



FY2012 Results Briefing

May 9, 2013



URL <http://housefoods.jp/>

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FY2012 Results and Initiatives under the Fourth Medium-Term Business Plan

Results for domestic core businesses were weak, reflecting increasingly fierce competition due to deflation and changes in customer lifestyles, as well as a stronger-than-expected reduction in the special demand following the earthquake. International Business expanded, mainly in the United States and China, but fell short of offsetting the decline in domestic core businesses.

Overall, both sales and income fell in FY2012.

International Business expanded, but the two domestic core businesses struggled.

● Consolidated net sales and income

	FY2011 performance	FY2012 revised target	FY2012 performance	Year on year (%)	Comparison with revised target (%)
Net sales	214,317	211,000	209,784	-4,533 (97.9)	-1,216 (99.4)
Operating income	14,053	12,500	11,441	-2,612 (81.4)	-1,059 (91.5)
Ordinary income	15,502	14,100	13,445	-2,057 (86.7)	-655 (95.4)
Net income	7,928	8,800	8,254	+326 (104.1)	-546 (93.8)

★ Non-consolidated (Million yen)

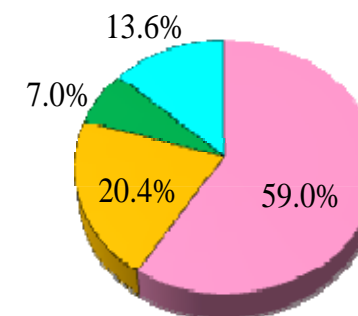
	FY2012 performance	Year on year (%)
	144,748	-7,055 (95.4)
	9,930	-1,766 (84.9)
	13,141	-1,193 (91.7)
	8,095	+211 (102.7)

Amortization of the goodwill of House Wellness Foods Corporation: ¥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 performance	Year on year (%)	Comparison with revised target (%)
Spice / Seasoning / Processed Food Business	123,875	-5,371 (95.8)	-1,324 (98.9)
Health Food Business	42,766	-3,226 (93.0)	-1,134 (97.4)
International Business	14,700	+2,938 (125.0)	+800 (105.8)
Transport and Other Businesses	28,443	+1,127 (104.1)	+442 (101.6)
Total	209,784	-4,533 (97.9)	-1,216 (99.4)



● Breakdown of sales by Business Segment

(Million yen)	FY2012 performance	Year on year (%)	Comparison with revised target (%)
Spice / Seasoning / Processed Food Business	123,875	-5,371 (95.8)	-1,324 (98.9)
Curry roux	37,142	-1,283 (96.7)	-137 (99.6)
Stew roux	13,390	-271 (98.0)	-385 (97.2)
Hashed beef sauce roux	4,016	-285 (93.4)	-127 (96.9)
Spice	16,610	-8 (100.0)	-48 (99.7)
Retort pouched curry	13,074	-1,101 (92.2)	-403 (97.0)
Packaged noodles	6,671	-276 (96.0)	-129 (98.1)
Snack	7,721	-174 (97.8)	+221 (102.9)
Dessert	3,729	-479 (88.6)	-671 (84.7)
Food service products	15,820	-562 (96.6)	-280 (98.3)
Health Food Business	42,766	-3,226 (93.0)	-1,134 (97.4)
Health foods (excl. direct retail products)	17,885	-1,648 (91.6)	-847 (95.5)
Direct retail products	531	-125 (80.9)	-53 (91.0)
House Wellness Foods (consolidated)	24,922	-1,684 (93.7)	-298 (98.8)
International Business	14,700	+2,938 (125.0)	+800 (105.8)
House Foods America	7,431	+1,308 (121.4)	+427 (106.1)
Shanghai House Foods	1,331	+319 (131.6)	+92 (107.5)
Restaurants in Asia (China, Taiwan, South Korea)	2,733	+992 (157.0)	+174 (106.8)
Transport and Other Businesses	28,443	+1,127 (104.1)	+442 (101.6)
House Logistics Service (consolidated)	13,868	+222 (101.6)	-62 (99.6)
Delica Chef (convenience store vendors)	13,840	+624 (104.7)	+154 (101.1)
Consolidated sales	209,784	-4,533 (97.9)	-1,216 (99.4)

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 FY2012
<p>Spice / Seasoning / Processed Food Business</p> <ul style="list-style-type: none"> ◆ Performance declined from the previous fiscal year in all categories, reflecting increasingly fierce competition and changes in customer lifestyles as well as the reduction of the special demand following the earthquake. ◆ Sales of curry roux products declined, reflecting the struggles of <i>Kokumaro Curry</i>, a low-priced product, and the mainstay product <i>Vermont Curry</i>, amid increasing pressure to cut sales prices. ◆ Among retort pouched curry products, <i>The Hotel Curry</i> steadily penetrated the market, but the mainstay product <i>Curry Ya Curry</i> struggled. ◆ Stew products were weak due to the significant decline in the first half, despite the launch of low-priced products and the steady performance of pre-existing products during the peak season.
<p>Health Food Business</p> <ul style="list-style-type: none"> ◆ Among health foods, sales of the <i>Ukon No Chikara</i> series fell despite measures to boost demand, due to changes in customer attitudes toward alcohol and intensifying competition. However, sales of <i>Mega Shaki</i> continued to grow. ◆ House Wellness Foods Corporation worked to develop its businesses and launched new products in the summer and also made progress upgrading its mainstay products. However, sales declined due to the reduction of the special demand following the earthquake during the first quarter and the consecutive launches of new products by other companies, which resulted in fierce competition for sales space.
<p>International Business</p> <ul style="list-style-type: none"> ◆ Sales in the tofu business in the United States continued to climb thanks to an increase in production capacity, the promotion of efforts to gain new customers, and the implementation of marketing initiatives. ◆ In the curry business in China, sales of both household and commercial-use products increased significantly. ◆ Sales in the restaurant business in Asia increased thanks to the opening of new restaurants in each country.
<p>Transport and Other Businesses</p> <ul style="list-style-type: none"> ◆ Sales at House Logistics Service Corporation increased due to the expansion of the logistics operations commissioned by companies outside the Group. ◆ Sales at Delica Chef Corporation rose, partly due to strong sales in the dessert business.

