue to bolster their brand strength by effectively allocating the promotion budget.
- ◆ Take steps to help *Kokumaro Curry*, a low-priced product, recover its position. Strive to make *Koku No Zeitaku Stew*, a new product that has been well received, penetrate the market and maintain a stable market share.
- ◆ Implement a comprehensive strategy for curry products, including food service curry products, to increase the appeal of curry in response to changes in the market environment. Respond to the demand for food service curry and ready-made meal replacement and strive to enhance the value of curry.



“Feeling warm together” campaign
August 20, 2012 – November 2, 2012

A “total campaign” including a tie-up with the film *Okami Kodomo No Ame to Yuki*. The campaign included original film-related gifts produced by BEAMS.



Koku No Zeitaku Stew

New

Launched nationwide on Aug. 20, 2012



Promote new products that will lead to repeat purchases and cultivate new brands

Initiatives in FY2012

Toast Seasonings

- ◆ Increase series recognition by launching different varieties and broadcasting TV commercials. Promote sales by proposing different uses.

The Hotel Curry

- ◆ Focus on promoting *The Hotel Curry*, a mid-priced product, and strengthen its presence in stores to establish it firmly in the market. Strengthen the positions of all retort pouched curry products.

Kamatama Supa

- ◆ Develop a growth strategy focusing on *Kamatama Supa*, a new product, in the growing pasta sauce market. Create and develop unique subcategories to meet customer needs.

Other products

- ◆ Launch *Ibushi No Takumi Smoked Curry* (two types: flakes to cook and retort pouched curry) and propose new types of taste.
- ◆ Promote care food products in the market for the elderly, which is expected to grow.

Ibushi No Takumi Smoked Curry

New

Launched nationwide on Aug. 20, 2012



Care food products

やさしくラクケア

Yawaraka-niku No Retort Series



Marude Kudamono No Youna Jelly



Toast Seasonings



The Hotel Curry



伝統ホテルのカレーソースに着目
3つのおいしさが溶け込む“なめらかソース”

| | | |
|------------------|--------------|------------|
| 約6分の1になるまで炒めた玉ねぎ | じっくり煮込んだパイロン | 特製のカレーパウダー |
|------------------|--------------|------------|

Kamatama Supa



(3) Health Food Business: Maximizing the value of major brands

Aim to maximize the value of major brands *Ukon No Chikara* and *C1000*

| | | FY2011 H1 performance | FY2011 performance | FY2012 H1 performance | FY2012 H2 revised target | FY2012 revised target |
|---|---|-----------------------|--------------------|-----------------------|--------------------------|-----------------------|
| Sales (Year-on-year change) Unit: million yen | Health food products (House Foods Corporation) | 9,455 (-603) | 19,534 (-1,829) | 8,518 (-937) | 10,210 (+131) | 18,730 (-804) |
| | House Wellness Foods Corporation | 18,597 (-474) | 31,490 (+1,414) | 17,105 (-1,491) | 13,630 (+737) | 30,730 (-760) |
| | Direct retail (mail order) business (House Foods Corporation) | 351 (-174) | 656 (-311) | 279 (-71) | 300 (-5) | 580 (-76) |

Initiatives in FY2012

- ◆ The performance of *Ukon No Chikara* is declining due to changes in customer attitudes toward alcohol and the entry of competitor products. The Company is striving to expand its targets, launching *Ukon No Chikara Cool* in August and renewing *Ukon No Chikara Cassis Orange* in October. Toward the peak season, the Company will try to boost demand through advertising, especially through TV commercials.
- ◆ Plans to strengthen the presence of *Mega Shaki*, expand its customer base, and cultivate the brand through advertising and sales promotions
- ◆ Will focus on enhancing the performance of *Vitamin Lemon* in the *C1000* series and endeavor to improve the earning capacity of major products by launching aggressive marketing initiatives and expanding production capacity after replacing facilities

Ukon No Chikara



Variety

Ukon No Chikara Cool



Launched in convenience stores on Aug. 6, 2012, and in all channels on Nov. 19, 2012