● Operating income by business segment

(Million yen)

Business Segment	FY2012 operating income	Year on year (%)	Comparison with revised target (%)	ROS (%)
Spice / Seasoning / Processed Food Business	8,157	-1,776 (82.1)	-193 (97.7)	6.6
Health Food Business	1,903	-629 (75.2)	-647 (74.6)	4.4
International Business	677	+25 (103.9)	-124 (84.6)	4.6
Transport and Other Businesses	701	-234 (75.0)	-99 (87.7)	2.5
Total	11,441	-2,612 (81.4)	-1,059 (91.5)	5.5

The amortization of the goodwill of House Wellness Foods Corporation (¥673m) affects operating income in the Health Food Business (real ROS: 6.0%).

● Changes in operating income by business segment (from FY2011 to FY2012)

(Million yen)

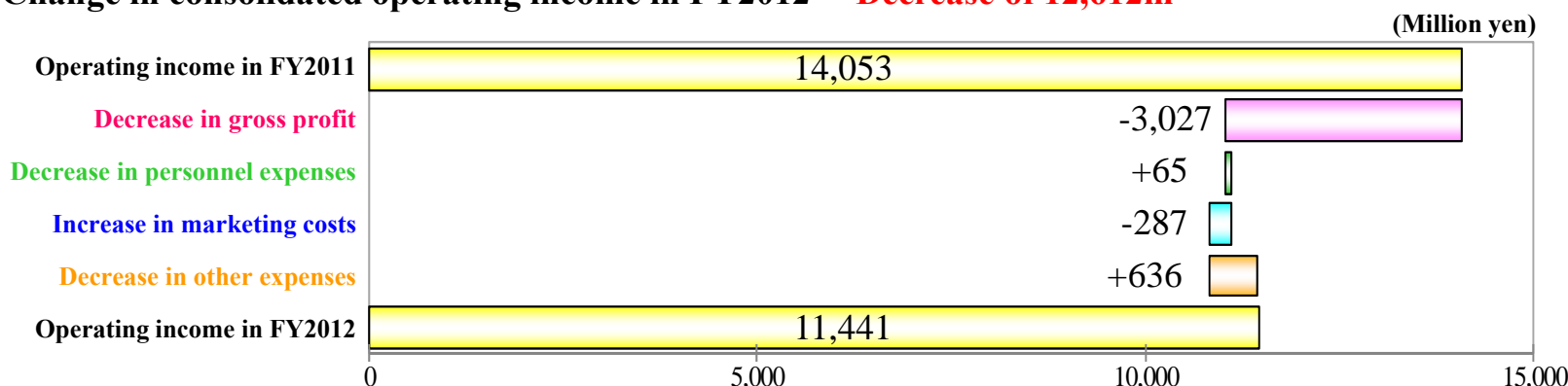
Operating income in FY2011	14,053
Decrease in Spice / Seasoning / Processed Food Business	-1,776
Decrease in Health Food Business	-629
Increase in International Business	+25
Decrease in Transport and Other Businesses	-234
Consolidation adjustments	+1
Operating income in FY2012	11,441

Main factors in operating income performance by business segment for FY2012

- ◆ Spice / Seasoning / Processed Food Business income fell sharply due to an increase in sales costs stemming from the tough market environment. It was also greatly affected by the decline in the sales of mainstay products.
- ◆ Health Food Business income declined, significantly affected by the struggling mainstay products *Ukon No Chikara* and *C1000*.
- ◆ Total income for the International Business increased. Marketing costs for the Southeast Asia business increased due to the launch of the business. Income in the U.S. tofu business declined, partly due to soaring soybean prices. The curry business in China moved into the black for the first time since its launch as a result of the Company's thoroughgoing efforts in cost management in addition to increased sales. Income from the restaurant business in Asia increased in China and Taiwan.
- ◆ In Transport and Other Businesses, income at Delica Chef Corporation increased as a result of its efforts to reduce losses and increase sales. However, income for the overall business declined due to the increased subcontract costs etc. at House Logistics Service Corporation.

Consolidated operating income declined significantly, greatly affected by the decreased sales of mainstay products.

● **Change in consolidated operating income in FY2012** **Decrease of ¥2,612m**



● **Breakdown of expenses**

	Main factors (non-consolidated)	Main factors (consolidated subsidiaries) The effect of consolidation adjustments is included.
Gross profit -¥3,027m Cost to sales ratio: 54.56% (pct of sales: up 0.45)	Gross profit: -¥2,789m Impact of sales decline Cost to sales ratio: 48.66% to 48.08% (down 0.58 pct) Material cost rate: down 0.53 pct; Labor cost rate: down 0.15 pct; Manufacturing expense rate: up 0.13 pct → The material cost rate was reduced thanks to cost-cutting initiatives such as streamlining the raw material procurement and production processes. Raw material prices also decreased on a full-year basis.	Gross profit: -¥238m
Personnel expenses -¥65m (pct of sales: up 0.17)	Personnel expenses: -¥533m (pct of sales: up 0.10) Personnel expenses include those for the Somatech Center (research institute).	Personnel expenses: +¥468m
Marketing costs +¥287m (pct of sales: up 0.59)	Marketing costs: -¥149m (pct of sales: up 1.09) Promotion expenses: -¥26m (pct of sales: up 0.73) Sales commissions: -¥216m (pct of sales: down 0.01) Advertising expenses: +¥92m (pct of sales: up 0.38)	Marketing costs: +¥436m
Other expenses -¥636m (pct of sales: down 0.11)	Other expenses: -¥341m Logistics costs: -¥285m (pct of sales: down 0.06) Depreciation and amortization: -¥143m (pct of sales: down 0.06)	Other expenses: -¥295m Amortization of goodwill: -¥673m

● **Non-operating income (expenses)** FY2011: +¥1,449m → FY2012: +¥2,004m (up ¥555m year on year)

● **Extraordinary income (loss)** FY2011: -¥2,616m → FY2012: -¥207m (up ¥2,409m year on year)

Current Initiatives and a Review of the First Year of the Fourth Medium-Term Business Plan

● Initiatives under the business investment plan

■ Aggressively promote sound investments to create new demand.

Strengthen and expand the foundations of the International Business		
U.S. tofu business	<ul style="list-style-type: none"> ◎ Established El Burrito Mexican Food Products Corp. (acquired El Burrito Mexican Food Products, Inc.) → October 2012 (wholly-owned subsidiary of House Foods Holding USA Inc.); amount of investment: US\$4.2 million (approx. ¥300 million) 	Expanding product categories (meat alternative products)
China curry business	<ul style="list-style-type: none"> ◎ Establishing a company to oversee operations in China (converting it from the current trading company) → Planned in December 2013 Capital: Approx. ¥4.7 billion (Amount of additional investment: Approx. ¥2.7 billion) 	Increasing momentum by integrating business implementation through money management
	<ul style="list-style-type: none"> ◎ Consolidated Horie Yamatoya Co., Ltd. (Dalian Horie Yamatoya Food Co., Ltd.) as a Group company → December 2012; amount of investment: Approx. ¥1.3 billion ◎ Made a capital investment in a second production base in China (Dalian Horie Yamatoya Food Co., Ltd.) → Beginning of operations planned for fall 2014; total amount of investment: Approx. ¥1.2 billion 	
Asia restaurant business	<ul style="list-style-type: none"> ◎ Establishing two restaurant companies in China (North and South China) → Planned for fall 2013; amount of investment: Approx. ¥100 million (¥50 million each) 	Establishing operating companies (in charge developing and operating restaurants) to expand the restaurant business
Southeast Asia business	<ul style="list-style-type: none"> ◎ Built a new plant for House Foods Vietnam Co., Ltd. → Completed on April 24, 2013; total amount of investment: Approx. ¥700 million 	Powdered desserts and powdered functional drinks will be launched one by one, starting in May
Develop a value-chain business		
	<ul style="list-style-type: none"> ◎ Consolidating Vox Trading Co., Ltd. as a Group company → Planned in May 2013; amount of investment: Approx. ¥300 million (24.8% → 75.9%) * Full-year sales target for FY2013: ¥14.7 billion 	Taking advantage of synergies by integrating procurement and development capabilities, and increasing competitiveness by improving quality and productivity while simultaneously strengthening and stabilizing raw material procurement capability

Current Initiatives and a Review of the First Year of the Fourth Medium-Term Business Plan

● *Reforming the organizational structure*

■ *Building an organizational structure aimed at achieving independent, sustainable growth for the domestic businesses and International Business*

→ *Switch to a holding company system (October 1, 2013)*

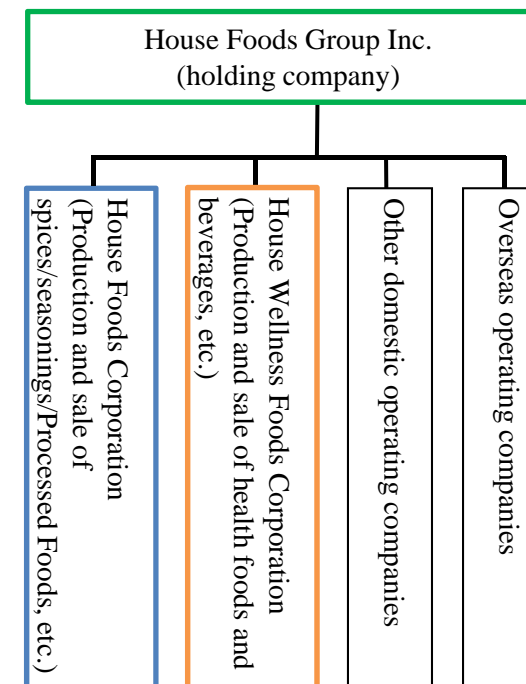
<Objectives>

- To improve Group management functions
- To improve the value-creation capability of each business
- To improve the ability to exploit and develop new business domains
- To strengthen the structure of the International Business

<Method of transition>

The Spice / Seasoning / Processed Food Business will be succeeded by a demerger preparation company that was recently established for the company split, while the Health Food Business operated by the Company and House Wellness Foods will be integrated into House Wellness Foods. The Company will become a holding company.

[Organizational structure after the reform]



● *Implementing a capital policy*

- A secure payout ratio of 30% or higher based on stable dividends
 - The Company increased its dividend by ¥2 in FY2012 and plans to add ¥5 in commemoration of its 100th anniversary in FY2013.
- Payback
 - The Company bought 1 million shares of treasury stock (July–September 2012) and cancelled all its shares (November 2012).

[Change in dividend and payout ratio]

(Yen/%)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013 (Forecast)
Mid-term	11	11	11	13	15	15
Year-end	11	11	11	15	15	15
Commemorative dividend	—	—	—	—	—	5
Annual	22	22	22	28	30	35
Consolidated payout ratio	51.1	50.1	45.5	37.7	38.6	42.1



Full-Year Plan for FY2013

The Company plans to create new demand and increase sales by fully developing its two core domestic businesses and actively expanding into overseas markets.

While a rise in raw material prices is expected, the Company aims to increase both sales and income by allocating its marketing outlays effectively and ensuring cost savings.

In addition to growth in its domestic business and International Business, the Company expects increased sales from the consolidation of Vox Trading Co., Ltd.

● Consolidated net sales and income

(Million yen)

	FY2011 performance	FY2012 performance	FY2013 target	Year on year (%)
Net sales	214,317	209,784	233,000	+23,216 (111.1)
Operating income	14,053	11,441	12,500	+1,059 (109.3)
Ordinary income	15,502	13,445	14,000	+555 (104.1)
Net income	7,928	8,254	8,800	+546 (106.6)

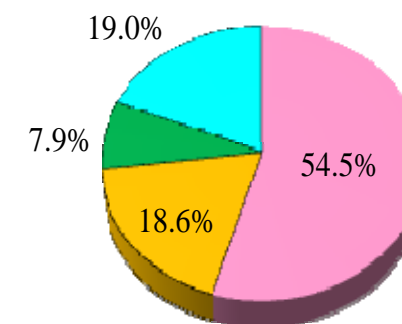
- Amortization of the goodwill of House Wellness Foods Corporation: ¥1,345m in FY2011, ¥673m in FY2012 (This amortization was completed in the first half.)