Renewal

Ukon No Chikara Cassis Orange

Launched nationwide on Oct. 22, 2012



Mega Shaki

Renewal



Launched nationwide on July 23, 2012



House Wellness Foods Corporation

New



Launched nationwide on Oct. 1, 2012

C1000 Chotto Koime No Lemon Water

(4) International Business: U.S. business, businesses in southeast Asia

Expand the U.S. tofu business, where sales are increasing, and establish a base in Southeast Asia

● U.S. tofu and restaurant business

House Foods America Corporation

■ House Foods America Corporation sales in the tofu and restaurant business (Million yen)

| | FY2011 H1 performance | FY2011 performance | FY2012 H1 performance | FY2012 H2 revised target | FY2012 revised target |
|---------------------------|-----------------------|--------------------|-----------------------|--------------------------|-----------------------|
| House Foods America total | 3,131 (102.0%) | 6,123 (107.3%) | 3,412 (109.0%) | 3,590 (115.5%) | 7,000 (114.4%) |
| Tofu business | 2,261 (101.0%) | 4,494 (107.3%) | 2,571 (113.7%) | 2,730 (117.7%) | 5,300 (117.9%) |
| Restaurant business | 532 (104.5%) | 1,019 (103.9%) | 512 (96.2%) | 560 (109.8%) | 1,070 (104.8%) |
| Exchange rate | ¥80.73 | ¥77.74 | ¥79.31 | ¥80.0 | ¥80.00 |

House Foods America Corporation runs a tofu business and restaurant business, described above, and imports and sells House Foods Corporation's products.

Tofu products



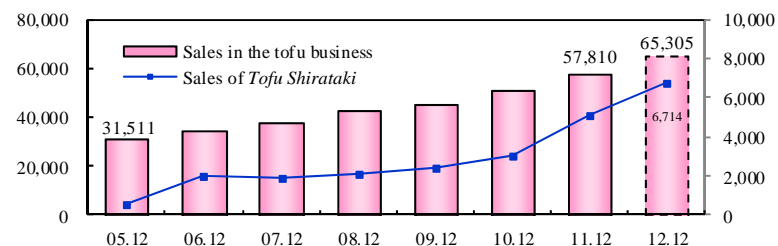
Tofu Shirataki

A campaign in a tie-up with the film Madagascar 3



- In the tofu business, tofu products sold well as a result of sales promotions, including a campaign with a movie tie-up, as the tofu market is expanding in the United States. Sales of *Tofu Shirataki* rose sharply from the previous fiscal year, and continue to increase in the double digits (in dollars). The price of soybeans will rise in the second half, but House Foods America will strive to offset this rise by cutting costs.
- Tofu lines at the New Jersey plant have been expanded. To meet increasing demand, House Foods America has been increasing production capacity and earnings power since October.
- House Foods America acquired a local company manufacturing and selling meat alternatives in October and will seek to expand operations by capturing the American market.

Sales in U.S. tofu business (Thousand dollars)



● Businesses in Southeast Asia

House Osotspa Foods

(Million yen)

| | FY2012 H1 performance | FY2012 H2 revised target | FY2012 revised target |
|---------------|-----------------------|--------------------------|-----------------------|
| Sales | 77 (-%) | 190 (-%) | 270 (-%) |
| Exchange rate | ¥2.52 | ¥2.50 | ¥2.50 |



C-vitt

- Launched *C-vitt*, a health drink, in August. Expanding sales channels, including convenience stores. Aim to strengthen product presence through aggressive sales promotions.

House Foods Vietnam



(A rendering of the plant)

- Operating processed foods businesses, etc. by taking advantage of House Foods' technologies.
- Began building a new plant in April
- Making steady progress toward starting sales in the spring of next year

(5) International Business: China curry business, restaurant business in Asia

The China curry business is expected to post a net profit for the full year, and will expand in synergy with the restaurant business.