- Vox Trading Co., Ltd. full-year targets for FY2013: Sales of ¥14,720 million, operating income of ¥450 million

● Breakdown of sales by business segment

(Million yen)

Business segment	FY2013 target	Year on year (%)
Spice / Seasoning / Processed Food Business	127,000	+3,125 (102.5)
Health Food Business	43,400	+634 (101.5)
International Business	18,400	+3,700 (125.2)
Transport and Other Businesses	44,200	+15,757 (155.4)
Total	233,000	+23,216 (111.1)



Business Segment (Million yen)	FY2013 target	Year on year (%)
Spice / Seasoning / Processed Food Business	127,000	102.5%
Curry roux	37,540	101.1
Stew roux	13,790	103.0
Hashed beef sauce roux	4,160	103.7
Spice	17,120	103.0
Retort pouched curry	13,750	105.1
Packaged noodles	6,590	98.8
Snack	7,340	95.1
Dessert	3,640	97.6
Food service products	16,700	105.6
Health Food Business	43,400	101.5%
Ukon No Chikara	14,470	95.4
CI000	17,740	103.7
Direct retail (mail order) products	700	132.4
International Business	18,400	125.2%
House Foods America	8,210	110.5
Shanghai House Foods	1,870	140.3
Restaurants in Asia (China, Taiwan, South Korea)	3,550	130.0
Southeast Asia (Thailand, Vietnam)	1,170	296.9
Transport and Other Businesses	44,200	155.4%
House Logistics Service (consolidated)	14,020	101.1
Delica Chef (convenience store vendors)	13,740	99.3
Vox Trading Co., Ltd.	14,720	—
Consolidated sales	233,000	111.1

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.

Main points of sales initiatives in FY2013
<p>Spice / Seasoning / Processed Food Business</p> <ul style="list-style-type: none"> ◆ For curry roux, retort pouched curry, and stew roux, the Company will implement a full-line strategy for each price range. ◆ For its mainstay roux products, the Company aims to become more cost competitive by optimizing its production and logistics costs, making its production bases more efficient, and promoting cost-cutting initiatives. ◆ To commemorate its 50th anniversary, the Company will thoroughly promote <i>Vermont Curry</i>. ◆ For spices, the Company will reinforce initiatives to expand the <i>Papan</i> series.
<p>Health Food Business</p> <ul style="list-style-type: none"> ◆ For <i>Ukon No Chikara</i>, the Company aims to improve the product performance of mainstay items. For <i>Mega Shaki</i>, the Company will focus its efforts on promotions in the peak season and expanding its customer base. ◆ For the <i>CI000</i> series, the Company plans to increase the presence of its mainstay <i>Vitamin Lemon</i> and focus its efforts on launching new items and increasing sales through each channel.
<p>International Business</p> <ul style="list-style-type: none"> ◆ In the U.S. tofu business, the Company aims to augment its tofu products by increasing sales to major distribution companies and expand sales of its tofu-related products. ◆ In the China business, the Company plans to accelerate its strategy-formulation and decision-making processes for the entire country, with China Centre at the core, and develop businesses further by establishing a company to oversee operations in China, which is expected at the end of the fiscal year. ◆ In the restaurant business in Asia, the Company will promote business development by tackling issues in each area. ◆ In the Southeast Asia business, the Company plans to establish its business in the market by investing in marketing in Thailand and Vietnam.
<p>Transport and Other Businesses</p> <ul style="list-style-type: none"> ◆ House Logistics Service Corporation will endeavor to increase sales by promoting expanded sales for the logistics operations commissioned by companies outside the Group. ◆ Delica Chef Corporation will strive to improve profitability by maintaining the previous year's sales level in its deli, dessert and bread businesses. ◆ The Company will consolidate Vox Trading Co., Ltd. as a Group company.

● Operating income by business segment

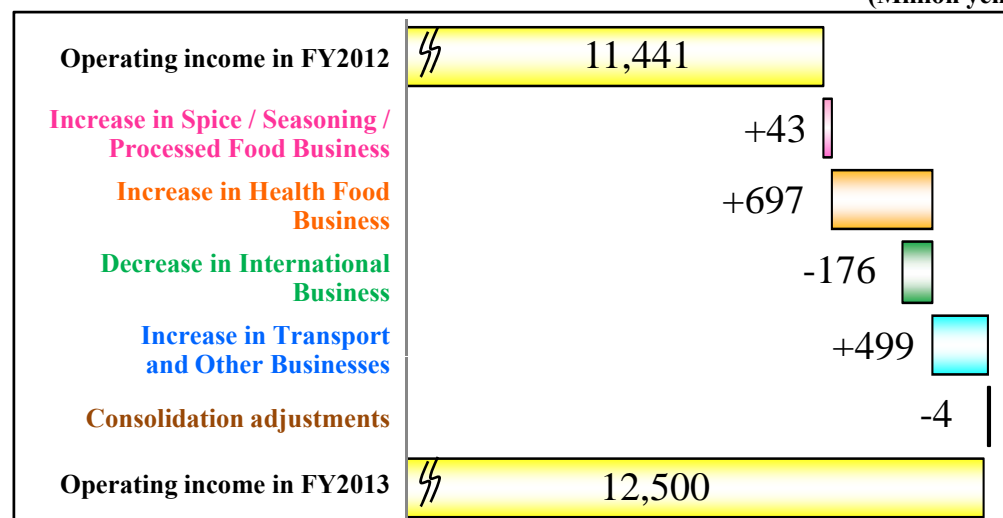
(Million yen)

	FY2013 operating income target	Year on year (%)	ROS (%)
Spice / Seasoning / Processed Food Business	8,200	+43 (100.5)	6.5
Health Food Business	2,600	+697 (136.7)	6.0
International Business	500	-176 (73.9)	2.7
Transport and Other Businesses	1,200	+499 (171.2)	2.7
Total	12,500	+1,059 (109.3)	5.4

● Changes in operating income by business segment

(from FY2012 to FY2013)

(Million yen)

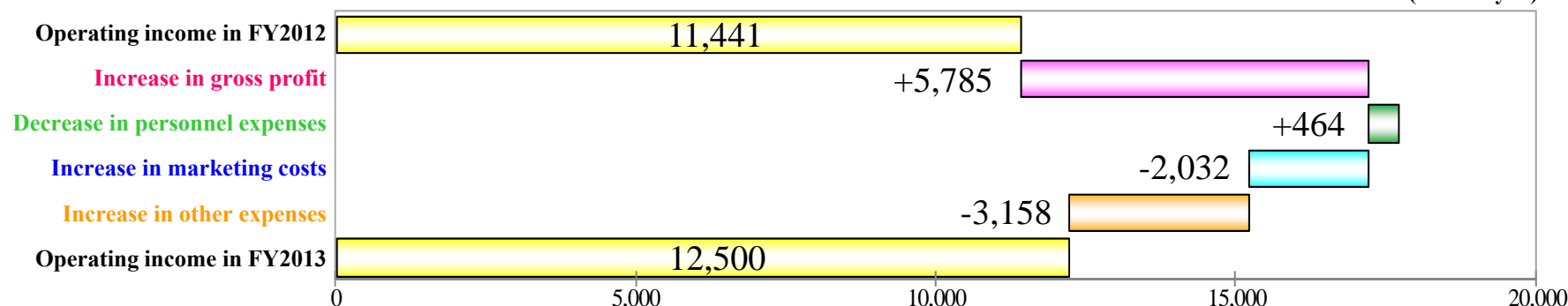


Main points regarding operating income targets for FY2013 by business segment

- ◆ In the Spice / Seasoning / Processed Food Business, the Company plans to improve profitability by absorbing the impact of rising raw material prices through cost-cutting initiatives. The Company will thus strive to retain the level of income it posted in the previous year.
- ◆ In the Health Food Business, income is expected to rise thanks to cost efficiencies and cost reductions related to goodwill amortization.
- ◆ In the International Business, the Company expects increased income from its curry business in China, but income from the overall business is expected to decline due to marketing investments for the Southeast Asia business.
- ◆ In Transport and Other Businesses, income is expected to rise thanks to the consolidation of Vox Trading Co., Ltd. as a Group company as well as the effects of increased sales at House Logistics Service Corporation.

The Company aims to increase income by absorbing the impact of rising raw material prices through continuous cost reduction.

● Change in consolidated operating income in FY2013 **Increase of ¥1,059m** (Million yen)



● Breakdown of expenses

	Main factors (consolidated)
Gross profit +¥5,785m Cost to sales ratio: 56.61% (pct of sales: up 2.05)	Impact of increased sales - Spice / Seasoning / Processed Food Business: +Approx. ¥1,600m - Health Food Business: +Approx. ¥300m - International Business: +Approx. ¥1,400m - Transport and Other Businesses: +Approx. ¥2,500m (the consolidation of Vox Trading Co., Ltd. as a Group company, etc.) The Company will absorb the impact of rising raw material prices through cost-cutting initiatives such as streamlining its raw material procurement and production processes.
Personnel expenses -¥464m (pct of sales: down 1.16)	Impact of the reduction of retirement benefit expenses
Marketing costs +¥2,032m (pct of sales: down 1.27)	Promotion expenses: +¥1,139m (pct. of sales: down 0.92) Sales commissions: +¥82m (pct. of sales: down 0.16) Advertising expenses: +¥810m (pct. of sales: down 0.19)
Other expenses +¥3,158m (pct of sales: up 0.48)	Amortization of the goodwill of House Wellness Foods Corporation: -¥673m Increase in other expenses associated with the increase in Group companies

● Non-operating income (expenses) FY2012: +¥2,004m → FY2013: +¥1,500m (down ¥504m year on year)

● Extraordinary income (loss) FY2012: -¥207m → FY2013: -¥300m (down ¥93m year on year)

Major Businesses: Strategies and Initiatives

(1)	Spice / Seasoning / Processed Food Business	Core business	Fully developing major categories
(2)	Health Food Business		Maximizing the value of major brands
(3)	International Business	Growing business	U.S. business, businesses in southeast Asia
(4)			China curry business, restaurant business in Asia

(1) Spice / Seasoning / Processed Food Business: Fully developing major categories

Aim to strengthen mainstay product brands by promoting a full-line strategy for each price range

Net sales	FY2011 performance	FY2012 performance	FY2013 target
Spice / Seasoning / Processed Food Business (million yen)	129,247 (+657)	123,875 (-5,371)	127,000 (+3,125)
Curry roux	38,425 (+71)	37,142 (-1,283)	37,540 (+398)
Retort pouched curry	14,175 (+233)	13,074 (-1,101)	13,750 (+676)
Stew roux	13,660 (-513)	13,390 (-271)	13,790 (+400)
Spice	16,619 (+1,249)	16,610 (-8)	17,120 (+510)
Food service products	16,382 (+1,311)	15,820 (-562)	16,700 (+880)

Vermont Curry
50th Anniversary Campaign
April 5 – June 30, 2013



Implementing a tie-up campaign with Hey!Say!JUMP
Invitation to a special lunch party with members of Hey!Say!JUMP

Promotion of a full-line strategy for each price range



“The Hotel Curry” (roux and retort pouched curry)
“The Hotel Hashed Beef”



Key points of FY2013 initiatives

- ◆ The Company will implement full-line strategies for its curry roux, retort pouched curry, and stew roux in each price range, based on price polarization. It expects to increase sales for the overall business by slightly more than ¥3.0 billion by strengthening its mainstay product brands and introducing products with new values in response to changing customers.
- ◆ For its mainstay roux products, the Company will endeavor to improve its price competitiveness by optimizing its logistics costs, making its production bases more efficient, and promoting cost-cutting initiatives.
- ◆ The Company aims to thoroughly promote *Vermont Curry* to commemorate its 50th anniversary. It will attract attention to the product and boost its market presence by implementing an anniversary campaign.
- ◆ In the food service product business, the Company aims to improve its efficiency by carrying out an organizational integration of House Foods and House Wellness Foods for care food products, and improving its business development ability to create new demand.

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

Endeavor to foster the *Mega Shaki* brand in addition to enhancing the revenue bases of mainstay products

Net sales	FY2011 performance	FY2012 performance	FY2013 target
Health Food Business (million yen)	45,992 (-3,613)	42,766 (-3,226)	43,400 (+634)
<i>Ukon No Chikara</i>	16,456 (-1,534)	15,164 (-1,292)	14,470 (-694)
<i>Mega Shaki</i>	1,647 (+47)	2,170 (+524)	2,750 (+580)
<i>C1000</i>	19,070 (-84)	17,103 (-1,967)	17,740 (+637)
Direct retail (mail order) products	656 (-312)	531 (-125)	700 (+169)

The C1000 series



New TV commercials will be aired, featuring Ms. Tsubasa Honda as the new face of the product.
An original TV commercial jingle will be created to make the C1000 brand more appealing to target consumers.