● China curry business



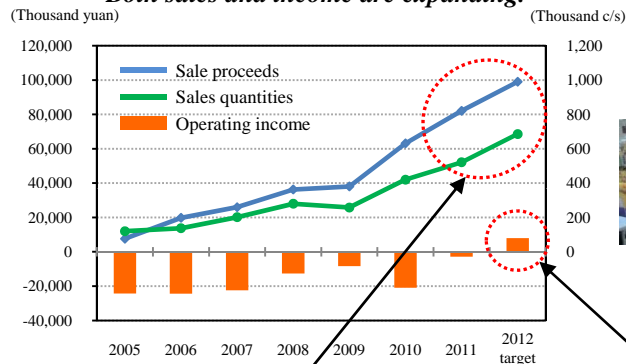
Shanghai House Foods Co., Ltd.

(Million yen)

| | FY2011 H1 performance | FY2011 performance | FY2012 H1 performance | FY2012 H2 revised target | FY2012 revised target |
|--------------------------------|-----------------------|--------------------|-----------------------|--------------------------|-----------------------|
| Shanghai House Foods Co., Ltd. | 464 (149.6%) | 1,012 (129.8%) | 624 (134.5%) | 620 (112.2%) | 1,240 (122.4%) |
| Exchange rate | ¥12.44 | ¥12.33 | ¥12.52 | ¥12.50 | ¥12.50 |

- A change in the sales system in January reduced the sales of curry roux products by 12 percentage points. However, sales rose significantly in the first half, reflecting the market expansion associated with the increasing popularity of curry. Shanghai House Foods is promoting curry products in internal regions, where economic growth is significant.
- Shanghai House Foods expects to post a full-year profit for FY2012 for the first time since its establishment due to expanding business, cutting manufacturing costs, and controlling marketing costs. The full-year target has been revised upward.
- Shanghai House Foods revised the prices of household products in July (up around 12% on average). Major mass retailers are steadily accepting the new prices. The company is striving to boost demand at these new prices through advertising, sales promotions, and in-store tasting events.

Both sales and income are expanding.



The sales system was revised in 2012, and a portion of sales expenses is included in net sales. In the new system, sales proceeds in yuan will rise 20.6% year on year, and sales quantities will increase 31.5% year on year.

A full-year net profit is expected.

In-store event



Tasting event



● The restaurant business in Asia

Companies in China, South Korea, and Taiwan



■ Sales at each restaurant company in Asia

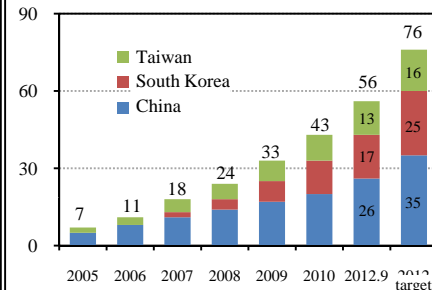
(Million yen)

| | FY2011 H1 performance | FY2011 performance | FY2012 H1 performance | FY2012 H2 revised target | FY2012 revised target | Number of restaurants |
|-------------|-----------------------|--------------------|-----------------------|--------------------------|-----------------------|-----------------------|
| China | 420 (132.8%) | 993 (148.7%) | 669 (159.4%) | 900 (156.6%) | 1,570 (157.8%) | 26 |
| South Korea | 168 (139.7%) | 312 (116.0%) | 178 (105.7%) | 180 (123.9%) | 350 (114.1%) | 17 |
| Taiwan | 217 (171.2%) | 436 (138.1%) | 285 (131.5%) | 350 (160.3%) | 640 (146.0%) | 13 |
| Total | 805 (142.9%) | 1,741 (139.0%) | 1,132 (140.6%) | 1,430 (152.4%) | 2,560 (147.0%) | 56 |

(The number of restaurants is as of September 30, 2012)

- In China, sales at existing restaurants were strong, and new restaurants continued to be opened. In South Korea, the food service industry remained competitive, and sales increased. In Taiwan, sales were strong for both new and pre-existing restaurants.
- The Company will maintain its pace of restaurant openings and will develop the organization and human resources to increase the number of restaurants. The Company will also aim to improve quality and safety at central kitchens and restaurants.