Ukon No Chikara



Mega Shaki and Mega Shaki gum



Key points of FY2013 initiatives

- ◆ The Company will strive to increase sales of its functional foods and bolster its revenue base by focusing intensely on its core brands and trying to create new values, expecting to increase sales for the entire business by approx. ¥600 million.
- ◆ The Company will improve customer satisfaction with its *Ukon No Chikara* series, in an effort to strengthen the presence of the series. The Company will also focus its efforts on *Ukon No Chikara Super*.

- ◆ For *Mega Shaki*, the Company aims to improve its brand value by making both the drink and gum more appealing. The Company will therefore endeavor to expand its customer base and increase purchasing opportunities, aiming for YoY growth of 27%.
- ◆ For the *C1000* series, the Company will implement marketing efforts in tandem with the renewal of *Vitamin Lemon* and *Lemon Water*, and also strive to increase the presence of *Vitamin Lemon* and expand sales.

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

Expand the U.S. tofu business further by gaining new customers. Establish the Southeast Asia business in the market.

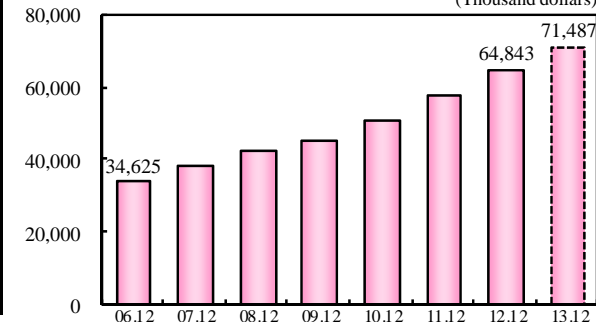
● Businesses in the United States

(Million yen)

Net sales	FY2011 performance	FY2012 performance	FY2013 target
House Foods America Corporation total	6,123 (107.3%) <\$78,762,000 (112.5%)>	7,431 (121.4%) <\$85,825,000 (109.0%)>	8,210 (110.5%) <\$91,200,000 (106.3%)>
Tofu business	4,494 (107.3%)	5,614 (124.9%)	6,430 (114.6%)
Restaurant business	1,019 (103.9%)	1,125 (110.4%)	1,280 (114.2%)
Exchange rate	¥77.74	¥86.58	¥90.00

Sales in U.S. tofu business (Dollars)

(Thousand dollars)



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

Tofu products from House Foods America Corporation



Tofu Shirataki

Products from El Burrrito Mexican Food Products Corporation



A meat alternative product

Key points of FY2013 initiatives

- ◆ The tofu production line at the New Jersey plant was expanded last October. The Company will strive to strengthen its initiatives with major distribution companies and expand tofu products further by gaining new customers, aiming to increase sales from its tofu business by at least 10% YoY.
- ◆ As a countermeasure against soaring soybean prices, the Company started to revise the prices of certain products, including organic products, in January 2013.
- ◆ The Company plans to increase the presence of its products by expanding its product line-up, including the meat alternative products from El Burrrito Mexican Food Products Corporation.

● Businesses in Southeast Asia

(Million yen)

House Osotspa Foods Co., Ltd. (Thailand)

	FY2011 performance	FY2012 performance	FY2013 target
Net sales	— (—%)	393 (—%)	680 (171.9%)

Exchange rate: ¥3.20 in FY2012 and ¥3.00 in FY2013

- ◆ The third flavor of the functional drink *C-vitt* will be launched this fall. The Company aims to increase sales by aggressively investing in marketing.



House Foods Vietnam Co., Ltd. (Vietnam)

	FY2012 performance	FY2013 target
Net sales	— (—%)	490 (—%)

Exchange rate: ¥0.0043 in FY2013

- ◆ The plant started operating in April, and the powdered dessert products *House PurinMix* and *House Sherbic* will be launched in May. Marketing investments have been made in the products to increase market penetration. *Fruity Vita*, a powdered functional drink, will be launched later.



(To be launched in May)

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

Promote an organizational restructuring of the business in China to get the business expansion on track.

● China curry business

(Million yen)

Net sales	FY2011 performance	FY2012 performance	FY2013 target
Shanghai House Foods Co., Ltd.	1,012 (129.8%) <82,083,000 yuan (130.0%)>	1,331 (131.6%) <95,698,000 yuan (116.6%)>	1,870 (140.3%) <133,500,000 yuan (139.5%)>

● The restaurant business in Asia

Net sales	FY2011 performance	FY2012 performance	FY2013 target	Number of restaurants as of the end of March 2013
Shanghai House Curry Coco Ichibanya Restaurant, Inc.	993 (148.7%)	1,624 (163.6%)	2,240 (137.9%)	33
Korea Curry House Co., Ltd.	312 (116.0%)	385 (123.4%)	380 (98.9%)	18
Taiwan Curry House Restaurant, Inc.	436 (138.1%)	723 (166.0%)	930 (129.2%)	17
Total	1,741 (139.0%)	2,733 (157.0%)	3,550 (130.0%)	68

Exchange rate: China ¥12.33 in FY2011, ¥13.91 in FY2012, ¥14.00 in FY2013
 South Korea ¥0.0675 in FY2011, ¥0.0810 in FY2012, ¥0.0800 in FY2013
 Taiwan ¥2.57 in FY2011, ¥2.98 in FY2012, ¥3.00 in FY2013

Key points of FY2013 initiatives

- ◆ Regarding its business in China, the Company will accelerate its strategy-formulation and decision-making processes for the entire country, with China Centre at the core, and develop its businesses further by establishing a company to oversee China, which is planned in December 2013. The Company will thus establish a system to thoroughly advance business development.
- ◆ Shanghai House Foods will continue to implement in-store sales and campaigns, etc. to increase consumer recognition of Japanese-style curry. It will also add salespeople to improve sales in the inland area. In addition, the Company will endeavor to further increase its operating income, which it achieved last fiscal year, by cutting manufacturing costs and promotion expenses.
- ◆ A second plant will be established at Dalian Horie Yamatoya Food Co., Ltd. to produce curry roux products. A system will be established to expand business by introducing a high-speed production line to save manpower (operation is expected to begin in fall 2014).
- ◆ In its restaurant business in China, the Company will establish new companies in North China (Beijing) and South China (Guangzhou) (planned in fall 2013), and restaurant operations will be accelerated through these three companies.

Curry products from Shanghai House Foods Co., Ltd.



In-store event for curry roux










A curry restaurant



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)
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>Tongari Corn</u>
	
	Launched in 1978
	<u>Kanjuku Tomato No Hayashi Rice Sauce</u>
	
	Launched in 1996
	<u>Ukon No Chikara</u>
	
	Launched in 2004
	<u>Prime</u>
	
	Launched in 2006

Major new products and varieties for the spring and summer 2013



● New product

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

	Product	Suggested retail price	Sale date
Curry roux	The Hotel Curry (Noko Jitate, Wine Sauce Jitate)	Open (¥227)	Feb. 18
Pasta sauce	Roux De Tsukuru Roux Spa! Soup Spaghetti No Moto (Noko Cream Jitate, Noko Tomato Jitate)	Open (¥180)	Feb. 18
Retort pouched	The Hotel Hashed Beef	Open (¥227)	Feb. 18

● Variety

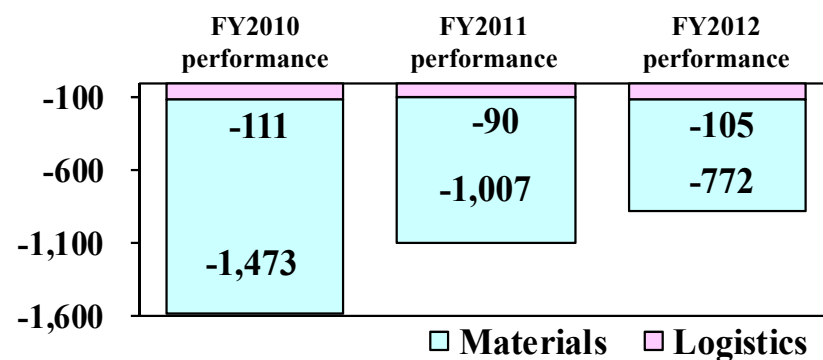
Curry roux	Café-Style Curry Butter Chicken Curry	Open (¥170)	Feb. 18
Curry-related products	Curry Partner (Coconut Milk Paste, Koku Wo Fukameru 4-Shu No Yasai Paste)	¥100	Feb. 18
Seasoning for specific menus	Curry Na Okazu Thai-Fu (Toriniku To Nasu No Green Curry Itame, Toriniku To Piman No Basil Itame)	Open (¥189)	Feb. 18
Hamburger	Nikomi Hamburger Helper	¥220	Feb. 18
Stew	Gochiso Chowder, Ebi Cream Chowder	Open (¥240)	Feb. 18
Retort pouched curry	140 g Kukure Curry (Ama Kuchi, Chu-Kara)	¥122	Feb. 18
Spice	Spice Cooking (Caramel Banana Muffin, Apple Ginger Cake, Maple Cinnamon Cookie, Pepper Cheese Cookie)	Open (¥110)	Feb. 18
Spice	Togarashi Zoku (Baku-Kara Curry No Moto, Goku-Kara Mabo Dofu No Moto, Aka-Kara Chicken No Moto)	Open (¥110)	Feb. 18
Spice	Papan (Cinnamon Sugar Stick Type, Chai You Blend Sugar) Papan (Cinnamon Sugar Calorie Half-Stick Type)	Open (¥200) (¥250)	Feb. 18
Spice	Papan Strawberry Sugar	¥130	Feb. 18
Dessert	Fruiche Golden Pine	¥180	Feb. 4
Dessert	Fruiche Sweets White Choco Fumi No Banana	¥180	Feb. 4

● Renewal

Curry roux	Kokumaro Curry (88 g, 140 g) Ama Kuchi, Chu-Kara, Kara Kuchi	88 g ¥130 140 g ¥176	Jan. 21
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Trends of cost reductions and sales promotion expenses

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

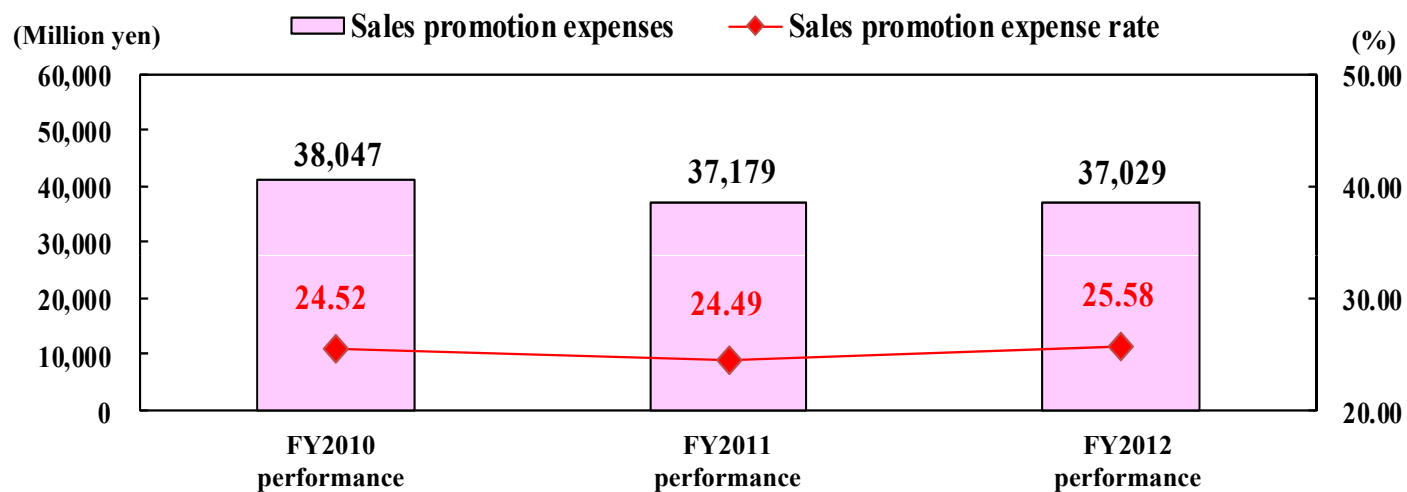


(Million yen)

	Materials cost	Logistics cost	Total
FY2010 performance	1,473	111	1,584
FY2011 performance	1,007	90	1,097
FY2012 performance	772	105	877

The full-year target projected for FY2013 is ¥1,010m, or ¥810m for materials cost and ¥200m for logistics cost.