Number of restaurants



Restaurants












Supplementary Description

Founded as a company dealing in Chinese medicine and expanded with a focus on curry

● History of businesses

| Major business | |
|----------------|---|
| 1913 | Urakami Shoten, an enterprise dealing in herbal medicines, founded |
| | Spice |
| 1926 | Launch of powder curry start |
| 1934 | Hashed beef sauce |
| 1960 | Curry roux |
| 1964 | Dessert |
| 1966 | Stew |
| 1970 | Retort pouched food (Sun House Foods) |
| | Transport and warehousing (House Logistics Service) |
| 1973 | Instant noodles |
| 1977 | Snacks |
| 1983 | Restaurants (USA) |
| | Mineral water |
| | Tofu (USA) |
| 1985 | Products to be cooked in the microwave oven |
| | Deli products (Delica Chef) |
| 1995 | Liquid seasoning |
| 1997 | Restaurants (China) |
| 1998 | Health foods |
| 2002 | Retort pouched curry (China) |
| 2005 | Curry roux (China) |
| 2006 | Health foods (House Wellness Foods) |
| 2007 | Restaurants (South Korea) |
| 2009 | Health foods (Nutrisystem J-diet) |
| 2010 | Transfer of the mineral water business |
| 2011 | Entry into Thailand |
| 2012 | Entry into Vietnam |
| | <u>Vermont Curry</u> |
| |  |
| | Launched in 1963 |
| | <u>Stew Mix</u> |
| |  |
| | Launched in 1966 |
| | <u>Kukure Curry</u> |
| |  |
| | Launched in 1971 |
| | <u>Kanjuku Tomato No Hayashi Rice Sauce</u> |
| |  |
| | Launched in 1996 |
| | <u>Tongari Corn</u> |
| |  |
| | Launched in 1978 |
| | <u>Ukon No Chikara</u> |
| |  |
| | Launched in 2004 |
| | <u>Prime</u> |
| |  |
| | Launched in 2006 |

Major new products and varieties for the autumn and winter 2012



● New product

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

| | Product | Content | Area | Suggested retail price | Sale date |
|------------------------|--|---|------------|------------------------|-----------|
| Curry | Ibushi No Takumi Smoked Curry (Standard, Strong) | 150 g | Nationwide | Open (¥313) | Aug. 20 |
| Retort pouched curry | Ibushi No Takumi Smoked Curry (Cheese & Potato, Bacon & Potato) | 200 g | Nationwide | Open (¥246) | Aug. 20 |
| Retort pouched curry | Calorie Bishokutei 80 (European Curry, Yasai No Gudakusan Curry) | 180 g | Nationwide | Open (¥208) | Aug. 20 |
| Retort pouched hayashi | Calorie Bishokutei 80 Hayashi Rice Sauce | 180 g | Nationwide | Open (¥208) | Aug. 20 |
| Stew | Koku No Zeitaku Stew (Cream, Beef) | 140 g | Nationwide | Open (¥170) | Aug. 20 |
| Stew | Gochiso Chowder (Clam, Mushroom, Tomato) | 144 g | Nationwide | Open (¥240) | Aug. 20 |
| Retort pouched stew | Retort Gochiso Chowder (Clam, Tomato) | 200 g | Nationwide | Open (¥189) | Aug. 20 |
| Gratin | Quick Macaroni Gratin (Meat Sauce) | 80.5 g for 2 dishes 161 g for 4 dishes | Nationwide | ¥120 ¥200 | Aug. 20 |
| Dessert | Oyatsu Fondue (Chocolate, Condensed Milk & Strawberry) | 68 g/56 g | Nationwide | Open (¥150) | Nov. 19 |
| House Wellness Foods | C1000 Chotto Koime No Lemon Water | 500 ml | Nationwide | ¥140 | Oct. 1 |
| House Wellness Foods | Belax Apple Collagen | 27.2 g | Nationwide | ¥141 | Sep. 10 |