● Sales promotion expenses (non-consolidated)



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

● Non-operating income and expenses

(Million yen)	FY2011	FY2012	Year on year
Interest income	441	486	+45
Dividend income	518	559	+41
Equity in earnings of affiliates	399	415	+16
Foreign exchange gains	—	360	+360
Other (incl. income from leasehold properties)	238	277	+39
Total non-operating income	1,596	2,096	+500
Interest expenses	40	44	+4
Foreign exchange losses	42	—	-42
Other (incl. expenses for leasehold properties)	65	48	-17
Total non-operating expenses	147	92	-55

● Extraordinary income and loss

(Million yen)	FY2011	FY2012	Year on year	Remarks
Gain on sales of noncurrent assets	295	25	-269	FY2011 Gain in sales of noncurrent assets → Sales gain related to lands and buildings of House Foods' branches
Reversal of allowance for doubtful accounts	1	0	-1	
Gain on sales of investment securities	1	10	+10	
Other	7	13	+5	
Total extraordinary income	304	49	-255	
Loss on retirement of noncurrent assets	327	189	-139	FY2011 Cost of early retirement support → Expenses for assisting in changing course aimed at assisting employees' life plan Impairment loss → Including an impairment loss on noncurrent assets associated with the rebuilding of the Osaka Head Office
Loss on sales of noncurrent assets	21	11	-11	
Loss on valuation of investment securities	26	—	-26	
Loss on valuation of membership	31	29	-1	
Impairment loss	445	—	-445	
Loss on disaster	186	—	-186	
Cost of early retirement support	1,534	—	-1,534	
Other	350	27	-323	
Total extraordinary loss	2,920	256	-2,664	

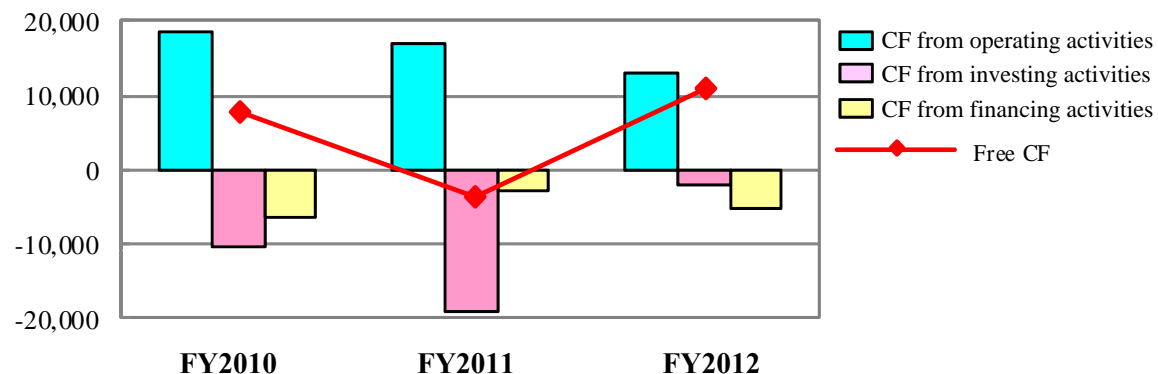
Changes in consolidated cash flows

● Changes in consolidated cash flows

	(Million yen)		
	FY2010	FY2011	FY2012
Cash flows from operating activities	18,568	17,098	12,884
Cash flows from investing activities	-10,228	-19,069	-1,841
Cash flows from financing activities	-6,466	-2,836	-4,943
Cash and cash equivalents at end of period	46,091	41,190	47,715
Free cash flow*	8,340	-1,971	11,043

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

(Million yen)



● Major factors of changes in consolidated cash flows (Comparison of FY2011 and FY2012)

(Million yen)

Cash flows from operating activities	-4,214
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Major factors

Income taxes paid	-1,233
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Cash flows from investing activities	+17,228
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Major factors

Proceeds from withdrawal of time deposits	+9,802
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Payments into time deposits	+5,465
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Proceeds from sales of securities	+5,200
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Cash flows from financing activities	-2,107
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Major factors

Purchase of treasury stock	-1,306
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Cash dividends paid	-619
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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	
FY2010	2,825	386	3,211	1,216	217	1,433	Remodeling and replacement of snack equipment Replacement of wastewater treatment facilities of Sun House 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	5,684	433	6,117	2,595	176	2,772	Replacement of building and production facilities for House Foods America Corporation Construction of new building for the Osaka Head Office
FY2013 plan	9,500	500	10,000				Investments related to the roux production line for House Foods Upgrade of the research facilities and production facilities for House Wellness Foods

● Trends of depreciation and amortization

(Million yen)

	Consolidated			Non-consolidated		
	Depreciation and amortization	Lease expenses	Total	Depreciation and amortization	Lease expenses	Total
FY2010	5,704	566	6,269	3,501	318	3,819
FY2011	5,356	458	5,814	3,192	231	3,423
FY2012	5,020	382	5,402	2,859	174	3,033
FY2013 plan	5,000	300	5,300			

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 (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
(As of March 31, 2013)**

New business segment	Main product groups, businesses, and subsidiaries
<i>Spice / Seasoning / Processed Food Business</i>	<p><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></p>
<i>Health Food Business</i>	<p><Health foods> (Ukon No Chikara, Mega Shaki, and other products) [House Wellness Foods Corporation] <Direct Retail (Mail Order) Business> (Supplements)</p>
<i>International Business</i>	<p>United States [House Foods America Corporation] [El Burrito Mexican Food Products 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></p>
<i>Transport and Other Businesses</i>	<p>[House Logistics Service Corporation] [High Net Corporation] [Delica Chef Corporation] [House Business Partners Corporation][House Ai-Factory Corporation] [House Food Analytical Laboratory Inc.] [Horie Yamatoya Co., Ltd.][Dalian Horie Yamatoya Co., Ltd.]</p>

<Product group/business> [Subsidiary]