● Variety

| | Product | Content | Area | Suggested retail price | Sale date |
|------------------------|--|-------------|----------------------------|------------------------|-----------|
| Curry-related products | Curry Na Okazu (Toriniku To Kyabetsu No Cream Itame, Toriniku To Broccoli No Curry Mayo Itame) | 130 g/140 g | Nationwide | Open (¥189) | Aug. 20 |
| Spice | Toast Seasonings (Refill) | 24 g | Nationwide | ¥90 | Aug. 20 |
| Spice | Toast Seasonings (Large Size) | 72 g/68 g | Nationwide | ¥285 | Aug. 20 |
| Spice | Toast Seasonings (Apple Ginger Sugar, Almond Sugar, Garlic Toast Mix, Cinnamon Sugar Calorie Half) | 24 g - 28 g | Nationwide | ¥130 - ¥220 | Aug. 20 |
| Spice | Nokkete Gelee (Green Perilla) | 185 g | Nationwide | Open (¥225) | July 30 |
| Pasta sauce | Kamatama Supa (Mentaiko Carbonara) | 27 g | Nationwide | Open (¥150) | Aug. 20 |
| Pasta sauce | Pasta-ya (Nasu No Tomato Sauce, Arrabiata) | 140 g | Nationwide | ¥120 | Aug. 20 |
| Packaged noodles | Umakachan Gyokai Tonkotsu | 96 g | Kyushu, Okinawa, Yamaguchi | ¥100 | Aug. 6 |
| Health drink | Ukon No Chikara Cool | 100 ml | Nationwide | Open (¥238) | Aug. 6 |

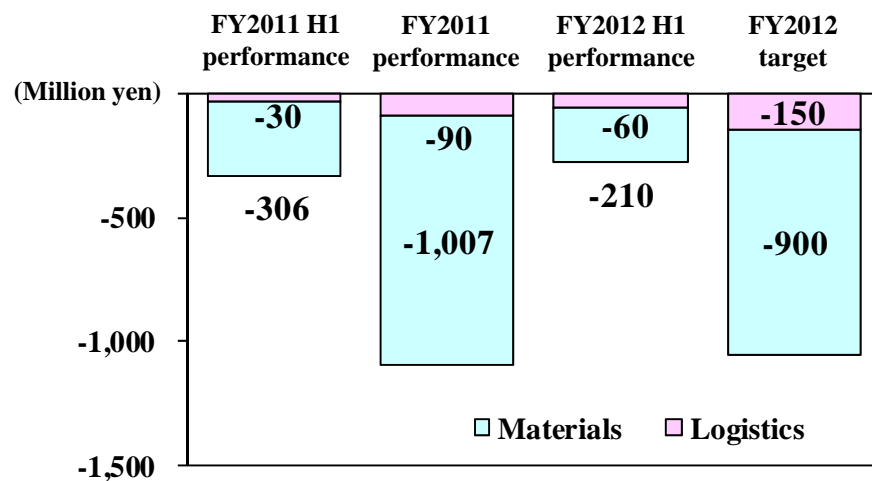
● Renewal

Curry Nabetsuyu, Curry Ya Curry, Curry Ya Hayashi, Atatamezuni Oishii Curry, Gaban Ajitsuki Salt & Pepper, Nokkete Gelee, Quick Macaroni Gratin White Sauce, Hokkaido Gratin, Oden No Moto, Kamatama Supa, Hokkaido Stew (Roux, Retort), Mabo Curry, Ukon No Chikara Cassis Orange, C1000 Vitamin Lemon Hot*

* Products of House Wellness Foods

Trends of cost reductions and sales promotion expenses

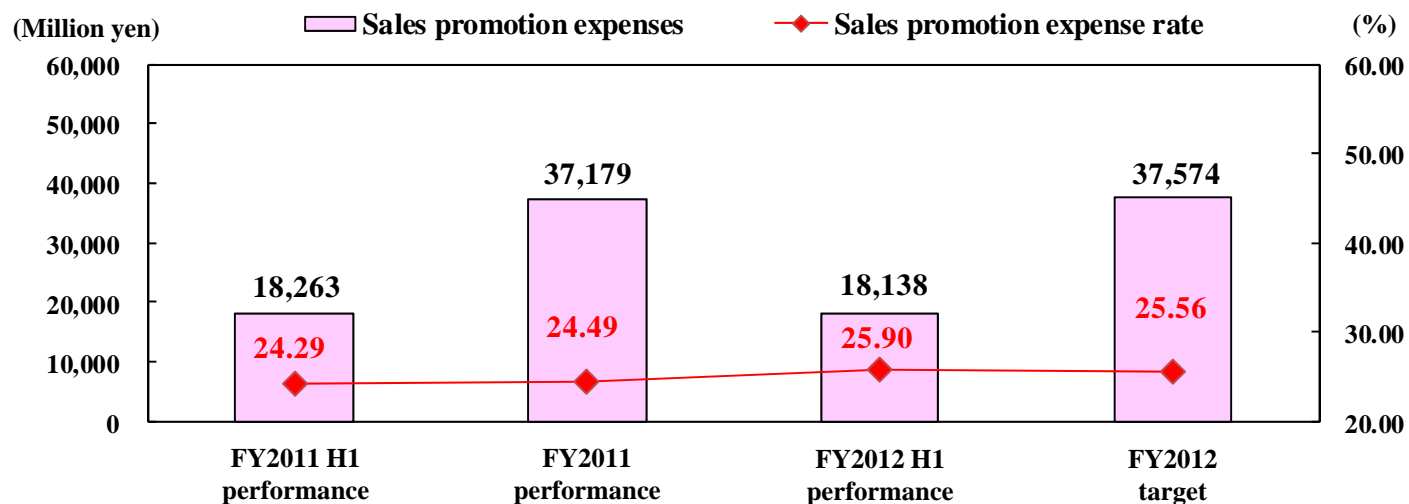
● Trends of cost reductions (from the year-ago level, non-consolidated)



(Million yen)

| | Materials cost | Logistics cost | Total |
|-----------------------|----------------|----------------|-------|
| FY2011 H1 performance | 306 | 30 | 336 |
| FY2011 performance | 1,007 | 90 | 1,097 |
| FY2012 H1 performance | 210 | 60 | 270 |
| FY2012 target | 900 | 150 | 1,050 |

● Sales promotion expenses (non-consolidated)



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

(Million yen)

| ● Non-operating income and expenses | FY2011 H1 | FY2012 H1 | Year on year |
|---|------------|------------|--------------|
| Interest income | 209 | 227 | +19 |
| Dividend income | 249 | 279 | +30 |
| Equity in earnings of affiliates | 166 | 315 | +149 |
| Other (incl. income from leasehold properties) | 88 | 154 | +66 |
| Total non-operating income | 711 | 975 | +264 |
| Interest expenses | 21 | 21 | +1 |
| Foreign exchange losses | 249 | 117 | -133 |
| Other (incl. expenses for leasehold properties) | 60 | 37 | -22 |
| Total non-operating expenses | 330 | 175 | -154 |

(Million yen)

| ● Extraordinary income and loss | FY2011 H1 | FY2012 H1 | Year on year | Remarks |
|---|------------|------------|--------------|---|
| Gain on sales of noncurrent assets | 0 | 1 | +1 | |
| Reversal of allowance for doubtful accounts | 1 | 0 | -1 | |
| Gain on sales of investment securities | 0 | 10 | +10 | |
| Other | 6 | 1 | -5 | |
| Total extraordinary income | 7 | 13 | +6 | |
| Loss on retirement of noncurrent assets | 62 | 111 | +49 | |
| Loss on sales of noncurrent assets | 11 | 1 | -10 | FY2011 H1 Impairment loss |
| Loss on valuation of investment securities | 46 | 256 | +210 | → Including an impairment loss on noncurrent assets associated with the rebuilding of the Osaka Head Office |
| Loss on valuation of membership | 8 | 29 | +20 | |
| Impairment loss | 399 | - | -399 | FY2012 H1 Loss on valuation of investment securities |
| Loss on disaster | 160 | - | -160 | → Including a loss on valuation of listed shares |
| Other | 20 | 16 | -4 | |
| Total extraordinary loss | 706 | 411 | -294 | |

Trends of capital investment and depreciation and amortization

● Trends of capital investment

(Million yen)

| | Consolidated | | | Non-consolidated | | | Major capital investment |
|-------------|--------------|--------|-------|------------------|--------|-------|--|
| | Investment | Leases | Total | Investment | Leases | Total | |
| FY2011 H1 | 2,387 | 330 | 2,717 | 1,524 | 80 | 1,604 | Transfer and replacement of facilities for the Higashi-Osaka Plant Introduction of equipment for fortified rice for House Wellness Foods |
| FY2011 | 4,889 | 597 | 5,485 | 3,066 | 165 | 3,231 | Transfer of facilities and replacement of production facilities for the Higashi-Osaka Plant Introduction of equipment for fortified rice for House Wellness Foods |
| FY2012 H1 | 1,907 | 274 | 2,181 | 652 | 109 | 761 | Replacement of building and production facilities for House Foods America Corporation Related to the House Foods Vietnam plant |
| FY2012 plan | 7,100 | 600 | 7,700 | 3,200 | 300 | 3,500 | Construction of new building for the Osaka Head Office Replacement of building and production facilities for House Foods America Corporation |

● Trends of depreciation and amortization

(Million yen)

| | Consolidated | | | Non-consolidated | | |
|-------------|-------------------------------|----------------|-------|-------------------------------|----------------|-------|
| | Depreciation and amortization | Lease expenses | Total | Depreciation and amortization | Lease expenses | Total |
| FY2011 H1 | 2,574 | 245 | 2,819 | 1,506 | 130 | 1,636 |
| FY2011 | 5,356 | 458 | 5,814 | 3,192 | 231 | 3,423 |
| FY2012 H1 | 2,396 | 192 | 2,588 | 1,404 | 88 | 1,492 |
| FY2012 plan | 5,100 | 400 | 5,500 | 2,800 | 200 | 3,000 |

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 / Prepared Food Business (incl. the Food Service Business) | Core business | ¥132.4bn | 102.4% | ¥10.5bn | 105.7% | 7.9% | +0.2 |
| Health Food Business (incl. the Direct Retail (Mail Order) Business) | | ¥50.0bn | 108.7% | ¥5.5bn | 217.2% | 11.0% | +5.5 |
| International Business | Growing business | ¥20.0bn | 170.0% | ¥1.0bn | 153.6% | 5.0% | -0.5 |
| Transport and Other Businesses | | ¥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

| New business segment | Main product groups, businesses, and subsidiaries |
|---|--|
| Spice / Seasoning / Prepared Food Business | <Curry roux> <Retort pouched curry> [Sun House Foods Corporation] [Sun Supply Corporation] <Spices> [Asaoka Spice K.K.] <Stews> <Hashed beef sauce> <Packaged noodles> <Snacks> <Desserts> |
| | <Food service products> |
| Health Food Business | <Health foods> (Ukon No Chikara, Mega Shaki, and other products) [House Wellness Foods Corporation] ----- <Direct Retail (Mail Order) Business> (Supplements) |
| International Business | United States [House Foods America Corporation] China [Shanghai House Foods Co., Ltd.] [Shanghai House Curry Coco Ichibanya Restaurant, Inc.] [House Foods (Shanghai) Corporation] South Korea [Korea Curry House Co., Ltd.] Taiwan [Taiwan Curry House Restaurant, Inc.] Thailand [House Osotspa Foods Co., Ltd.] Vietnam [House Foods Vietnam Co., Ltd.] <Exports of products> |
| Transport and Other Businesses | [House Logistics Service Corporation] [High Net Corporation] [Delica Chef Corporation] [House Business Partners Corporation] [House Food Analytical Laboratory Inc.] |

<Product group/business> [Subsidiary]